

**OFFER DOCUMENT DATED 21 AUGUST 2008**

(Registered by the Singapore Exchange Securities Trading Limited on 21 August 2008)

**This document is important. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax, or other professional adviser(s).**

An application has been made with Singapore Exchange Securities Trading Limited (the "Exchange") for permission for the New Shares and all the Shares to be listed for quotation on Catalist.

Companies listed on Catalist may carry higher investment risk when compared with larger or more established companies listed on the SGX Main Board. In particular, companies may list on Catalist without a track record of profitability and there is no assurance that there will be a liquid market in the shares or units of shares traded on Catalist. You should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with your professional adviser(s).

This offer is made in or accompanied by an offer document that has been registered by the Exchange acting as agent on behalf of the Monetary Authority of Singapore (the "Authority"). We have not lodged or registered this Offer Document in any other jurisdiction.

Neither the Authority nor the Exchange has examined or approved the contents of this document. Neither the Authority nor the Exchange assumes any responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document. The Exchange does not normally review the application for admission but relies on United Overseas Bank Limited, our Sponsor, confirming that our Company is suitable to be listed and complies with the rules. Neither the Authority nor the Exchange has in any way considered the merits of the New Shares being offered for investment.

The registration of this offer document by the Exchange does not imply that the Securities and Futures Act (Chapter 289), or any other legal or regulatory requirements, or requirements under the Exchange's listing rules, have been complied with.

Acceptance of applications will be conditional upon issue of the New Shares and upon listing of all the Shares of our Company. Monies paid in respect of any application accepted will be returned if the admission and listing do not proceed. The dealing and quotation of the Shares will be in Singapore dollars.

After the expiration of six (6) months from the date of registration of this offer document, no person shall make an offer of securities, or allow, issue or sell any securities, on the basis of this offer document, and no officer or equivalent person or promoter of the entity or proposed entity will authorise or permit the offer of any securities or the allotment, issue or sale of any securities, on the basis of this offer document.

Investing in our Shares involves risks which are described in the section on "RISK FACTORS" of this Offer Document.



**Qualitas Medical Group Limited**

(Company Registration No.: 200717959H)

(Incorporated in the Republic of Singapore on 28 September 2007)

Invitation in respect of 22,000,000 New Shares comprising:-

- (a) 1,100,000 Offer Shares at \$0.25 for each Offer Share by way of public offer; and
- (b) 20,900,000 Placement Shares at \$0.25 for each Placement Share by way of placement,

payable in full on application.

*Sponsor, Underwriter and Placement Agent*



# Qualitas Medical Group...

A Growing Regional Primary Healthcare Services Group

## Overview

- Established in 1997
- Leading private primary healthcare services provider in Malaysia
  - ♦ 152 owned, affiliate and associate clinics
  - ♦ 89 owned clinics and 63 affiliate/associate clinics
  - ♦ Recorded more than one million patient visits annually since FY2005
- Regional network in India, Indonesia and Cambodia
  - ♦ 3 owned clinics with diagnostic facilities in India, 1 managed clinic in Indonesia and 4 affiliate clinics in Cambodia
- Customers include self-paying customers, corporate clients such as Tesco, Carlsberg Breweries, Bank of Nova Scotia and Bank of America and Managed Care Organisations (MCOs) such as ING

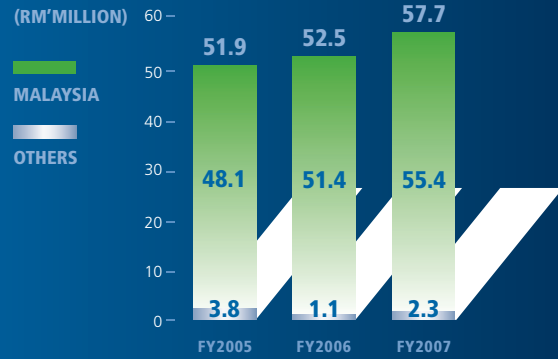
## Our Business Model

- Doctor-led and doctor-governed
  - ♦ Network of doctor-shareholder clinics
- Scale and scope of operations enables centralisation of operations
  - ♦ Integrated software system
  - ♦ Centralised purchasing system
    - Derives efficiencies in inventory management, enjoys bulk discounts and assures uniform distribution of drugs throughout our network of clinics as well as continuous availability
  - ♦ Centralised marketing system with centralised billings
    - Provides convenience and ease to corporate clients and MCOs in administering their healthcare benefits to their employees and their clients respectively
  - ♦ Centralised branding
    - Differentiates from other clinics with strong branding, including consistent clinic décor and signages, staff uniforms and sales & marketing materials
- Scaleable and replicable business model supported by own IT system

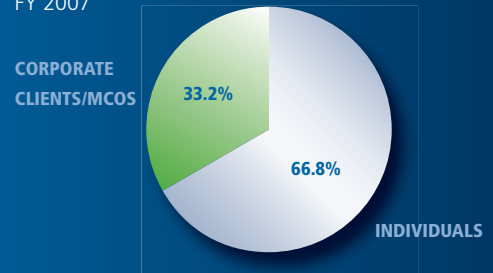
## Financial Highlights

(FY: FINANCIAL YEAR ENDED 31 DECEMBER)

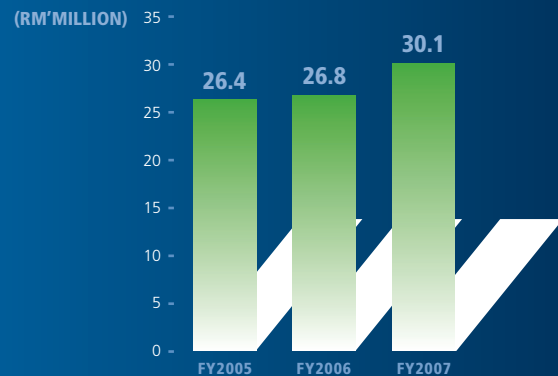
### REVENUE BY GEOGRAPHY



### REVENUE BY SEGMENT FY 2007



### GROSS PROFIT



## Our Network of Clinics



## Our Competitive Strengths

- One of the largest networks of private clinics in Malaysia
  - ♦ Believed to be one of the largest and most comprehensive geographical coverage in Malaysia
  - ♦ Represents a critical mass of doctors, several of whom with requisite seniority and experience to take on quality and supervisory roles on in-house committees and as medical directors
- Enjoy competitive advantages and economies of scale
  - ♦ Centralised purchasing system allows bulk discounts whilst minimising inventory levels and obsolescence
  - ♦ Centralised marketing with consolidated billings allows greater clout to negotiate and contract as a single party with corporate employers and MNCs
- Scaleable and replicable business model supported by IT system
  - ♦ Developed necessary infrastructure to manage network of clinics
  - ♦ Comprehensive system of management of clinics that is scaleable and replicable in other parts of the region
- Established clientele of MNCs
  - ♦ Over 5,000 corporate clients including MNCs such as Tesco, Carlsberg Breweries, Bank of Nova Scotia and Bank of America, and MCOs such as ING covering staff from MNCs that include Exxon Mobil, Citibank, HSBC and Hewlett Packard
- Capacity to provide wide range of primary healthcare services, such as ECGs and scanning facilities
  - ♦ Larger one-stop high-end clinics possessing supporting diagnostic tests equipment
  - ♦ Owned clinics located at premises of large corporate employers with a large work force
- Qualitas brand is gaining recognition
  - ♦ Amongst corporate employers and MNCs as well as local communities in Malaysia
  - ♦ Effectiveness of centralised branding strategy maximised through the large number of clinics in our network
- Experienced and proven management team
  - ♦ Management team of dedicated and qualified professionals with proven track records in the healthcare industry
  - ♦ Supported by team of Executive Officers and various in-house professional committees
  - ♦ Ability to identify new market opportunities, implement strategic plans and exercise prudent financial management



Our corporate clients include MNCs such as Tesco, Carlsberg Breweries, Bank of Nova Scotia and Bank of America, and MCOs such as ING covering staff from Exxon Mobil, Citibank, HSBC and Hewlett Packard...



## Our Prospects

### Malaysia

- Increasing demand for primary care services to move beyond meeting basic needs to include preventive care, management of chronic conditions, health maintenance through screening and monitoring and health advisory services
- The 9th Malaysian Plan to provide healthcare services for all Malaysians through a significant number of corporate employers via the National Health Insurance Scheme
- Small practices will increasingly become part of a large group practice

### Region

- Rapid growth of regional economies and employment by corporate employers and multinationals in India and Indonesia translate into demand for primary healthcare services from such employers and multinationals
- Growing demand for one-stop high-end primary healthcare medical centres
- Good prospects to scale and multiply one-stop primary healthcare medical centres in: -
  - ♦ Primary and secondary cities in India
  - ♦ Capital cities in Indonesia and Cambodia
  - ♦ Other cities of other countries in the region



## Our Business Strategies and Future Plans

- Enlarge our presence in Malaysia and expand with one-stop high-end primary healthcare centres in India and region
  - ♦ Identify and acquire other private clinics or develop affiliate/associate relationships in Malaysia
  - ♦ Replicate our business model and expand in India and the region through acquisitions, start-ups or through affiliate or associate relationships
  - ♦ Acquire high-end medical diagnostic facilities such as MRIs and CAT scans in India, to support third party medical specialists as well as private and corporate clients
- Enhance our Qualitas brand through marketing initiatives and corporate branding
  - ♦ Strengthen our marketing and business development team
  - ♦ Increase our advertising budget
  - ♦ Allocate an increased budget to implement consistent décor and logo for all our clinics
  - ♦ Participate in community work in the local area in which our clinics are located and provide sponsorships for such community work
- Upgrade our medical equipment and IT system
  - ♦ Upgrade existing medical equipment and acquire new medical equipment
  - ♦ Develop a new laboratory module which allows us to capture and integrate the diagnostic data of our patients in India into our system
  - ♦ Develop a more comprehensive IT system to manage our human resources
- Obtain Malaysian Standards for Quality in Healthcare (MSQH) accreditation
  - ♦ Specialised form of accreditation for clinical processes to enhance professional credibility of clinics



# CONTENTS

|   | Page |
|---|------|
| <b>CORPORATE INFORMATION</b> .....                                | 4    |
| <b>DEFINITIONS</b> .....  | 7    |
| <b>GLOSSARY OF TERMS</b> .....                                    | 13   |
| <b>CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS</b> ..... | 16   |
| <b>SELLING RESTRICTIONS</b> .....                                 | 18   |
| <b>DETAILS OF THE INVITATION</b>                                  |      |
| - LISTING ON CATALIST .....                                       | 19   |
| - INDICATIVE TIMETABLE FOR LISTING .....                          | 22   |
| <b>PLAN OF DISTRIBUTION</b> .....                                 | 23   |
| <b>OFFER DOCUMENT SUMMARY</b> .....                               | 25   |
| <b>THE INVITATION</b> .....                                       | 27   |
| <b>EXCHANGE RATES</b> .....                                       | 28   |
| <b>RISK FACTORS</b> .....   | 29   |
| <b>INVITATION STATISTICS</b> .....                                | 39   |
| <b>USE OF PROCEEDS AND EXPENSES OF THE INVITATION</b> .....       | 41   |
| <b>DIVIDEND POLICY</b> .....                                      | 42   |
| <b>SHARE CAPITAL</b> .....  | 43   |
| <b>SHAREHOLDERS</b>   |      |
| - OWNERSHIP STRUCTURE .....                                       | 45   |
| - SIGNIFICANT CHANGES IN PERCENTAGE OF OWNERSHIP .....            | 46   |
| - MORATORIUM .....  | 47   |
| <b>CAPITALISATION AND INDEBTEDNESS</b> .....                      | 49   |
| <b>DILUTION</b> .....   | 52   |
| <b>RESTRUCTURING EXERCISE</b>                                     |      |
| - OUR RESTRUCTURING EXERCISE .....                                | 54   |
| - GROUP STRUCTURE PRIOR TO RESTRUCTURING EXERCISE .....           | 58   |
| - GROUP STRUCTURE AFTER RESTRUCTURING EXERCISE .....              | 59   |
| <b>GROUP STRUCTURE</b> .....                                      | 60   |
| <b>SELECTED CONSOLIDATED FINANCIAL INFORMATION</b> .....          | 64   |

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS**

|   |    |
|---|----|
| - OVERVIEW .....                            | 66 |
| - INFLATION .....                           | 70 |
| - SEASONALITY .....                         | 70 |
| - REVIEW OF OPERATING RESULTS .....         | 70 |
| - REVIEW OF FINANCIAL POSITION .....        | 76 |
| - LIQUIDITY AND CAPITAL RESOURCES .....     | 78 |
| - CAPITAL EXPENDITURE AND DIVESTMENTS ..... | 80 |
| - FOREIGN CURRENCY MANAGEMENT .....         | 81 |
| - ORDER BOOK .....                          | 81 |

## **GENERAL INFORMATION ON OUR GROUP**

|  |     |
|--|-----|
| - HISTORY .....                              | 82  |
| - BUSINESS .....                             | 84  |
| - QUALITY ASSURANCE .....                    | 92  |
| - STAFF TRAINING .....                       | 92  |
| - MAJOR CUSTOMERS .....                      | 93  |
| - MAJOR SUPPLIERS .....                      | 93  |
| - INVENTORY MANAGEMENT .....                 | 94  |
| - CREDIT POLICY .....                        | 94  |
| - MARKETING AND BUSINESS DEVELOPMENT .....   | 95  |
| - INTELLECTUAL PROPERTY .....                | 96  |
| - RESEARCH AND DEVELOPMENT .....             | 98  |
| - GOVERNMENT REGULATIONS .....               | 98  |
| - LICENCES/APPROVALS .....                   | 103 |
| - PROPERTIES AND FIXED ASSETS .....          | 107 |
| - INSURANCE .....                            | 108 |
| - COMPETITION .....                          | 108 |
| - COMPETITIVE STRENGTHS .....                | 109 |
| - PROSPECTS AND TRENDS .....                 | 111 |
| - BUSINESS STRATEGIES AND FUTURE PLANS ..... | 112 |

## **INTERESTED PERSON TRANSACTIONS, POTENTIAL CONFLICTS OF INTERESTS AND OTHER TRANSACTIONS**

|   |     |
|---|-----|
| - INTERESTED PERSONS TRANSACTIONS .....                             | 114 |
| - REVIEW PROCEDURES FOR FUTURE INTERESTED PERSON TRANSACTIONS ..... | 114 |
| - POTENTIAL CONFLICTS OF INTERESTS .....                            | 115 |
| - OTHER TRANSACTIONS .....  | 116 |

**DIRECTORS, MANAGEMENT AND STAFF**

|   |     |
|---|-----|
| - DIRECTORS .....                                       | 119 |
| - DIRECTORS' TRAINING .....                             | 121 |
| - DIRECTORS' EXPERIENCE AND FUTURE TRAINING .....       | 121 |
| - EXECUTIVE OFFICERS .....                              | 122 |
| - MANAGEMENT REPORTING STRUCTURE .....                  | 123 |
| - DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION ..... | 124 |
| - SERVICE AGREEMENTS .....                              | 124 |
| - EMPLOYEES .....                                       | 126 |

**CORPORATE GOVERNANCE**

|                         |     |
|-------------------------|-----|
| - COMMITTEES .....      | 127 |
| - BOARD PRACTICES ..... | 128 |

|   |            |
|---|------------|
| <b>DESCRIPTION OF ORDINARY SHARES .....</b> | <b>129</b> |
|---|------------|

|                                |            |
|--------------------------------|------------|
| <b>EXCHANGE CONTROLS .....</b> | <b>132</b> |
|--------------------------------|------------|

|                       |            |
|-----------------------|------------|
| <b>TAXATION .....</b> | <b>134</b> |
|-----------------------|------------|

|                                       |            |
|---------------------------------------|------------|
| <b>CLEARANCE AND SETTLEMENT .....</b> | <b>136</b> |
|---------------------------------------|------------|

|  |            |
|--|------------|
| <b>GENERAL AND STATUTORY INFORMATION .....</b> | <b>137</b> |
|--|------------|

**APPENDIX I**

|  |     |
|--|-----|
| REPORT FROM THE REPORTING ACCOUNTANTS AND AUDITORS ON THE<br>AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF QUALITAS HEALTHCARE<br>CORPORATION SDN BHD AND ITS SUBSIDIARIES FOR THE FINANCIAL YEARS<br>ENDED 31 DECEMBER 2005, 2006 AND 2007 ..... | I-1 |
|--|-----|

**APPENDIX II**

|  |      |
|--|------|
| REPORT FROM THE REPORTING ACCOUNTANTS AND AUDITORS ON THE<br>UNAUDITED PROFORMA CONSOLIDATED FINANCIAL STATEMENTS OF QUALITAS<br>MEDICAL GROUP LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR<br>ENDED 31 DECEMBER 2007 ..... | II-1 |
|--|------|

**APPENDIX III**

|  |       |
|--|-------|
| SUMMARY OF THE CONSTITUTION OF OUR COMPANY ..... | III-1 |
|--|-------|

**APPENDIX IV**

|   |      |
|---|------|
| DETAILS OF LEASED PROPERTY OF OUR GROUP ..... | IV-1 |
|---|------|

**APPENDIX V**

|  |     |
|--|-----|
| HISTORY OF CHANGES IN SHARE CAPITAL OF OUR COMPANY AND<br>OUR SUBSIDIARIES ..... | V-1 |
|--|-----|

**APPENDIX VI**

|   |      |
|---|------|
| TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE ..... | VI-1 |
|---|------|

## CORPORATE INFORMATION

|  |   |   |
|--|---|---|
| <b>BOARD OF DIRECTORS</b>                            | : | Dato' Dr Noorul Ameen Bin Mohamed Ishack<br>(Chairman and Managing Director)  |
|  |   | Karim Tajdin Mohamed Ali Dhala<br>(Executive Director)  |
|  |   | Raja Noorma Binti Raja Othman<br>(Non-Independent Non-Executive Director)   |
|  |   | Muhammad Azraini Bin Abdul Hamid<br>(Non-Independent Non-Executive Director)  |
|  |   | Dato' Dr Samsudin Bin Hussain<br>(Independent Director)   |
|  |   | Chaw Chong Foo<br>(Lead Independent Director)   |
| <b>COMPANY SECRETARY</b>                             | : | Yeoh Kar Choo Sharon, ACIS  |
| <b>REGISTERED OFFICE</b>                             | : | 138 Robinson Road<br>#17-00 The Corporate Office<br>Singapore 068906  |
| <b>PRINCIPAL PLACE OF BUSINESS</b>                   | : | Suite 301, Level 3, Menara PJ<br>Amcorp Trade Centre<br>18 Persiaran Barat<br>46050 Petaling Jaya<br>Selangor<br>Malaysia |
| <b>SHARE REGISTRAR AND<br/>SHARE TRANSFER OFFICE</b> | : | M&C Services Private Limited<br>138 Robinson Road<br>#17-00 The Corporate Office<br>Singapore 068906                      |
| <b>SPONSOR, UNDERWRITER AND<br/>PLACEMENT AGENT</b>  | : | United Overseas Bank Limited<br>80 Raffles Place<br>UOB Plaza<br>Singapore 048624   |



|  |   |   |
|--|---|---|
| <b>REPORTING ACCOUNTANTS AND AUDITORS</b>  | : | <p>KPMG<br/>Public Accountants and Certified Public Accountants<br/>16 Raffles Quay<br/>#22-00 Hong Leong Building<br/>Singapore 048581</p> <p>Adeline Lee Tuck Ngor<br/>Partner-in-charge<br/>A member of the Institute of Certified Public Accountants of Singapore</p> <p>KPMG<br/>Chartered Accountants<br/>Level 10 KPMG Tower<br/>8 First Avenue<br/>Bandar Utama<br/>47800 Petaling Jaya<br/>Selangor<br/>Malaysia</p> <p>Adrian Lee Lye Wang<br/>Partner-in-charge<br/>A member of the Malaysian Institute of Accountants</p> |
| <b>SOLICITORS TO THE INVITATION AND LEGAL ADVISER TO OUR COMPANY AS TO SINGAPORE LAW</b> | : | <p>Drew &amp; Napier LLC<br/>20 Raffles Place<br/>#18-00 Ocean Towers<br/>Singapore 048620</p>  |
| <b>SOLICITORS TO THE SPONSOR, UNDERWRITER AND PLACEMENT AGENT</b>                        | : | <p>KhattarWong<br/>80 Raffles Place<br/>#25-01 UOB Plaza 1<br/>Singapore 048624</p>   |
| <b>LEGAL ADVISER TO OUR COMPANY AS TO MALAYSIAN LAW</b>                                  | : | <p>Kadir Andri &amp; Partners<br/>8<sup>th</sup> Floor Menara Safuan<br/>80 Jalan Ampang<br/>50450 Kuala Lumpur<br/>Malaysia</p>  |
| <b>LEGAL ADVISER TO OUR COMPANY AS TO INDIAN LAW</b>                                     | : | <p>Nataraj, Rao, Raghu &amp; Sundaram<br/>Haji S. Madharsha &amp; Sons Building<br/>5<sup>th</sup> Floor No. 148 (Old No. 44)<br/>Second Line Beach<br/>Chennai 600 001<br/>India</p>   |
| <b>LEGAL ADVISER TO OUR COMPANY AS TO INDONESIAN LAW</b>                                 | : | <p>Ali Budiardjo, Nugroho, Reksodiputro<br/>Graha Niaga 24<sup>th</sup> Floor<br/>Jalan Jenderal Sudirman Kav. 58<br/>Jakarta 12190<br/>Indonesia</p>   |

**PRINCIPAL BANKERS**

: Hong Leong Bank Berhad  
80-82 Jalan 1/14  
Jalan Othman  
46000 Petaling Jaya  
Selangor  
Malaysia

Public Bank Berhad  
275 & 277 Jalan Mahkota  
Taman Maluri  
Cheras  
55100 Kuala Lumpur  
Malaysia

Malayan Banking Berhad  
37<sup>th</sup> Floor Menara Maybank  
100 Jalan Tun Perak  
50050 Kuala Lumpur  
Malaysia

**RECEIVING BANKER**

: United Overseas Bank Limited  
80 Raffles Place  
UOB Plaza  
Singapore 048624

## DEFINITIONS

In this Offer Document and the accompanying Application Forms, the following definitions apply where the context so admits:-

### Group Companies

|  |   |   |
|--|---|---|
| <i>“Company” or “Qualitas Medical Group”</i> | : | Qualitas Medical Group Limited            |
| <i>“Group”</i>                               | : | Our Company and our subsidiaries          |
| <i>“QHC”</i>                                 | : | Qualitas Healthcare Corporation Sdn Bhd   |
| <i>“QHC Group”</i>                           | : | QHC and its subsidiaries                  |
| <i>“QHI”</i>                                 | : | Qualitas Healthcare International Sdn Bhd |
| <i>“QMG”</i>                                 | : | Qualitas Medical Group Sdn Bhd            |

### Other Companies, Organisations and Agencies

|  |   |  |
|--|---|--|
| <i>“Authority”</i>   | : | The Monetary Authority of Singapore  |
| <i>“BCHB”</i>  | : | Bumiputra-Commerce Holdings Berhad   |
| <i>“Bursa Malaysia”</i>                                      | : | Bursa Malaysia Securities Berhad being the stock exchange of Malaysia  |
| <i>“CAV”</i>   | : | Commerce Asset Ventures Sdn Bhd  |
| <i>“CDP”</i>   | : | The Central Depository (Pte) Limited   |
| <i>“CIMB Group”</i>  | : | CIMB Group Sdn Bhd   |
| <i>“CKPF”</i>  | : | Commerce-KPF Ventures Sdn Bhd  |
| <i>“CPF”</i>   | : | The Central Provident Fund   |
| <i>“FIC”</i>   | : | Foreign Investment Committee of Malaysia   |
| <i>“Participating Banks”</i>                                 | : | UOB and its subsidiary, Far Eastern Bank Limited (the “UOB Group”), DBS Bank Ltd (including POSB) (“DBS”) and Oversea-Chinese Banking Corporation Limited (“OCBC”) |
| <i>“SCCS”</i>  | : | Securities Clearing & Computer Services (Pte) Ltd  |
| <i>“SGX-ST”</i>  | : | Singapore Exchange Securities Trading Limited  |
| <i>“Share Registrar”</i>                                     | : | M&C Services Private Limited   |
| <i>“UOB”, “Sponsor”, “Underwriter”, or “Placement Agent”</i> | : | United Overseas Bank Limited   |
| <i>“Warburg, Pincus”</i>                                     | : | Warburg, Pincus Ventures, L.P.   |

## General

- “Application Forms”* : The printed application forms to be used for the purpose of the Invitation and which form part of this Offer Document
- “Application List”* : The list of applications for subscription of the New Shares
- “Articles” or “Articles of Association”* : Articles of Association of our Company
- “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, acting in their capacity as such 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; or
  - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30.0% or more of the aggregate of the nominal amount of all the voting shares;
- (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 fellow subsidiary of any such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30.0% or more
- “Associated Company”* : In relation to a corporation, means:-
- (a) any corporation in which the corporation or its subsidiary has, or the corporation and its subsidiary together have, a direct interest of not less than 20.0% but not more than 50.0% of the aggregate of the nominal amount of all the voting shares; or
  - (b) any corporation, other than a subsidiary of the corporation or a corporation which is an associated company by virtue of paragraph (a), the policies of which the corporation or its subsidiary, or the corporation together with its subsidiary, is able to control or influence materially
- “ATM”* : Automated teller machine of a Participating Bank
- “Audit Committee”* : The audit committee of our Company for the time being

|   |   |   |
|---|---|---|
| <i>“Board” or “Board of Directors”</i>    | : | The board of Directors of our Company as at the date of this Offer Document, unless otherwise stated  |
| <i>“Catalist”</i>                         | : | The Catalist board of the SGX-ST  |
| <i>“Catalist Rules”</i>                   | : | Section B of the Listing Manual dealing with the rules of Catalist  |
| <i>“Companies Act”</i>                    | : | The Companies Act (Chapter 50) of Singapore, as amended, supplemented or modified from time to time   |
| <i>“Controlling Shareholder”</i>          | : | A person who holds directly or indirectly 15.0% or more of the aggregate number of our Shares or in fact exercises control over our Company                                       |
| <i>“Directors”</i>                        | : | The directors of our Company as at the date of this Offer Document  |
| <i>“Electronic Applications”</i>          | : | Applications for the Offer Shares made through an ATM or through IB websites of one of the Participating Banks in accordance with the terms and conditions of this Offer Document |
| <i>“EPS”</i>                              | : | Earnings per Share  |
| <i>“Executive Directors”</i>              | : | The executive Directors of our Company as at the date of this Offer Document  |
| <i>“Executive Officers”</i>               | : | The executive officers of our Company as at the date of this Offer Document   |
| <i>“FY”</i>                               | : | Financial year ended or, as the case may be, ending 31 December   |
| <i>“Government”</i>                       | : | The Federal Government of Malaysia  |
| <i>“IB”</i>                               | : | Internet Banking  |
| <i>“Independent Directors”</i>            | : | The independent Directors of our Company as as the date of this Offer Document  |
| <i>“Invitation”</i>                       | : | Our invitation to the public in Singapore to subscribe for the New Shares at the Issue Price, subject to and on the terms and conditions of this Offer Document                   |
| <i>“Issue Price”</i>                      | : | \$0.25 for each New Share   |
| <i>“Listing Date”</i>                     | : | The date on which trading in the Shares commences on the SGX-ST   |
| <i>“Listing Manual”</i>                   | : | The provisions of Sections A and B of the listing manual of the SGX-ST as from time to time amended, modified or supplemented   |
| <i>“LPD” or “Latest Practicable Date”</i> | : | 16 June 2008, being the latest practicable date prior to the lodgment of this Offer Document with the SGX-ST  |

|                                  |   |   |
|----------------------------------|---|---|
| <i>“Market Day”</i>              | : | A day on which the SGX-ST is open for trading in securities   |
| <i>“NAV”</i>                     | : | Net asset value   |
| <i>“NTA”</i>                     | : | Net tangible assets   |
| <i>“New Shares”</i>              | : | The 22,000,000 new Shares for which we invite applications to subscribe for pursuant to the Invitation, subject to and on the terms and conditions of this Offer Document                   |
| <i>“Nominating Committee”</i>    | : | The nominating committee of our Company for the time being  |
| <i>“Non-Executive Directors”</i> | : | The non-executive Directors of our Company as at the date of this Offer Document  |
| <i>“Offer”</i>                   | : | The offer by our Company of the Offer Shares to the public in Singapore for subscription at the Issue Price subject to and on the terms and conditions of this Offer Document               |
| <i>“Offer Document”</i>          | : | This Offer Document dated 21 August 2008 issued by our Company in respect of the Invitation   |
| <i>“Offer Shares”</i>            | : | 1,100,000 of the New Shares which are the subject of the Offer  |
| <i>“Official List”</i>           | : | The list of issuers maintained by the SGX-ST in relation to Catalist  |
| <i>“PBT”</i>                     | : | Profit before taxation  |
| <i>“PER”</i>                     | : | Price earnings ratio  |
| <i>“Placement”</i>               | : | The placement of the Placement Shares by the Placement Agent on behalf of our Company for subscription at the Issue Price subject to and on the terms and conditions of this Offer Document |
| <i>“Placement Shares”</i>        | : | 20,900,000 of the New Shares which are the subject of the Placement   |
| <i>“Remuneration Committee”</i>  | : | The remuneration committee of our Company for the time being  |
| <i>“Restructuring Exercise”</i>  | : | The corporate restructuring exercise undertaken in connection with the Invitation as described in the section on “Restructuring Exercise” of this Offer Document                            |
| <i>“Securities Account”</i>      | : | The securities account maintained by a Depositor with CDP but does not include a securities sub-account   |
| <i>“Service Agreements”</i>      | : | The service agreements entered into between our Company and our Executive Directors, Dato’ Dr Ameen and Mr Karim Dhala  |

|  |   |  |
|--|---|--|
| <i>“SFA” or “Securities &amp; Futures Act”</i> | : | The Securities and Futures Act (Chapter 289) of Singapore, as amended, supplemented or modified from time to time  |
| <i>“Shareholder(s)”</i>                        | : | Shareholders of our Company  |
| <i>“Shares”</i>                                | : | Ordinary shares in the capital of our Company  |
| <i>“Share Split”</i>                           | : | The share split of every five (5) ordinary shares in our Company into eleven (11) ordinary shares after the Restructuring Exercise but immediately prior to the Invitation |
| <i>“Substantial Shareholders”</i>              | : | Persons who have an interest of 5.0% or more of the aggregate number of our Shares   |

### **Currencies, Units and Others**

|                                    |   |   |
|------------------------------------|---|---|
| <i>“\$” or “S\$” and “cents”</i>   | : | Singapore dollars and cents respectively                |
| <i>“IDR”</i>                       | : | Indonesian rupiah                                       |
| <i>“INR” or “Rs.” and “paise”</i>  | : | Indian rupees and paise respectively                    |
| <i>“KHR”</i>                       | : | Cambodian riel  |
| <i>“RM”, “Ringgit” or “RM sen”</i> | : | Malaysian ringgit and sen respectively                  |
| <i>“US\$” and “US cents”</i>       | : | United States of America dollars and cents respectively |
| <i>“%” or “per cent.”</i>          | : | Per centum or percentage                                |

For the purpose of this Offer Document, the following persons named in the second column below are also known by the name set out in the first column:-

| <b>Also known as</b> | <b>Name in Identity Card or Passport</b> |
|----------------------|--|
| Dato’ Dr Ameen       | Noorul Ameen Bin Mohamed Ishack          |
| Mr Karim Dhala       | Karim Tajdin Mohamed Ali Dhala           |
| Dato’ Dr Samsudin    | Samsudin Bin Hussain                     |
| Ms Raja Noorma       | Raja Noorma Binti Raja Othman            |
| Mr Muhammad Azraini  | Muhammad Azraini Bin Abdul Hamid         |
| Mr Chaw              | Chaw Chong Foo                           |
| Mr Allan Leong       | Leong Tien Kuan                          |
| Ms Melissa Ng        | Ng Ai Kiang                              |
| Dr Sakina Hassan     | Sakina Binti Ali Abul Hassan             |

The expressions “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

The terms “associated entity”, “controlling interest-holder”, “related corporation”, “related entity”, “subsidiary”, “subsidiary entity” and “substantial interest-holder” shall have the same meanings ascribed to them respectively in the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Offer Document, the Application Forms and Electronic Applications 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 Companies Act, the SFA or any statutory modification thereof and used in this Offer Document, the Application Forms and Electronic Applications shall, where applicable, have the meaning assigned to it under the Companies Act, the SFA or any statutory modification thereof, as the case may be, unless otherwise defined in this Offer Document.

Any reference in this Offer Document, the Application Forms and Electronic Applications to Shares being allotted to an applicant includes allotment to CDP for the account of that applicant.

Any reference to a time of day in this Offer Document shall be a reference to Singapore time unless otherwise stated.

References in this Offer Document to “our Group”, “we”, “our”, and “us” refer to Qualitas Medical Group Limited and its subsidiaries.

Any discrepancies in the tables included herein between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.



## GLOSSARY OF TERMS

The glossary contains explanations of certain terms and abbreviations used in this Offer Document in connection with our Group and our business. The terms and abbreviations and the assigned meanings may not correspond to standard industry meanings and usage of these terms.

- “affiliate clinics”* : Affiliate clinics are third party clinics who participate in our affiliate program. Under such program, our affiliate clinics in Malaysia are licensed to use our Qualitas brand, to serve patients from our corporate clients and to utilise our central purchasing services. We are entitled to a percentage of the revenue of our affiliate clinics, as well as a monthly affiliate and IT support fees. Our affiliate clinics in Cambodia do not utilise our central purchasing services and our IT system. While we receive a percentage of their revenue, we do not charge them any IT support fees
- “associate clinics”* : Associate clinics are third party clinics who participate in our associate program. Under such program, associate clinics are not licensed to use our Qualitas brand and only serve patients who are employees of a specified corporate client of ours in the vicinity of the associate clinic. Under the program, we are entitled to a percentage of the revenue earned by those associate clinics from visiting patients who are employees of such corporate clients
- “blood and biochemistry diagnosis”* : These are laboratory services where blood and urine samples are analysed for various parameters, for example, blood cholesterol level, blood sugar level and to evaluate kidney and liver functions amongst others. Various laboratory machines are used to analyse different enzymes and elements in the blood to assist in the diagnosis and monitoring of illnesses
- “CAT scan”* : Computer assisted tomography scan. Computed tomography is a medical imaging method. Digital geometry processing is used to generate a three-dimensional image of the inside of an object using a series of two-dimensional X-ray images taken around a single axis of rotation
- “corporate clients”* : Corporations, multinationals and other entities/employers that have appointed our Group to their panel of medical doctors and service providers
- “corporate patients”* : Employees of our corporate clients who visit our owned clinics and our affiliate and associate clinics for medical treatment and attention and who wish to be reimbursed by their employers for the cost of the provision of primary healthcare services
- “diagnostic facilities”* : Diagnostic modalities used to determine the cause of an illness or disorder, such as laboratory services, imaging services including X-ray facilities, CAT scan and MRI scan and ultrasound services

|  |   |   |
|--|---|---|
| <i>“drugs” or “medicines”</i>                | : | Substances given to the patients to be ingested, applied or injected for the treatment of their ailments or diseases  |
| <i>“ECG”</i>                                 | : | Electro cardiogram. This is a procedure used to record the electrical activity of the heart over time. It measures and allows diagnosis of abnormal rhythms of the heart particularly abnormal rhythms caused by damage to the conductive tissue that carries electrical signals, or abnormal rhythms caused by too high or too low levels of salt, such as potassium   |
| <i>“Federal Territories”</i>                 | : | Collectively the Malaysian territories of Kuala Lumpur, Putrajaya and Labuan governed directly by the Government  |
| <i>“in-house clinics”</i>                    | : | Clinics that are located within the premises of our Group’s corporate clients, meant only for the staff of our corporate clients  |
| <i>“ISO 9001:2002”</i>                       | : | The international standard that promotes the adoption of a process approach when developing, implementing and improving the effectiveness of a quality management system, to enhance customer satisfaction by meeting customer requirements   |
| <i>“IT”</i>                                  | : | Information technology  |
| <i>“Klang Valley”</i>                        | : | The geographical region in Malaysia comprising Kuala Lumpur and its suburbs and adjoining cities in Selangor and delineated by the Titiwangsa mountain range to the north and the east and the Straits of Malacca to the west   |
| <i>“managed clinic”</i>                      | : | The clinic in Indonesia which our Group manages under a management agreement, further details of which are set out in the section entitled “Business” of this Offer Document  |
| <i>“MCO” or “Managed Care Organisations”</i> | : | Organisations and bodies to which entities out-source their healthcare requirements; hence a Managed Care Organisation that has been so mandated to meet the healthcare requirements of an entity will appoint clinics and hospitals to meet these requirements. The Managed Care Organisation will also manage the entity’s healthcare cost on its behalf by reviewing claims submitted by clinics and hospitals, appointing panel clinics and hospitals and generating monthly reports on the utilisation for a fee |
| <i>“MRI scan”</i>                            | : | Magnetic resonance imaging scan. MRI is primarily used in medical imaging to visualise the structure and function of the body. It provides detailed images of the body in any plane. It provides greater soft tissue contrast than computed tomography making it especially useful in neurological, musculoskeletal, cardiovascular and oncological imaging   |

|   |   |   |
|---|---|---|
| <i>“occupational healthcare services”</i> | : | A specialised field of medical practice which looks into the health of an individual in relation to the specific working environment of the individual, for example, assessing the exposure to chemicals of workers in any working environment  |
| <i>“owned clinics”</i>                    | : | Clinics that are owned by our Group and does not include our affiliate clinics or associate clinics   |
| <i>“polyclinics”</i>                      | : | Clinics which provide primary and secondary healthcare services with supporting diagnostic facilities in one location   |
| <i>“preventive healthcare services”</i>   | : | Medical services which are designed to detect diseases which are normally silent diseases, such as hypertension, diabetes or high cholesterol levels before the symptoms appear   |
| <i>“primary healthcare”</i>               | : | Healthcare usually provided by outpatient private medical general practitioners’ clinics providing the first point of contact for the patients in seeking healthcare  |
| <i>“Qualitas brand”</i>                   | : | The name “Qualitas” and/or the “Qualitas” logo associated with our network of clinics including our affiliate clinics   |
| <i>“Qualitas logo”</i>                    | : | The logo of our Group, as depicted in the trademark application numbers 07018971, 07018972 and 07018973 in the section entitled “Intellectual Property” of this Offer Document  |
| <i>“secondary healthcare”</i>             | : | Specialist medical services in both inpatient hospital care and outpatient clinical settings as well as day care services delivered by medical practitioners with specialist qualifications   |
| <i>“tertiary healthcare”</i>              | : | Specialised healthcare usually on referral from primary or secondary medical care personnel, provided by specialists working in a centre that has personnel and facilities for special investigation and treatment  |
| <i>“ultrasound”</i>                       | : | An ultrasound-based diagnostic medical technique is used to visualise muscles, tendons and other internal organs, their sizes and structure and any pathological lesions. It is also used to visualise a fetus during routine and emergency prenatal care   |
| <i>“X-ray”</i>                            | : | X-rays have been developed for their use in medical imaging. X-rays are especially useful in the detection of pathology of the skeletal system, but are also useful for detecting some diseases in soft tissue. A notable example is the very common chest X-ray, which can be used to identify lung diseases such as pneumonia, lung cancer or pulmonary edema |

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this Offer Document, statements made in press releases and oral statements that may be made by us or our Directors, Executive Officers or employees acting on our behalf, that are not statements of historical fact, constitute “forward-looking statements”. You can identify some of these forward-looking statements by terms such as “anticipates”, “believes”, “could”, “estimates”, “expects”, “intends”, “may”, “will” and “would” or similar words and phrases. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, business strategies, plans and prospects are forward-looking statements. These forward-looking statements are only predictions.

These forward-looking statements, including without limitation, statements as to:-

- (a) our revenue and profitability;
- (b) expected growth in demand;
- (c) expected industry trends;
- (d) anticipated expansion plans; and
- (e) other matters discussed in this Offer Document regarding matters that are not historical fact,

are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, among others:-

- (a) changes in political, social and economic conditions and the regulatory environment in Singapore and other countries in which we conduct business;
- (b) changes in currency exchange rates;
- (c) our anticipated growth strategies and expected internal growth;
- (d) changes in the availability and prices of raw materials and goods which we require to operate our business;
- (e) changes in customer preferences;
- (f) changes in competitive conditions and our ability to compete under such conditions;
- (g) changes in our future capital needs and the availability of financing and capital to fund such needs; and
- (h) other factors beyond our control.

Some of these risk factors are discussed in more detail under the section on “Risk Factors” of this Offer Document.

All forward-looking statements made by or attributable to us, or persons acting on our behalf, contained in this Offer Document are expressly qualified in their entirety by such factors. Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different than expected, expressed or implied by the forward-looking statements in this Offer Document, undue reliance must not be placed on these statements which apply only as at the date of this Offer

Document. Neither our Company, the Sponsor, Underwriter and Placement Agent, nor any other person represents or warrants that our Group's actual future results, performance or achievements will be as discussed in those statements.

Our actual results may differ materially from those anticipated in these forward-looking statements as a result of the risks faced by us. We, the Sponsor, Underwriter and the Placement Agent, disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances. We are, however, subject to the provisions of the SFA and the Listing Manual of the SGX-ST regarding corporate disclosure.

## SELLING RESTRICTIONS

### **Singapore**

This Offer Document does not constitute an offer, solicitation or invitation to subscribe for the New Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the requirements of the legislation or regulations of, or of the legal regulatory requirements of any jurisdiction, except for the lodgment and/or registration of this Offer Document in Singapore in order to permit a public offering of the New Shares and the public distribution of this Offer Document in Singapore. The distribution of this Offer Document and the offering of the New Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Offer Document are required by our Company, the Sponsor, Underwriter and Placement Agent, to inform themselves about, and to observe and comply with, any such restrictions at their own expense without liability to our Company, the Sponsor, Underwriter and Placement Agent.

Persons to whom a copy of this Offer Document has been issued shall not circulate it to any other person, reproduce or otherwise distribute this Offer Document or any information herein for any purpose whatsoever nor permit or cause the same to occur.

## DETAILS OF THE INVITATION

### LISTING ON CATALIST

Our Sponsor has submitted to the SGX-ST an application to deal in and for the listing and quotation on Catalist of all our Shares already issued and the New Shares which are the subject of the Invitation. Such dealing, listing and quotation will be granted when our Company has been admitted to the Official List. Acceptance of applications will be conditional upon issue of the New Shares and upon listing of all the Shares of our Company. Monies paid in respect of any application accepted will be returned to you, without interest or any share of revenue or other benefit arising therefrom and at your own risk, if the admission and listing do not proceed and you will not have any claims whatsoever against us, the Sponsor, Underwriter and Placement Agent.

The SGX-ST and the Authority assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Offer Document. Registration of this Offer Document by the SGX-ST does not imply that the SFA or any other legal or regulatory requirements have been complied with. Admission to the Official List is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries, our existing Shares or the New Shares.

This Invitation is not made in or accompanied by a prospectus that is registered by the Authority.

We are subject to the provisions of the SFA and Catalist Rules regarding corporate disclosure. In particular, if after this Offer Document is registered but before the close of the Invitation, we become aware of:-

- (a) a false or misleading statement or matter in the Offer Document;
- (b) an omission from the Offer Document of any information that should have been included in it under Parts II to XI of the Fifth Schedule, Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 ("Fifth Schedule"); or
- (c) a new circumstance that has arisen since the Offer Document was lodged with the SGX-ST which would have been required by the Fifth Schedule to be included in the Offer Document if it had arisen before this Offer Document was lodged,

that is materially adverse from the point of view of an investor, we may lodge a supplementary or replacement Offer Document with the SGX-ST pursuant to Section 241(1) of SFA.

In the event that a supplementary or replacement Offer Document is lodged with the SGX-ST, the Invitation shall be kept open for at least fourteen (14) days after the lodgment of such supplementary or replacement Offer Document.

Where prior to the lodgment of the supplementary or replacement Offer Document, applications have been made under this Offer Document to subscribe for the New Shares and:-

- (a) where the New Shares have not been issued to the applicants, our Company shall either:-
  - (i) within two (2) days (excluding any Saturday, Sunday or public holiday) from the date of lodgment of the supplementary or replacement Offer Document, give the applicants notice in writing on how to obtain, or arrange to receive, a copy of the supplementary or replacement Offer Document and provide the applicants with an option to withdraw their applications and take all reasonable steps to make available within a reasonable period the supplementary or replacement Offer Document to the applicants if they have indicated that they wish to obtain, or have arranged to receive, a copy of the supplementary or replacement Offer Document;

- (ii) within seven (7) days from the date of lodgment of the supplementary or replacement Offer Document give the applicants the supplementary or replacement Offer Document, as the case may be, and provide the applicants with an option to withdraw their applications; or
  - (iii) treat the applications as withdrawn and cancelled, in which case the applications shall be deemed to have been withdrawn and cancelled, and our Company shall return all monies paid in respect of any application, without interest or a share of revenue or benefit arising therefrom at the applicant's own risk within seven (7) days from the date of lodgment of the supplementary or replacement Offer Document; or
- (b) where the New Shares have been issued to the applicants, our Company shall either:-
- (i) within two (2) days (excluding any Saturday, Sunday or public holiday) from the date of lodgment of the supplementary or replacement Offer Document, give the applicants notice in writing on how to obtain, or arrange to receive, a copy of the supplementary or replacement Offer Document as the case may be, and provide the applicants with an option to return to our Company the New Shares which they do not wish to retain title to and take all reasonable steps to make available within a reasonable period the supplementary or replacement Offer Document to the applicants if they have indicated that they wish to obtain, or have arranged to receive, a copy of the supplementary or replacement Offer Document;
  - (ii) within seven (7) days from the date of lodgment of the supplementary or replacement Offer Document, give the applicants the supplementary or replacement Offer Document, as the case may be, and provide the applicants with an option to return to our Company the New Shares, which they do not wish to retain title in; or
  - (iii) treat the issue of the New Shares as void, in which case the issue shall be deemed void and our Company shall return all monies paid in respect of any application, without interest or a share of revenue or benefit arising therefrom at the applicant's own risk within seven (7) days from the date of lodgment of supplementary or replacement Offer Document.

An applicant who wishes to exercise his option under paragraphs (a)(i) or (a)(ii) to withdraw his application shall, within fourteen (14) days from the date of lodgment of the supplementary or replacement Offer Document, notify our Company of this, whereupon our Company shall, within seven (7) days from the receipt of such notification, pay to him all monies paid by him on account of his application for those New Shares without interest or a share of revenue or benefit arising therefrom, at the applicant's own risk.

An applicant who wishes to exercise his option under paragraphs (b)(i) and (b)(ii) to return the New Shares issued to him shall, within fourteen (14) days from the date of lodgment of the supplementary or replacement Offer Document, notify our Company of this and return all documents, if any, purporting to be evidence of title to those New Shares to our Company, whereupon our Company shall, within seven (7) days from the receipt of such notification and documents, if any, pay to him all monies paid by him for those New Shares without interest or a share of revenue or benefit arising therefrom, at the applicant's own risk and the issue of those New Shares shall be deemed void.

This Offer Document has been seen and approved by our Directors and they individually and collectively accept full responsibility for the accuracy of the information given in this Offer Document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Offer Document are fair and accurate in all material respects as at the date of this Offer Document and that there are no material facts the omission of which would make any statements in the Offer Document misleading, and that this Offer Document constitutes full and true disclosure of all material facts about the Invitation and our Group.

Neither our Company, our Directors, the Sponsor, Underwriter and Placement Agent, nor any other party involved in the Invitation is making any representation to any person regarding the legality of an investment in our Shares by such person under any investment or other laws or regulations. No information in this Offer Document should be considered as being business, legal or tax advice regarding an investment in our Shares. Each prospective investor should consult his own professional or other advisers for business, legal or tax advice regarding an investment in our Shares.



No person has been or is authorised to give any information or to make any representation not contained in this Offer Document in connection with the Invitation and, if given or made, such information or representation must not be relied upon as having been authorised by us, our Directors, the Sponsor, Underwriter and Placement Agent. Neither the delivery of this Offer Document and the Application Forms nor any documents relating to the Invitation, nor the Invitation shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in our affairs or in the statements of fact or information contained in this Offer Document since the date of this Offer Document. Where such changes occur and are material or are required to be disclosed by law, the SGX-ST and/or any other regulatory or supervisory body or agency, we may make an announcement of the same to the SGX-ST and/or the Authority and will comply with the requirements of the SFA and/or any other requirements of the SGX-ST and/or the Authority. All applicants should take note of any such announcements and, upon the release of such an announcement, shall be deemed to have notice of such changes.

Save as expressly stated in this Offer Document, nothing herein is, or may be relied upon as, a promise or representation as to our future performance or policies. The New Shares are offered for subscription solely on the basis of the information contained and representations made in this Offer Document.

This Offer Document has been prepared solely for the purpose of the Invitation and may not be relied upon by any other persons other than the applicants in connection with their application for the New Shares or for any other purpose.

**This Offer Document does not constitute an offer, solicitation or invitation of the New Shares in any jurisdiction in which such offer, or solicitation or invitation is unlawful or unauthorised nor does it constitute an offer, solicitation or invitation to any person to whom it is unlawful to make such offer, solicitation or invitation.**

Copies of this Offer Document and the Application Forms may be obtained on request, subject to availability during office hours, from:-

**United Overseas Bank Limited  
80 Raffles Place  
#03-03 UOB Plaza 1  
Singapore 048624**

and members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore. A copy of this Offer Document is also available on the SGX-ST website <http://www.sgx.com>.

**The Invitation will be open from 22 August 2008 to 28 August 2008.**

**Application List will open at 10.00 a.m. on 28 August 2008 and will remain open until noon on the same day or for such further period or periods as our Company may, in consultation with UOB, in their absolute discretion decide, subject to any limitation under all applicable laws. In the event a supplementary Offer Document or replacement Offer Document is lodged with the SGX-ST, the Application List will remain open for at least fourteen (14) days after the lodgment of the supplementary or replacement Offer Document.**

## INDICATIVE TIMETABLE FOR LISTING

An indicative timetable is set out for reference of applicants:-

| <b>Indicative date/time</b>   | <b>Event</b>   |
|-------------------------------|--|
| 28 August 2008 at 12.00 noon  | Close of Application List  |
| 29 August 2008                | Balloting of applications, if necessary (in the event of over-subscription for the Offer Shares) |
| 1 September 2008 at 9.00 a.m. | Commence trading on a "ready" basis  |
| 4 September 2008              | Settlement date for all trades done on a "ready" basis   |

The above timetable is only indicative as it assumes that the date of closing of the Application List is 28 August 2008, the date of admission of our Company to the Official List is 1 September 2008, the SGX-ST's shareholding spread requirement will be complied with and the New Shares will be issued and fully paid up prior to 1 September 2008. The actual date on which our Shares will commence trading on a "ready" basis will be announced when it is confirmed by the SGX-ST.

The above timetable and procedures may be subject to such modification as the SGX-ST may, in its absolute discretion, decide, including the decision to permit trading on a "ready" basis and the commencement date of such trading.

In the event of any changes in the closure of the Application List or the time period during which the Invitation is open, we will publicly announce the same:-

- (a) through a SGXNET announcement to be posted on the internet at the SGX-ST website <http://www.sgx.com>; and
- (b) in a local newspaper(s).

We will publicly announce the level of subscription and the results of the distribution of the New Shares pursuant to the Invitation, as soon as it is practicable after the close of the Application List through channels in (a) and (b) above.

Investors should consult the SGX-ST's announcement on "ready" trading date on the Internet (at SGX-ST website <http://www.sgx.com>) or the newspapers or check with their brokers on the date on which trading on a "ready" basis will commence.

## PLAN OF DISTRIBUTION

### CATALIST

The Invitation is for 22,000,000 New Shares offered in Singapore by way of public offer and placement comprising 1,100,000 Offer Shares and 20,900,000 Placement Shares.

The Issue Price is determined by us in consultation with the Sponsor, the Underwriter and the Placement Agent based, amongst others, on market conditions and estimated market demand for our Shares determined through a book-building process. The Issue Price is the same for each New Share and is payable in full on application.

There are no arrangements whereby the number of Shares being offered pursuant to this Invitation may be increased by the exercise of an underwriter's over-allotment option.

### Offer Shares

The Offer Shares are made available to the members of the public in Singapore for subscription at the Issue Price. Members of the public may apply for the Offer Shares by way of printed Application Forms or by Electronic Application as described under "Terms, Conditions and Procedures for Application and Acceptance" as set out in Appendix VI of this Offer Document.

Pursuant to the Sponsorship and Underwriting Agreement entered into between us and UOB as set out in the section on "General and Statutory Information" of this Offer Document, we have appointed UOB to sponsor the Invitation and to underwrite the Offer Shares. UOB will receive a sponsorship fee and an underwriting commission of 2.75 per cent. of the Issue Price for the total number of Offer Shares underwritten by UOB and payable by us. UOB may, at its liberty sub-underwrite its underwriting obligations on terms it deems fit.

In the event of an under-subscription for the Offer Shares as at the close of the Application List, that number of Offer Shares not subscribed for shall be made available to satisfy excess applications for the Placement Shares to the extent there is an over-subscription for the Placement Shares as at the close of the Application List.

In the event of an over-subscription for the Offer Shares as at the close of the Application List and the Placement Shares are fully subscribed or over-subscribed as at the close of the Application List, the successful applications for the Offer Shares will be determined by ballot or otherwise as determined by our Company after consultation with the Sponsor, and approved by the SGX-ST.

### Placement Shares

The Placement Shares are made available to members of the public and institutional investors in Singapore. Applications for Placement Shares may only be made by way of printed Application Forms as described under "Terms, Conditions and Procedures for Application and Acceptance" as set out in Appendix VI of this Offer Document.

Pursuant to the Placement Agreement entered into between us and UOB as set out in the section entitled "General and Statutory Information" of this Offer Document, UOB agreed to subscribe and/or procure subscribers for the Placement Shares for a placement commission of 2.00 per cent. of the Issue Price for the total number of Placement Shares payable by us. UOB may, at its absolute discretion, appoint one (1) or more sub-placement agents for the Placement Shares.

In the event of an under-subscription for the Placement Shares as at the close of the Application List, that number of Placement Shares not subscribed for shall be made available to satisfy excess applications for the Offer Shares to the extent that there is an over-subscription for the Offer Shares as at the close of the Application List.

Subscribers of the Placement Shares may be required to pay brokerage of 1.0% of the Issue Price as well as stamp duties, goods and services tax and any other similar charges, where applicable, to the Placement Agent or any sub-placement agent.

**Persons intending to subscribe for the Invitation**

Save for our Independent Directors, Dato' Dr Samsudin and Mr Chaw who intend to subscribe for 250,000 and 400,000 New Shares respectively, none of our Directors or Substantial Shareholders intend to subscribe for New Shares in the Invitation.

None of our Independent Directors, members of our management, employees and business associates intends to subscribe for 5.0 per cent. or more of the New Shares in the Invitation.

G Investments Sdn Bhd and P Investments Sdn Bhd with common beneficial shareholders intend to subscribe for in aggregate 5.0 per cent. or more of the New Shares. DTA Growth Capital Sdn Bhd intend to subscribe for 5.0 per cent. or more of the New Shares. Save as disclosed above, to the best of our knowledge and belief, we are not aware of any person who intends to subscribe for 5.0 per cent. or more of the New Shares. However, through a book-building process to assess market demand for our Shares, there may be persons who may indicate an interest to subscribe for Shares amounting to 5.0 per cent. or more of the New Shares. If such person(s) were to make an application for Shares amounting to 5.0 per cent. or more of the New Shares and are subsequently allotted such number of Shares, we will make the necessary announcements at an appropriate time. The final allotment of Shares will be in accordance with the shareholding spread and distribution guidelines as set out in Rule 406(1) of the Catalist Rules.

## OFFER DOCUMENT SUMMARY

*The following summary highlights certain information found in greater detail elsewhere in this Offer Document. Terms defined elsewhere in this Offer Document have the same meaning when used herein. In addition to this summary, we urge you to read the entire Offer Document carefully, especially the section on “Risk Factors” of this Offer Document, before deciding to invest in our Shares.*

### OVERVIEW OF OUR GROUP

#### Our Group

Our Company was incorporated on 28 September 2007. Our Group was established in 1997 and we grew through the acquisition of the majority stake in privately owned primary healthcare clinics. Following the Restructuring Exercise, our Company became the holding company of our Group. Please refer to the section entitled “Group Structure After Restructuring Exercise” of this Offer Document for our Group structure after Restructuring Exercise. On 24 June 2008, we converted to a public company and changed our name to Qualitas Medical Group Limited.

#### Our Business

We are a primary healthcare services provider in Malaysia and other countries in the region. We operate through our network of owned clinics, affiliate clinics, associate clinics and managed clinics.

As at the LPD, we have operations in Malaysia, India, Indonesia and more recently, in Cambodia. In Malaysia, we operate through our eighty-nine (89) owned clinics, sixty-three (63) affiliate and associate clinics as at the LPD. Twenty-two (22) of our clinics in Malaysia operate on a twenty-four (24) hour daily basis.

In India, we operate high-end primary healthcare centres, including the provision of diagnostic facilities and blood and biochemistry testing, through our three (3) owned clinics.

In Indonesia, we operate through our subsidiary and manage one (1) clinic. More recently, we have established affiliate relationships with four (4) clinics in Cambodia.

Please refer to the section entitled “Business” of this Offer Document for further details.

#### Our Competitive Strengths

Our Directors believe our competitive strengths are as follows:-

- (a) We have a large number of owned clinics which together with our affiliate and associate clinics which represent a critical mass of doctors providing what we believe to be one of the largest and most comprehensive geographical coverage in Malaysia;
- (b) We have a centralised system of purchasing allowing us to enjoy economies of scale;
- (c) We have an IT infrastructure that allows us to remotely and actively monitor clinics in different areas;
- (d) Our corporate clients number over 5,000 including an established clientele of multinational corporations;
- (e) We have the capacity to provide a wide range of primary healthcare services, such as ECGs and scanning facilities;
- (f) Our Qualitas brand is gaining recognition amongst corporate clients over the last ten (10) years; and

- (g) Our management team comprises dedicated and qualified professionals supported by several senior doctors and this allows us to better identify new market opportunities in the primary healthcare services industry.

Please refer to the section entitled “Competitive Strengths” of this Offer Document for further details.

### **Our Prospects**

Our Directors believe that the prospects of the primary healthcare industry in Malaysia and the region are reasonably bright and have potential, for the reasons stated below:-

- (a) With increased affluence, urbanisation and increased healthcare awareness, it is expected that there will be an increase in demand for primary healthcare services, preventive healthcare and health maintenance services. As we believe our Group has one of the largest network of private clinics in Malaysia, we are well positioned to take advantage of growth in demand for such services;
- (b) Our Directors believe that there will be consolidation in the healthcare services industry and as a result smaller practices will increasingly be challenged to become part of a larger practice; and
- (c) Similarly, the economies have been growing in the past few years which trend is expected to translate into increased demand for primary healthcare services from both corporates and individuals in these economies in the medium to longer term.

Please refer to the section entitled “Prospects and Trends” of this Offer Document for further details.

### **Our Future Plans**

We intend to enlarge our presence in Malaysia, India and the region primarily through acquisitions, start ups or through affiliate or associate relationships. Further, in India, we also intend to provide more specialised medical services as the Directors anticipate an increase in demand for services beyond primary healthcare services.

We intend to enhance our Qualitas brand through marketing efforts and corporate branding initiatives.

We also intend to upgrade our existing medical equipment, acquire new medical equipments and to upgrade our IT system to improve and increase the range of our services to patients and customers.

We intend to obtain the Malaysian Standards for Quality in healthcare accreditation.

Please refer to the section entitled “Business Strategies and Future Plans” of this Offer Document for further details.

### **Where you can find us**

Our registered office is located at 138 Robinson Road #17-00 The Corporate Office Singapore 068906. Our telephone number is (65) 62276660 and our facsimile number is (65) 62231735. Our internet address is <http://www.qualitas.com.my>. **Information contained in our website does not constitute part of this Offer Document.**

Our business operations are conducted through our clinics located in various parts of Malaysia as well as in India and Indonesia. Our principal place of business is our main corporate office located at Suite 301, Level 3 Menara PJ, Amcorp Trade Centre, 18 Persiaran Barat, 46050 Petaling Jaya, Selangor, Malaysia. Our telephone number in Malaysia is (603) 7956 6339 and our facsimile number in Malaysia is (603) 7958 6704.

## THE INVITATION

- Issue Size : 22,000,000 New Shares offered in Singapore.
- The New Shares, upon allotment and issue, will rank *pari passu* in all respects with the existing issued Shares.
- Issue Price : \$0.25 for each New Share.
- The Invitation : The New Shares offered in Singapore comprises an offering of:-
- 1,100,000 Offer Shares to members of the public in Singapore; and
- 20,900,000 Placement Shares, reserved for placement to members of the public and institutional investors in Singapore.
- Purpose of the Invitation : Our Directors consider that the listing of our Company and the quotation of our Shares on the Official List will enhance our public image locally and overseas and enable us to tap the capital markets for the expansion of our operations. The Invitation will also provide members of the public, our Independent Directors, management, employees and business associates as well as those who have contributed to our success with an opportunity to participate in the equity of our Company.
- Listing status : Prior to the Invitation, there had been no public market for our Shares. Our Shares will be quoted on the Official List, subject to admission of our Company to the Official List and permission for dealing in and for quotation of our Shares being granted by the SGX-ST.

## EXCHANGE RATES

Our consolidated financial statements are expressed in Ringgit. The exchange rates for Ringgit to S\$ as outlined in the tables below were from Bloomberg L.P. and have been presented solely for information only. The tables and figures below should not be construed as representations that those S\$ or Ringgit amounts could have been, could be or would be, converted or convertible into Ringgit or S\$, as the case may be, at any particular rate, the rate stated below, or at all.

Currently, there are no restrictions on the conversion of S\$ into Ringgit and *vice versa*.

The table below sets forth the highest and lowest exchange rates between the Ringgit and the S\$ for each month in the past six (6) months up to the LPD. The table indicates how many Ringgit can be bought with S\$1.

|               | RM to S\$1 <sup>(1)</sup> |        |
|---------------|---------------------------|--------|
|               | Highest                   | Lowest |
| December 2007 | 2.3127                    | 2.2897 |
| January 2008  | 2.3043                    | 2.2715 |
| February 2008 | 2.2933                    | 2.2791 |
| March 2008    | 2.3272                    | 2.2799 |
| April 2008    | 2.3316                    | 2.3071 |
| May 2008      | 2.3795                    | 2.3184 |

The following table sets forth, for each of the financial periods indicated, the average and closing exchange rates between the Ringgit and the S\$. The average exchange rates were calculated using the average of the closing exchange rates on the last day of each month during each financial period. Where applicable, the exchange rates in this table are used for the translation of our Group's financial information disclosed elsewhere in this Offer Document.

|        | RM to S\$1 <sup>(1)</sup> |         |
|--------|---------------------------|---------|
|        | Average                   | Closing |
| FY2005 | 2.2755                    | 2.2729  |
| FY2006 | 2.3085                    | 2.2999  |
| FY2007 | 2.2811                    | 2.2964  |

As at the LPD, the closing exchange rate between the Ringgit and the S\$ is RM2.3811 to S\$1.

Note:-

- (1) The above exchange rates are quoted from Bloomberg L.P.. Bloomberg L.P. has not consented to the inclusion of the above exchange rates and accordingly, Bloomberg L.P. is not liable for these statements under sections 253 and 254 of the SFA. While our Directors have taken the reasonable steps to ensure that the information is extracted accurately and fairly and has been included in this Offer Document in its proper form and context, they have not independently verified the accuracy of the information set out above.



## RISK FACTORS

*Investors should consider carefully the following risk factors and all other information contained in this Offer Document, before deciding to invest in our Shares. You should also note that certain of the statements set forth below constitute “forward-looking statements” that involve risks and uncertainties.*

*If any of the following risk factors and uncertainties develops into actual events, our business, financial condition or results of operations or cash flows may be adversely affected. In such circumstances, the trading price of our Shares could decline and investors may lose all or part of their investment. To the best of our Directors’ belief and knowledge, all the risk factors that are material to investors in making an informed judgement have been set out below.*

### RISKS RELATING TO OUR BUSINESS AND INDUSTRY

#### **We are dependent on the political, economic, regulatory and social conditions in the jurisdictions we operate in for our operations, financial performance, future growth and prospects**

Changes in government legislation, regulations or policies which affect the medical or healthcare industry may negatively impact our business

We are subject to different healthcare policies adopted by the respective governments where our businesses are located. Changes in government policies may affect the healthcare industries or the general social and economic conditions in different countries. Likewise, a shift in such general conditions could also influence decision making in government policies.

Unfavourable changes in these policies may impose restrictions on our operations, result in an increase in our operating costs or suppress demand for private healthcare services. For example, the increase of the national budget to provide free medical services for the citizens may influence the public to seek public healthcare instead of private healthcare. In the event that we are unable to adjust our operations to comply with and adapt to such policies, our operations and financial performance may be adversely affected.

In addition, compliance with new government legislation, regulations or policies may also increase our costs and any significant increase in compliance costs arising from such new government legislation, regulations or policies which we are unable to pass on to our customers may adversely affect our financial position and results, business operations, and future growth and prospects.

Change in political and social climates in countries we operate in may have a negative impact on our future growth and prospects

Our key strategy is to build on our position in Malaysia and to expand with one-stop high-end diagnostic facilities and polyclinics in India and the region. We have and will be committing significant resources in capital as well as manpower and support services from Malaysia to execute our regional expansion plans. The regional countries are in a state of rapid political, economic and social changes, which will entail risks to our business and operations. As such, we are unable to assure you that we will be able to adapt our systems to suit local conditions, regulations and business practices and customs.

Political social and economic reforms may change the competitive landscape in the primary healthcare sector in these regional countries, after we commit substantial capital and human resources in our expansion plans. In the event we are unable to anticipate or manage such major changes effectively, our regional expansion plans may entail unexpected risks and our operations and performance may be adversely affected. Accordingly, our financial position and results and business operations are dependent on the above factors. Any changes in these factors implemented by the governments of Malaysia, India, Indonesia and Cambodia resulting, *inter alia*, in currency and interest rate fluctuations, capital restrictions, and changes in duties and taxes detrimental to our business could materially and adversely affect our operations and financial performance.

There is also no assurance that changes in political and social climate in the countries which we operate, some of which may lead to political, social and civil disturbances, will not occur in the future and on a wide scale, or that any of those disturbances will not, directly or indirectly, have a material adverse effect on the financial position and results, business operations, future growth and prospects of our Group.

#### We may be affected by economic slowdown in the countries in which we operate

Whilst our operations and businesses are substantially located in Malaysia, we also have operations and businesses in India and Indonesia. We have also entered into an affiliate arrangement with clinics in Cambodia. In the event of an economic slowdown or a change in the economic conditions in the countries in which we operate, our corporate clients as well as individual patients may be more cautious about their medical expenses. Any economic and financial crisis may lead to our corporate clients scaling back medical benefits that would normally be extended to their employees in better times.

#### **We are subject to risks of complaints from our patients which may affect our reputation and professional standing**

We may from time to time receive complaints from patients regarding, amongst others, the adequacy of patient care, treatment outcome and pricing. In the event that such complaints become highly publicised in the media or result in regulatory or disciplinary actions or legal proceedings against us or our healthcare professionals, there may be an adverse effect on our reputation, financial position and results, business operations and professional standing.

#### **Our financial position and results, business operations, and future growth and prospects is dependent on our corporate clients and MCOs**

The revenue contribution from employees of our corporate clients enjoying primary healthcare benefits from the corporate clients and MCOs amounted to approximately 62.1%, 66.3% and 66.8% for FY2005, FY2006 and FY2007 respectively. The balance revenue in each of these years was from self-paying individual patients. Corporate clients and MCOs appoint our clinics to their panel of approved clinics to provide medical consultation and treatment to their employees.

The demand for our primary healthcare services is dependent on the financial ability and the willingness of our corporate clients and MCOs as well as individual patients to pay for private healthcare services. General negative market sentiment, slowdown in the economy or a higher unemployment rate may lead to a decrease in demand for our services as corporate clients and MCOs reduce the level of medical benefits provided to their employees or individual patients elect to seek treatment from subsidised public healthcare services available at government polyclinics. These developments will have an adverse impact on our financial performance.

Should any of our corporate clients or MCOs decide to terminate our appointment if our services are deemed to be unsatisfactory or for any other reason, and we are unable to secure the appointment of other corporate clients and MCOs as replacements on a timely basis, our financial position and results, business operations and future growth and prospects may be adversely affected.

#### **We may be affected by competition from existing clinics as well as new entrants to the market**

The primary healthcare industry in Malaysia is very competitive, with many primary healthcare service providers, both private and public. We face competition from existing primary healthcare service providers as well as new entrants in the future.

Our continued success depends on our ability to compete effectively against our competitors. There can be no assurance that we would be able to compete successfully in the future.

With the potential influx of new competitors, our ability to retain our existing customers and to attract new customers is important to the continued success of our Group. There is no assurance that our patient load will not be affected with the entry of new competitors and this may adversely affect our turnover and profitability. In the event that we are not able to compete effectively against our competitors, our financial performance, financial position, our growth and future prospects may be adversely affected.

### **We are reliant on our major suppliers**

Our major suppliers Zuellig Pharma Sdn Bhd and Diethelm Malaysia Sdn Bhd (“major suppliers”) are Malaysian distributors of patented medicines for pharmaceutical companies. Our purchases from them accounted, in aggregate, for approximately 39.5%, 47.5% and 48.7% of our total purchases in FY2005, FY2006 and FY2007 respectively.

We agree with the pharmaceutical companies on the price of the drugs to be supplied to us and we place our orders with our major suppliers who are responsible for delivering the drugs to and receiving payment from us. In the event of any disruptions in the delivery of these drugs from our major suppliers placed with pharmaceutical companies, our business and operations may be adversely affected.

### **We are exposed to credit risks of our corporate clients and MCOs**

Due to industry practice, our corporate clients and MCOs are normally given up to a period of 120 days to settle our invoices. Any deterioration in the financial position of our corporate clients and MCOs may materially and adversely affect our profits and cash flow as they may delay or default on their payment to us. This impact will be greater in an economic downturn, when more customers may experience cash flow difficulties or face the possibility of liquidation. This will result in us experiencing delays in receiving payment for our services or, in more severe cases, not receiving payment for our services.

Please refer to the section entitled “Credit Policy” of this Offer Document for further information on our credit policy.

### **We are dependent on our ability to contain our operating costs**

Staff costs and drugs and consumables are the two (2) largest components of our operating expenses. In FY2005, FY2006 and FY2007, staff costs accounted for approximately 22.4%, 22.8% and 22.3% of our total operating cost respectively, whilst drugs and consumables accounted for approximately 28.1%, 27.0% and 26.9% of our total operating cost respectively. Our ability to contain our staff costs is dependent on factors such as government policy and competition amongst various clinic groups which would determine the demand and supply of healthcare professionals. Also, the price of drugs and consumables in Malaysia has generally increased over the past three (3) financial years ended 31 December 2007. If we are unable to pass on the increase in our costs to our patients, our financial performance will be adversely affected.

### **Our financial performance may be affected by any impairment in the goodwill previously recorded in our books due to our acquisitions in the past**

Our acquisitions of majority interests in entities and group medical practices, where the costs of such acquisitions were in excess of the fair value of the identifiable assets and liabilities acquired, have, upon consolidation, resulted in goodwill being recognised as an asset of our Group. As at 31 December 2006 and 31 December 2007, the carrying amount of our goodwill was RM19.3 million and RM21.0 million respectively. On 1 July 2004, the Council on Corporate Disclosure and Governance issued FRS 103 Business Combinations, pursuant to which goodwill arising from a business combination recorded in our balance sheet will no longer be required to be amortised and charged to our income statement with effect from 1 January 2005. Such goodwill will be tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, in accordance with revised FRS 36 Impairment of Assets.

There may be an adverse effect on our financial results in financial periods where significant impairment in goodwill is identified by our management and the impairment losses that arise are charged to our income statement.

### **We are exposed to foreign exchange fluctuations**

Our consolidated financial statements are presented in Ringgit. Currently, our operations and businesses are primarily conducted in Malaysia, though we have operations in countries such as India, Indonesia and Cambodia.

We are exposed to foreign exchange translation risks as the financial statements of our operations in the countries outside Malaysia are denominated in their respective domestic currencies which are then translated at the foreign exchange rate applicable on the translation dates into Ringgit upon consolidation. Therefore, any unfavourable fluctuations of Ringgit against those currencies would adversely affect the value of our net assets and income. Please refer to the section entitled “Business” of this Offer Document for further information on the countries in which we operate.

As our revenues and purchases are predominantly in Ringgit, we have not experienced significant foreign exchange exposure over the past three (3) financial years ended 31 December 2007. Over the last three (3) financial years ended 31 December 2007, our foreign exchange gains and losses, as a percentage of total revenue have been insignificant.

However, in line with our intention to expand our business in the region outside Malaysia, we anticipate an increase in our foreign currency transactions in Indonesian rupiah, Indian rupees, Cambodian riel and other currencies in the future and as a result, our foreign exchange translation risk will also increase.

### **Our intellectual property rights may be infringed or we may infringe the intellectual property rights of third parties**

We have been using our various trademarks, including the “Qualitas” name and logo, in our business operations. Some of them have been used as early as 1998 when we commenced our operations. Over the years, we believe that our various trademarks, including our Qualitas brand have increasingly gained recognition in the primary healthcare industry in Malaysia which allow us to enjoy a premium for our services. We have applied for registration of certain of our trademarks with the Trade Mark Registry, Intellectual Property Corporation of Malaysia all of which, as at the LPD, are under examination by the said authority. Please refer to the section entitled “Intellectual Property” of this Offer Document for further details.

However, there is no assurance that our trademarks will not be infringed in Malaysia or other parts of the region. Depending on whether we are able to discover any of such infringement of our trademarks or successfully enforce our legal rights in the jurisdictions where such infringements may occur, our business and branding may suffer as a result of any misuse of our trademarks. In such circumstances, our reputation and business may be adversely affected. Further, if we decide to pursue action against such infringements to protect our reputation, it could result in diversion of our resources and our financial results may be adversely affected.

Similarly, we may also infringe the intellectual property rights of third parties in the use of our various trademarks in our operations. Although we are not aware of any such infringement by us, there is no assurance that we will not infringe or have not infringed the intellectual property rights of any third party. In the event of any such infringement, we may be subject to our claims or actions and our financial results and financial condition may be adversely affected.

### **We may be affected by spread of diseases like severe acute respiratory syndrome (“SARS”) or an outbreak of any other contagious or virulent diseases**

The spread of SARS or any other contagious or virulent diseases may potentially affect our operations. In the event that any of the employees in our clinics is infected with any such disease, we may be required to temporarily shut down our clinics and quarantine our affected healthcare professionals for an uncertain period to contain the spread of the disease. Patients may decide to defer or decide to seek medical treatment from clinics in other areas. This would have a negative impact on our business.

In addition, a resurgence of SARS outbreak or any other contagious or virulent diseases could also result in the temporary non-visitation of the general public who would usually visit our clinics for minor ailment, for fear of contracting such disease. This would also have a negative impact on our business.

### **Our financial performance will be affected if our Chairman and Managing Director Dato’ Dr Ameen is paid his long service award which he is entitled to under his employment contract**

Our Chairman and Managing Director, Dato’ Dr Ameen has entered into an employment contract with our subsidiary, QHC, which would entitle him to a long service award equivalent to a maximum of twenty-four (24) months of his last drawn salary in the event his services are no longer retained by our Group under

certain circumstances set out in his employment contract. Please refer to the section entitled “Service Agreements” for the terms of the employment contract and the circumstances under which he will be entitled to his long service award.

Based on Dato’ Dr Ameen’s last drawn salary as at the LPD, the maximum long service award which Dato’ Dr Ameen would be entitled to would amount to approximately RM1.3 million. In the event that our Group is required to pay the long service award to Dato’ Dr Ameen under the employment contract, our financial performance will be adversely affected.

#### **Failure to retain services of key personnel will adversely affect our operations and results**

Our success to date has been largely due to the contributions of our Executive Directors, Dato’ Dr Ameen and Mr Karim Dhala and the rest of our management team. Our continued success is dependent, to a large extent, on our ability to retain the services of these individuals. The loss of any one of their services without suitable replacement at all or on a timely basis or the inability to attract and retain qualified personnel will adversely affect our financial position and results, business operations, future growth and prospects. Please refer to the section entitled “Directors, Management and Staff” of this Offer Document for details of our Executive Directors and Executive Officers.

#### **We are dependent on skilled and professionally qualified healthcare professionals**

Our operations and businesses are dependent on our ability to attract and retain skilled and professionally qualified general medical practitioners. Our ability to provide primary healthcare services is reliant on the services of these healthcare professionals. Our ability to attract and retain them is dependent on several factors, such as continued reputation of our Group, professional relationships, financial remuneration and job satisfaction. As the healthcare industry is service-related, in the event that we are unable to find suitable and timely replacements should a significant number of them resign, our financial position and results, business operations as well as future growth and prospects may be adversely affected.

#### **We are subject to risks of medical and legal claims and regulatory actions arising from the provision of our healthcare services**

The provision of professional healthcare services entails inherent risks of liability. There is no assurance that we will not be embroiled in legal suits or regulatory actions or there will not be claims in the course of the provision of our healthcare services that are in excess of the amount covered by our medical insurance coverage or that our medical insurance coverage is comprehensive and covers all types of claims. Our insurance policies are renewed on an annual basis and there can be no assurance that we will be able to renew all of our policies or obtain new policies on similar terms. Please refer to the section entitled “Insurance” of this Offer Document for information.

Additionally, our healthcare professionals may be involved in legal proceedings due to professional misconduct or negligence or may be subject to disciplinary actions from their respective governing professional bodies and they may be fined and/or have their licences suspended or revoked.

In the event of such claims, fines, legal proceedings, amongst others, or regulatory or disciplinary actions taken against us or our healthcare professionals, there may be an adverse effect on our financial position and results, business operations, professional standing and market reputation.

#### **We may not be able to retain, renew or obtain licences and permits necessary for the operation of our business**

The medical practice industry is regulated in the jurisdictions that we operate in. Only qualified medical practitioners who are licenced may practise medicine. Furthermore, a clinic may require: (a) licenced medical practitioners to be in charge of the clinics and be responsible for its management; (b) the requisite licences; and/or (c) registration with the appropriate authorities in order to operate. If our medical practitioners as well as those medical practitioners from our affiliate and associate clinics lose their licences or are unable to renew their licences rendering them unable to or ineligible to practise, such clinics may have to cease operations if the clinics are unable to replace them with licensed medical practitioners on a timely basis. Similarly, if our owned clinics as well as our affiliate and associate clinics are unable to obtain or renew the requisite licences and/or registration to operate, these clinics may have to cease operations. In Indonesia, we provide management consultancy services to third party clinics for

which we do not hold the necessary licence or permits to render assistance to them or for them to engage in medical practice. While we have been advised by our legal advisers in Indonesia that such an arrangement is currently permitted under the laws, rules and regulations of Indonesia, there can be no assurance that there will not be any change to the relevant laws, rules or regulations or the interpretation of such laws, rules or regulations resulting in the prohibition of such an arrangement. If any of the above events were to happen, our business, operations, and financial performance may be adversely affected. Please refer to the section entitled “Government Regulations” of this Offer Document for details.

The licences and permits obtained by our clinics are subject to conditions stipulated in the licences and permits and/or in the relevant laws, rules or regulations under which they have been issued, which conditions must be complied with for the duration of the licences and permits. Where there is a failure to comply fully, the relevant authorities have the power to revoke our licences or permits, and in such instances, our business, operations, and financial performance will be adversely affected.

Additionally, there is no assurance that we will be able to renew existing licences and permits when they lapse as the renewal of the licences and permits may be at the discretion of the appropriate granting authority. There is also no assurance that the renewed licences or permits will be granted on terms acceptable to us or to the persons operating our managed, affiliate or associate clinics. If our licences or permits are revoked or renewal of such licences and permits cannot be obtained, or that the terms imposed on the renewed licences or permits are not acceptable, our operations and businesses may be adversely affected. Consequently, our financial position and results, future growth and prospects will be adversely affected.

#### **Our clinics are subject to lease renewals and relocation risks**

Currently we lease the spaces for most of our clinics. The initial tenure of these leases usually range between two (2) and six (6) years and we also have an option to renew many of these leases for further periods. For further details on the leases please refer to Appendix IV of this Offer Document. There is no assurance that we will be able to renew all of these leases. Failure to renew any of these leases, or early termination may force us to relocate the affected operations. Such relocations will cause disruptions to our normal business operations and we may have to incur additional expenses. The inability to relocate our clinics to new premises that are in close proximity to the existing premises may lead to loss of patients who live near the existing premises.

#### **A majority of our operating subsidiaries are incorporated in Malaysia and a substantial portion of our assets are located in Malaysia and all our Executive Directors and Executive Officers are non-residents of Singapore. It could be difficult to enforce a Singapore judgment against our Malaysian subsidiaries, our Executive Directors and our Executive Officers**

A majority of our operating subsidiaries are incorporated in Malaysia. In addition, a substantial portion of our assets are located in Malaysia. A majority of our operating subsidiaries and a substantial portion of our assets are therefore subject to the laws of Malaysia. The Companies Act may provide shareholders with certain rights and protection of which there may be no corresponding or similar provisions under the Malaysian laws. In addition, all our Executive Directors and Executive Officers are non-residents of Singapore, and substantially all the assets of these persons are located outside Singapore. As a result, it could be difficult for our Shareholders to effect service of process in Singapore, or to enforce a judgment obtained in Singapore against our Malaysian subsidiaries or any of these persons.

#### **We may be exposed to risks in relation to the disposal of biological hazards and the use of certain medical equipment**

Part of our operations will involve the disposal of biological hazards and the use of certain medical equipment such as X-rays which contain radioactive material. It is necessary for us to dispose the biological hazards and use such equipment in accordance with procedures prescribed under the law. Failure to comply with these procedures may expose us to fines or suspension by the relevant authorities.

In addition, any injury or damage caused by the wrongful disposal of biological hazards or misuse of the medical equipment may expose us to civil claims from injured parties.

If the above events were to occur, our financial performance, financial condition, professional standing and market reputation will be adversely affected.

**Occurrence of any acts of God, war, terrorist attacks and cyber attacks may adversely and materially affect our business and operations**

Acts of God, such as natural disasters which are beyond our control, may materially and adversely affect the economy, infrastructure and livelihood of the local population. Similarly terrorist attacks may disrupt the economies of the countries we operate in, in particular, Indonesia and India, both of which have histories of such occurrences. Cyber attacks in its various forms, such as computer viruses and hacking and technical failures such as technical fault or power failures may result in the failure of our IT system which may, in turn, disrupt our business operations. Our business and financial performance may be materially and adversely affected should such acts of God or terrorist attacks or cyber attacks or failure in our IT system were to occur. We cannot give any assurance that any war, terrorist attacks or other hostilities in any part of the world, potential, threatened or otherwise, will not, directly or indirectly, have a material and adverse effect on our business and financial performance.

**RISKS RELATING TO THE OPERATIONS AND CONDUCT OF BUSINESSES IN MALAYSIA**

**We are subject to foreign exchange controls in Malaysia**

On 21 July 2005, the Ringgit peg to the US\$ was removed and the Ringgit switched to a managed float system. Currently, there are no restrictions on the repatriation of capital, profits, dividends, interest, fees or rental by foreign direct investors or portfolio investors and accordingly, the repatriation of these items by our subsidiaries in Malaysia to our Company is free of restrictions. However, if the Malaysian government were to tighten or otherwise change relevant regulations, such exchange controls may affect such repatriation from our subsidiaries in Malaysia. Please refer to the section entitled “Exchange Controls” of this Offer Document.

**We are subject to the guidelines in Malaysia concerning ownership of equity interest**

The FIC regulates and prescribes guidelines in connection with matters such as acquisition of assets or any interests, mergers and takeovers of companies and businesses incorporated or registered in Malaysia. The FIC is a committee of the Economic Planning Unit of the Malaysian Prime Minister’s Department. Under the present guidelines on the Acquisition of Interests, Mergers and Takeovers by Local and Foreign Interests issued by FIC (“FIC Guidelines”) on 1 January 2008, the prior approval of the FIC is required, *inter alia*, for any proposed acquisition of 15.0% or more of the voting rights of a Malaysian company by any foreign interest. Pursuant to the FIC Guidelines, companies which do not have any bumiputra equity or having less than 30.0% bumiputra equity are required to increase the bumiputra equity to at least 30.0%. The remaining equity shareholding can be held either by local interest, foreign interest or both. All our subsidiaries that are incorporated in Malaysia, including QHC and QMG, are wholly owned by our Company and since the ultimate shareholder of our Malaysian subsidiaries is our Company which is a foreign company in Malaysia, the FIC approval is required for the acquisition of the shares in all our Malaysian subsidiaries. As at the date of this Offer Document, we have not applied to the FIC for approval in respect of our acquisition pursuant to the Restructuring Exercise of the entire equity interest in QHC and by virtue of such acquisition, the entire equity interest in all our Malaysian subsidiaries.

The FIC is not a statutory body and the FIC Guidelines are not issued pursuant to any power granted by legislation. Hence, the Malaysian courts have held that the FIC Guidelines are administrative guidelines and do not have a force of law. However non-compliance may have practical consequences as the FIC liaises closely with other regulatory agencies in Malaysia, and compliance with conditions imposed by FIC, if any, is normally required before other approvals from the regulatory authorities are given. For example, if a foreigner wishes to participate in government contracts or attempts to register any land purchases at the relevant land office or registry in Malaysia, FIC approval and compliance with FIC conditions would be required.

In the event that we shall, at any time in the future, be compelled by change of policy, laws, interpretation or regulations to comply with the FIC Guidelines, we may have to dilute our shareholding in our Malaysian subsidiaries and divest the requisite shareholding percentages within the time stipulated by the FIC. In such an event, our financial performance and financial condition will be adversely affected since currently our Malaysian subsidiaries are the main contributors to our revenue and profits.

## **RISKS RELATING TO THE OPERATION AND CONDUCT OF BUSINESSES IN INDIA**

### **Political instability or a change in economic liberalisation, deregulation policies, social and civil unrest and regional hostilities could harm business and economic conditions in India generally and in particular and our Indian business could suffer**

Since 1991, the Indian government has pursued policies of economic liberalisation, including significantly relaxing restrictions on the private sector. The present Indian government, which was formed in 2004, consists of a coalition of political parties. The withdrawal of one or more of these parties from the coalition government may result in political instability. Political instability may delay the implementation of reforms of the Indian economy and could adversely affect our operations and businesses in India. Protests against privatisation could slow down the pace of liberalisation and deregulation. The rate of economic liberalisation could change, and specific laws and policies affecting foreign investment, currency exchange rates and other matters affecting the conduct of our business and operations and investment in our Shares could change as well due to policy changes by current and/or future governments. Such changes in India's economic liberalisation and deregulation policies could disrupt business and economic conditions in India and thereby affect our business.

India has from time to time experienced civil unrest within its own borders and hostilities with neighbouring countries. The consequences of any armed conflicts are unpredictable, and we may not be able to foresee events that could have an adverse effect on our business or your investment.

### **Indian court proceedings may be lengthy**

India's legal/court processes may be lengthy with more than one appeal remedy as well as increasing stagnation of case dockets in its courts. In the event of a dispute involving our operations and businesses in India, delays in the legal processes in the Indian courts could potentially affect these operations and businesses, which will in turn affect our overall financial performance and financial condition.

## **RISKS RELATING TO THE OPERATIONS AND CONDUCT OF BUSINESSES IN INDONESIA**

### **Political and social instability may adversely affect our business in Indonesia**

Since the collapse of President Soeharto's regime in 1998, Indonesia has experienced a process of democratic change, resulting in political and social events that have highlighted the unpredictable nature of Indonesia's changing political landscape. These events have resulted in political instability, as well as general social and civil unrest on certain occasions in the past few years.

For example, in the past, thousands have participated in demonstrations in Jakarta and other Indonesian cities both for and against the then President Wahid and President Megawati, as well as in response to specific issues, including fuel tariff increases, privatisation of state assets, anti-corruption measures, decentralisation and provincial autonomy, actions of the former first family and the American-led military campaigns in Afghanistan and Iraq. Although these demonstrations were generally peaceful, some have turned violent. The Indonesian government was forced to drop or substantially reduce the proposed increases in fuel prices, electricity and telephone charges.

Political and related social developments in Indonesia have been unpredictable in the past, and we cannot assure you that social and civil disturbances will not occur in the future and on a wide scale, or that any of those disturbances will not, directly or indirectly, have a material adverse effect on our business, financial condition, results of operations and prospects.



## **A depreciation in the value of the Indonesian rupiah may adversely affect our financial condition and results of operations**

One of the most important immediate causes of the Asian economic crisis which began in Thailand in the mid-1997 was the depreciation and volatility of the value of the Indonesian rupiah, as measured against other currencies, such as the US\$. The Indonesian rupiah has generally been freely convertible and transferable (except that Indonesian banks may not transfer Indonesian rupiah to persons outside of Indonesia who lack a bona fide trade or investment purpose). However, from time to time, Bank Indonesia has intervened in the currency exchange markets in furtherance of its policies, either by selling Indonesian rupiah or by using its foreign currency reserves to purchase Indonesian rupiah. We cannot assure you that the current floating exchange rate policy of Bank Indonesia will not be modified, that additional depreciation of the Indonesian rupiah against other currencies, including the US\$, will not occur, or that the Indonesian government will take additional action to stabilise, maintain or increase the value of the Indonesian rupiah, or that any of these actions, if taken, will be successful.

Modification of the current floating exchange rate policy could result in significantly higher domestic interest rates, liquidity shortages, capital or exchange controls or the withholding of additional financial assistance by multinational lenders. This could result in a reduction of economic activity, an economic recession, loan defaults, price increases and declining consumer spending. As a result, we may also face difficulties in funding our business operations and in implementing our business strategy in Indonesia. Any of the foregoing consequences could have a material adverse effect on our business, financial conditions, results of operations, growth and prospects.

## **Economic changes in Indonesia may adversely affect our business**

Indonesia's gross domestic product ("GDP") grew at an annual rate of approximately 4.9% in 2004, 5.7% in 2005 and 5.5% in 2006 according to the World Bank<sup>(1)</sup>. The Indonesian government continues to have a large fiscal deficit and a high level of sovereign debt, its foreign currency reserves are modest, the rupiah continues to be volatile and has poor liquidity, and the banking sector is weak and suffers from high levels of non-performing loans. Any changes to the economic condition in Indonesia such as the one that resulted in the mid-1997 economic crisis resulting in currency depreciation, negative economic growth, high interest rates, social unrest and extraordinary political developments, may adversely affect our business, financial conditions, results of operations, growth and prospects.

## **RISKS RELATING TO OWNERSHIP OF OUR SHARES**

### **There would be no single majority Shareholder immediately after the Invitation**

Upon completion of the Invitation, there will be no majority Shareholder in our Company, which makes it possible for a person or an entity to consolidate control in our Company, in particular, if our Substantial Shareholders, namely CAV, CKPF and QH Sdn Bhd, and/or employee shareholders, and/or our Executive Directors Dato' Dr Ameen or Mr Karim Dhala were to dispose of their direct or indirect interests in our Company. The emergence of a new majority or controlling shareholder could result in a change in the composition of our Board and/or management, our current intentions, objectives and future plans. The possibility of disruption arising from such changes could adversely affect our business and results of operations. For further information regarding the post Invitation shareholding of our Company, please refer to the section entitled "Shareholders" of this Offer Document.

### **Investors in our Shares will face immediate dilution in the book value per Share and may experience future dilution**

Our Issue Price of \$0.25 per Share is higher than our Group's NAV per Share as adjusted based on the post-Invitation issued share capital. Investors who acquire our Shares during the Invitation will therefore experience immediate dilution. Details of the immediate dilution of our Shares incurred by new investors are described under the section on "Dilution" of this Offer Document.

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(1) Source: World development indicators database of the World Bank (<http://devdata.worldbank.org>) accessed on 11 April 2008. The World Bank has not consented to the inclusion of the above information and accordingly, the World Bank is not liable for these statements under sections 253 and 254 of the Securities & Futures Act. While our Directors have taken the reasonable steps to ensure that the information is extracted accurately and fairly and has been included in this Offer Document in its proper form and context, they have not independently verified the accuracy of the information set out above.

**Any future sales of our Shares by our Substantial Shareholders could adversely affect our Share price**

Any future sale or availability of our Shares can have an adverse effect on our Share price. The sale of a significant amount of Shares in the public market after the Invitation, or the perception that such sales may occur, could adversely affect the market price of our Shares. These factors also affect our ability to sell additional equity securities. Except as otherwise described in the section entitled “Moratorium” of this Offer Document, there are no restrictions imposed on our Substantial Shareholders to dispose of their shareholdings.

**There has been no prior market for our Shares and this Invitation may not result in an active or liquid market and there is a possibility that our Share price may be volatile**

Prior to the Invitation, there has been no public market for our Shares. Although our Sponsor has submitted a pre-admission notification to the SGX-ST to list our Shares on the Catalist, there is no assurance that an active trading market for our Shares will develop, or if it develops, be sustained. There is also no assurance that the market price for our Shares will not decline below the Issue Price.

**Our share price may fluctuate following this Invitation**

The market price of our Shares could be subject to significant fluctuations due to various external factors and events, including difference between our actual financial or operating results and those expected by investors and analysts, announcements by us of significant acquisitions, strategic alliances or joint ventures, additions or departures of key personnel, the general market conditions and broad market fluctuations in stock prices and volume, involvement of litigation and general economic conditions and the liquidity of our Shares in the market, some of which are beyond our control.

**Our ability to pay dividends to our Shareholders depends on various factors**

Our operations are conducted through our subsidiaries in Malaysia, India and Indonesia. Accordingly, a major source of our income, and consequently an important factor in our ability to pay dividends on our Shares, are the dividends received from our subsidiaries. Our subsidiaries’ ability to pay dividends will in turn depend on their earnings and cash flows and will be subject to laws and regulations (including tax laws) in each jurisdiction.

**We may require additional funding for our future growth**

Although we have identified our future growth plans set out in the section entitled “Business Strategies and Future Plans” of this Offer Document as the avenues to pursue growth in our business, the net proceeds from the Invitation may not be sufficient to fully cover the estimated costs of implementing all these plans. There may also be opportunities to grow and expand from time to time which cannot be predicted at this juncture. Under such circumstances, secondary issue(s) of debt and/or equity securities after the Invitation may be necessary to raise the required capital to develop these growth opportunities. If new Shares placed to new Shareholders are issued after the Invitation, they may be priced at a discount to the then prevailing market price of our Shares trading on the Catalist, in which case, existing Shareholders’ equity interest may be diluted and our Share price may also decline. If we fail to utilise the new equity to generate a commensurate increase in earnings, our EPS will be diluted, and this could lead to a decline in our Share price. Any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters. If we are unable to procure the additional funding that may be required on acceptable terms or at all or if we are unable to service our existing and new debt financing, our financial position and results, business operations, and future growth and prospects will be adversely affected.

**Negative publicity, including those relating to any of our Directors, Controlling Shareholders and Executive Officers may adversely affect our Share price**

Any negative publicity or announcements relating to any of our Directors, Controlling Shareholders and Executive Officers may adversely affect the public’s perception of our Group, whether or not this is justifiable, thereby adversely affecting our Share price.

## INVITATION STATISTICS

**Issue Price** \$0.25

### NAV

NAV per Share based on the audited consolidated balance sheet of QHC Group as at 31 December 2007:-

- |   |            |
|---|------------|
| (a) before adjusting for the estimated net proceeds from the Invitation and based on the pre-Invitation share capital of 112,684,221 Shares | 12.3 cents |
| (b) after adjusting for the estimated net proceeds from the Invitation and based on the post-Invitation share capital of 134,684,221 Shares | 13.2 cents |

Premium of Issue Price over the audited consolidated NAV per Share as at 31 December 2007:-

- |   |        |
|---|--------|
| (a) before adjusting for the estimated net proceeds from the Invitation and based on the pre-Invitation share capital of 112,684,221 Shares | 103.3% |
| (b) after adjusting for the estimated net proceeds from the Invitation and based on the post-Invitation share capital of 134,684,221 Shares | 89.4%  |

NAV per Share based on the unaudited proforma consolidated balance sheet of our Group as at 31 December 2007:-

- |   |            |
|---|------------|
| (a) before adjusting for the estimated net proceeds from the Invitation and based on the pre-Invitation share capital of 112,684,221 Shares | 19.5 cents |
| (b) after adjusting for the estimated net proceeds from the Invitation and based on the post-Invitation share capital of 134,684,221 Shares | 19.2 cents |

Premium of Issue Price over the unaudited proforma consolidated NAV per Share as at 31 December 2007:-

- |   |       |
|---|-------|
| (a) before adjusting for the estimated net proceeds from the Invitation and based on the pre-Invitation share capital of 112,684,221 Shares | 28.2% |
| (b) after adjusting for the estimated net proceeds from the Invitation and based on the post-Invitation share capital of 134,684,221 Shares | 30.2% |

### Earnings

Historical net EPS based on the audited consolidated net profit of the QHC Group for FY2007 and based on the pre-Invitation share capital of 112,684,221 Shares 0.9 cent

Net EPS based on the unaudited proforma consolidated net profit of the Group for the financial year ended 31 December 2007 and based on the pre-Invitation share capital of 112,684,221 Shares 2.5 cents

**Price earnings ratio**

Historical PER based on the audited consolidated net profit of QHC and its subsidiaries for FY2007 and the pre-Invitation share capital of 112,684,221 Shares 27.8 times

PER based on the unaudited proforma consolidated financial statements of our Group for FY2007 and the pre-Invitation share capital of 112,684,221 Shares 10.0 times

**Net operating cash flow<sup>(1)</sup>**

Historical net operating cash flow per Share for FY2007 based on the audited consolidated financial statements of QHC and its subsidiaries for FY2007 and the pre-Invitation share capital of 112,684,221 Shares 3.1 cents

Historical net operating cash flow per Share for FY2007 based on the unaudited proforma consolidated financial statements of our Group for FY2007 and the pre-Invitation share capital of 112,684,221 Shares 3.1 cents

**Price to net operating cash flow ratio**

Ratio of Issue Price to historical net operating cash flow per Share based on the audited consolidated financial statements of QHC and its subsidiaries for FY2007 and based on the pre-Invitation share capital of 112,684,221 Shares 8.1 times

Ratio of Issue Price to net operating cash flow per Share for FY2007 based on the unaudited proforma consolidated financial statements of our Group for FY2007 and based on the pre-Invitation share capital of 112,684,221 Shares 8.1 times

**Market capitalisation**

Our market capitalisation based on the post-Invitation share capital of 134,684,221 Shares and the Issue Price \$33.7 million

**Notes:-**

- (1) Net operating cash flow is defined as net profit attributable to our Shareholders with total depreciation of property, plant and equipment and amortisation of software expenses added back.
- (2) Had the Service Agreements been in effect at the beginning of FY2007, the aggregate remuneration for our Executive Directors would not have a significant impact on the Invitation Statistics above.

## USE OF PROCEEDS AND EXPENSES OF THE INVITATION

The net proceeds to be raised by our Company from the issue of the New Shares (after deducting the estimated issue expenses) is approximately \$3.9 million. The following table sets out the breakdown of the use of net proceeds proposed by our Company:-

| Use of proceeds   | Estimated Amount<br>(S\$'000) | As a percentage of the gross<br>proceeds raised from<br>the Invitation (%) |
|---|-------------------------------|--|
| (a) Expansion and acquisitions in Malaysia, India and the region                                      | 2,900                         | 52.7   |
| (b) Marketing and corporate branding  | 400                           | 7.3  |
| (c) Upgrading of existing equipment and purchase of new medical equipment and upgrading IT capability | 400                           | 7.3  |
| (d) Balance for working capital   | 196                           | 3.6  |
| <b>Total</b>  | <b>3,896</b>                  | <b>70.9</b>  |

The following table sets out the breakdown of the estimated expenses incurred by us:-

| Expenses  | Estimated Amount<br>(S\$'000) | As a percentage of the gross<br>proceeds raised from<br>the Invitation (%) |
|---|-------------------------------|--|
| (a) Listing fees  | 30                            | 0.5  |
| (b) Professional fees   | 1,118                         | 20.3   |
| (c) Underwriting commission, placement commission and brokerage | 171                           | 3.1  |
| (d) Miscellaneous expenses                                      | 285                           | 5.2  |
| <b>Total</b>  | <b>1,604</b>                  | <b>29.1</b>  |

Further details of our plans for use of proceeds may be found in the section entitled “Business Strategies and Future Plans” of this Offer Document.

Pending the deployment of the net proceeds from the issue of New Shares as aforesaid, the funds may be used as working capital for our Group or placed in short-term deposits or money making instruments as our Directors may, in their absolute discretion, deem fit.

There is no minimum amount which, in the reasonable opinion of our Directors, must be raised by the Invitation. Although no minimum amount must be raised by our Company from the Invitation to provide for the items above, such amount is proposed to be provided out of the Invitation on or in the event that such amount is insufficient or the Invitation is cancelled, out of our existing bank facilities and/or funds generated from our operations.

## DIVIDEND POLICY

We currently do not have a fixed dividend policy. Our Company has not distributed any dividends since its incorporation in September 2007.

Our subsidiary, QHC, has not declared or distributed any dividends to its shareholders in FY2005, FY2006 and FY2007. Our subsidiary, QMG and many of our subsidiaries in Malaysia owned through QMG have, in aggregate, declared gross dividends amounting to RM8,342,706, RM8,670,235 and RM9,854,882 for FY2005, FY2006 and FY2007 respectively.

The form, frequency and amount of dividends declared by each of the above subsidiaries in the past three (3) financial years was determined at the sole discretion of the board of directors of each such subsidiary subject to shareholders' approval, taking into consideration the respective earnings and financial position, the results of operations and the capital needs of such subsidiaries as the directors of each such subsidiary may deem appropriate.

The form, frequency and amount of future dividends on our Shares will be determined at the sole discretion of the Board of Directors subject to Shareholders' approval, and will depend upon our earnings and financial position, our results of operations, our capital needs, our plans for expansion and other factors as our Directors may deem appropriate. There can be no assurance that dividends will be paid in the future or of the amount or timing of any dividends that will be paid in the future. Subject to these, for FY2008, our Directors expect to recommend and distribute at least 30.0% of our net profit after tax as dividends to our Shareholders.

We may, by ordinary resolution of our Shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Directors. The declaration and payment of dividends will be determined at the sole discretion of our Directors subject to the approval of our Shareholders. Our Directors may also declare an interim dividend without the approval of our Shareholders.

Our Company will declare dividends, if any, and make payment of the dividends in Singapore Dollars.

For information relating to taxes payable on dividends, please refer to the section entitled "Taxation" of this Offer Document.

You should note that all the foregoing statements are merely statements of our present intention and do not constitute a legally binding obligation on the part of our Company in respect of the payment of any dividends (including those that may be proposed for FY2008) which may be subject to modification (including any reduction or non-declaration thereof) in our Directors' sole and absolute discretion.

You should not make any inference from the foregoing statements as to our actual future profitability or our ability to pay any future dividends.

## SHARE CAPITAL

Our Company (Company Registration No. 200717959H) was incorporated in Singapore on 28 September 2007 under the Companies Act as a private limited company under the name of Qualitas Medical Group Pte. Ltd.. The first annual general meeting of our Company was held on 13 June 2008. On 24 June 2008, our Company was converted into a public company and changed its name to Qualitas Medical Group Limited. As at the date of this Offer Document, our issued and paid up capital is \$21,508,610 comprising 112,684,221 ordinary shares.

On 19 June 2008, our sole Shareholder, Dato' Dr Ameen, by a written resolution in lieu of an extraordinary general meeting passed approved, *inter alia*, the following:-

- (a) the allotment and issue of 51,144,260 Shares in the share capital of our Company pursuant to the Restructuring Exercise;
- (b) the conversion of our Company into a public limited company and the change of our name to Qualitas Medical Group Limited;
- (c) the adoption of a new set of Articles of Association;
- (d) the sub-division of every five (5) ordinary shares in the capital of the Company into eleven (11) ordinary shares (the "Share Split");
- (e) the issue of 22,000,000 New Shares which are the subject of the Invitation, on the basis that the New Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the existing Shares;
- (f) the listing and quotation of all the issued Shares (including the New Shares to be allotted and issued) on the Official List; and
- (g) the authorisation of our Directors, pursuant to Section 161 of the Companies Act, to:-
  - (i) (A) allot and issue shares whether by way of rights, bonus or otherwise (including shares as may be allotted and issued pursuant to any Instrument (as defined below) made or granted by our Directors while this resolution is in force notwithstanding that the authority conferred by this resolution may have ceased to be in force at the time of allotment and issue of such Shares), and/or  
(B) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be allotted and issued, including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares,  
  
at any time and upon such terms and conditions and for such purposes and to such persons as our Directors may in their absolute discretion deem fit; and
  - (ii) (notwithstanding that the authority thereby conferred may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while the authority was in force,

provided that:-

- (i) the aggregate number of new shares to be issued pursuant to such authority (including Shares to be issued in pursuance of Instruments made or granted pursuant to the authority) shall not exceed 100.0 per cent. of the total number of issued Shares (excluding treasury shares) in the post-Invitation share capital of our Company, and provided that the aggregate number of such Shares and/or convertible securities to be issued other than on a *pro rata* basis to the then existing Shareholders of our Company shall not exceed 50.0 per cent. of the total number of issued Shares (excluding treasury shares) in the post-Invitation share capital of our Company;

- (ii) in exercising the authority thereby conferred, our Company shall comply with the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of our Company; and
- (iii) (unless revoked or varied by our Company in general meeting), such authority thereby conferred shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

As at the date of this Offer Document, there is only one (1) class of shares in the capital of our Company, being ordinary shares. A summary of the Articles of Association of our Company relating to the voting rights of Shareholders is set out on in Appendix III of this Offer Document. There is no founder, management, deferred or unissued Shares reserved for issuance for any purpose. No person has been, or is permitted to be, given an option to subscribe for or purchase any securities of our Company or any of our subsidiaries. As at the LPD, no option to subscribe for Shares in our Company has been granted to, or was exercised by any of our Directors.

Details of changes in our issued and paid up capital since 28 September 2007, being the date of incorporation of our Company and immediately after the Invitation are as follows:-

|  | <b>Resultant Number<br/>of Shares</b> | <b>Resultant Issued<br/>and Paid up Capital<br/>S\$</b> |
|--|---------------------------------------|---|
| Issued and fully paid ordinary shares as at 28 September 2007  | 1                                     | 1   |
| Issue of 51,144,260 new ordinary shares pursuant to the Restructuring Exercise   | 51,144,261                            | 21,466,637 <sup>(1)(3)</sup>                            |
| Sub-division of every five (5) Shares into eleven (11) Shares  | 112,517,373                           | 21,466,637  |
| Issue of new ordinary shares to Sin Keng Choo @ Ng Nyet Chin pursuant to two (2) agreements dated 27 October 2006 and 19 June 2008 | 166,848                               | 41,973 <sup>(2)(3)</sup>                                |
| New Shares issued pursuant to the Invitation <sup>(4)</sup>  | 22,000,000                            | 3,896,326   |
| Post-Invitation issued and paid up share capital   | 134,684,221                           | 25,404,936  |

**Notes:-**

- (1) The issue of 51,144,260 new ordinary shares was made based on the share capital of the unaudited proforma consolidated balance sheet of our Group which amounted to RM51,144,260, representing the issued and paid up share capital of QHC numbering 51,144,260 shares of RM1 each in its capital. The resultant issued and paid up capital in S\$ is based on the closing exchange rate of RM2.3825 to S\$1 quoted by Bloomberg L.P. as of 19 June 2008, being the date of allotment of the 51,144,260 new ordinary shares.
- (2) The issue of 166,848 new ordinary shares to Sin Keng Choo @ Ng Nyet Chin is made pursuant to two (2) agreements dated 27 October 2006 and 19 June 2008. The resultant issued and paid up capital in S\$ is based on value of the new ordinary shares agreed at RM100,000 between our Group and Sin Keng Choo @ Ng Nyet Chin and based on the closing exchange rate of RM2.3825 to S\$1 quoted by Bloomberg L.P. as of 19 June 2008, being the date of allotment of the 166,848 new ordinary shares. Please refer to the section entitled "Shareholders" of this Offer Document for further details on the two (2) agreements dated 27 October 2006 and 19 June 2008.
- (3) Bloomberg L.P. has not consented to the inclusion of the above exchange rates and accordingly, Bloomberg L.P. is not liable for these statements under sections 253 and 254 of the SFA Act. While our Directors have taken the reasonable steps to ensure that the information is extracted accurately and fairly and has been included in this Offer Document in its proper form and context, they have not independently verified the accuracy of the information set out above.
- (4) The resultant issued and paid up capital is derived after deducting estimated expenses in connection with the issue of the New Shares.



## SHAREHOLDERS

### OWNERSHIP STRUCTURE

The Directors and Shareholders of our Company and their respective shareholdings immediately before and after the Invitation are set out below:-

|   | Before the Invitation |              |                  |      | After the Invitation |              |                  |      |
|---|-----------------------|--------------|------------------|------|----------------------|--------------|------------------|------|
|   | Direct Interest       |              | Deemed Interest  |      | Direct Interest      |              | Deemed Interest  |      |
|   | Number of Shares      | %            | Number of Shares | %    | Number of Shares     | %            | Number of Shares | %    |
| <b>Directors</b>                                  |                       |              |                  |      |                      |              |                  |      |
| Dato' Dr Ameen <sup>(1)</sup>                     | 18,683,762            | 16.6         | 13,323,088       | 11.8 | 18,683,762           | 13.9         | 13,323,088       | 9.9  |
| Mr Karim Dhala <sup>(1)</sup>                     | 760,767               | 0.7          | 13,323,088       | 11.8 | 760,767              | 0.6          | 13,323,088       | 9.9  |
| Ms Raja Noorma <sup>(2)</sup>                     | -                     | -            | -                | -    | -                    | -            | -                | -    |
| Mr Muhammad Azraini <sup>(2)</sup>                | -                     | -            | -                | -    | -                    | -            | -                | -    |
| Dato' Dr Samsudin <sup>(3)</sup>                  | -                     | -            | -                | -    | -                    | -            | -                | -    |
| Mr Chaw <sup>(3)</sup>                            | -                     | -            | -                | -    | -                    | -            | -                | -    |
| <b>Substantial Shareholders</b>                   |                       |              |                  |      |                      |              |                  |      |
| CAV <sup>(4)(5)(6)</sup>                          | 21,737,670            | 19.3         | 14,024,303       | 12.4 | 21,737,670           | 16.1         | 14,024,303       | 10.4 |
| BCHB <sup>(4)(5)</sup>                            | -                     | -            | 35,761,973       | 31.7 | -                    | -            | 35,761,973       | 26.5 |
| CIMB Group <sup>(4)(5)</sup>                      | -                     | -            | 35,761,973       | 31.7 | -                    | -            | 35,761,973       | 26.5 |
| CKPF <sup>(6)(7)</sup>                            | 14,024,303            | 12.4         | -                | -    | 14,024,303           | 10.4         | -                | -    |
| Koperasi Permodalan Felda Berhad <sup>(7)</sup>   | -                     | -            | 14,024,303       | 12.4 | -                    | -            | 14,024,303       | 10.4 |
| QH Sdn Bhd <sup>(1)</sup>                         | 13,323,088            | 11.8         | -                | -    | 13,323,088           | 9.9          | -                | -    |
| <b>Doctor-employee Shareholders<sup>(6)</sup></b> |                       |              |                  |      |                      |              |                  |      |
|   | 38,804,689            | 34.4         | -                | -    | 38,804,689           | 28.8         | -                | -    |
| <b>Others<sup>(9)(10)</sup></b>                   |                       |              |                  |      |                      |              |                  |      |
|   | 5,349,942             | 4.8          | -                | -    | 5,349,942            | 4.0          | -                | -    |
| <b>Public</b>                                     |                       |              |                  |      |                      |              |                  |      |
|   | -                     | -            | -                | -    | 22,000,000           | 16.3         | -                | -    |
| <b>Total</b>                                      | <u>112,684,221</u>    | <u>100.0</u> |                  |      | <u>134,684,221</u>   | <u>100.0</u> |                  |      |

#### Notes:-

- (1) Dato' Dr Ameen and Mr Karim Dhala legally and beneficially own 57.8% and 42.2% respectively of the ordinary shares in QH Sdn Bhd and are therefore deemed to be interested in the Shares held by QH Sdn Bhd in our Company.
- (2) Our Non-Executive Directors, Ms Raja Noorma and Mr Muhammad Azraini, are nominee directors for CAV and CKPF respectively.
- (3) Our Independent Directors, Dato' Dr Samsudin and Mr Chaw intends to subscribe for 250,000 and 400,000 New Shares respectively at the Issue Price. In the event that such Independent Directors subscribe for any Placement Shares, they may dispose of or transfer any or all their Shares after the admission of our Company to the Official List.
- (4) CAV is a wholly owned subsidiary of CIMB Group, a financial services group which in turn is a wholly owned subsidiary of BCHB, a listed company on Bursa Malaysia. CAV is the venture capital arm of CIMB Group with an independent investment committee which has the sole discretion to invest or divest its investment in us. Both CIMB Group and BCHB have not given a

moratorium over their respective interests in CAV and CIMB Group. Please refer to the section entitled “Moratorium” of this Offer Document for further information on the waiver granted by SGX-ST from compliance with the moratorium requirements by CIMB Group and BCHB.

- (5) CIMB Group and BCHB being the sole shareholders in CAV and CIMB Group respectively are deemed to be interested in the direct and indirect interests of CAV in our Company.
- (6) CAV legally and beneficially owns 51.0% of the ordinary shares in CKPF and is therefore deemed to be interested in the Shares held by CKPF in our Company.
- (7) Koperasi Permodalan Felda Berhad legally and beneficially owns 49.0% of the ordinary shares in CKPF and is therefore deemed to be interested in the Shares held by CKPF in our Company.
- (8) This refers to fifty-eight (58) individual Shareholders who are our doctor-employees currently employed by our Group and who each hold directly or indirectly less than 5.0% of our Company’s Shares and are unrelated to our Directors, Substantial Shareholders and their Associates.
- (9) Various other Shareholders comprising eight-five (85) individuals who comprise some of our Executive Officers and managerial staff, staff and past employees who each hold directly or indirectly less than 5.0% of our Company’s Shares and are unrelated to our Directors, Substantial Shareholders and their Associates.
- (10) On 27 October 2006, as part of the consideration for the acquisition of Doctorslab Medical Services Private Limited and Osler Diagnostics Private Limited by our subsidiary in India, our Group agreed to allot and issue to the vendor, Sin Keng Choo @ Ng Nyet Chin, ordinary shares equivalent to RM100,000 upon the listing of any company in our Group on any internationally recognised stock exchange. On 19 June 2008, our Group agreed to allot and issue, and Sin Keng Choo @ Ng Nyet Chin agreed to accept 166,848 Shares representing 0.1% of the entire issued and paid up post-Invitation share capital of our Company in full and final satisfaction of her entitlement under the agreement dated 27 October 2006. Sin Keng Choo @ Ng Nyet Chin is a past director in our Company and is also the spouse of a director of the Solicitors to the Invitation, Drew & Napier LLC. Please refer to the sections entitled “History” and “Other Transactions” of this Offer Document for further details on the acquisition of Doctorslab Medical Services Private Limited and Osler Diagnostics Private Limited by our Group.

Save as disclosed above and in the section entitled “Interested Person Transactions, Potential Conflicts of Interests and Other Transactions”, there are no other relationships between our Directors and Substantial Shareholders.

The Shares held by our Directors and Substantial Shareholders do not carry different voting rights from the New Shares. Our Directors are not aware of any arrangement, the operation of which may, at a subsequent date, result in a change in control of our Company.

There has not been any public take-over offer by a third party in respect of our Shares or by our Company in respect of the shares of another corporation or units of a trust which has occurred during the last or current financial year and up to the LPD.

#### **SIGNIFICANT CHANGES IN PERCENTAGE OF OWNERSHIP**

Save as disclosed in this section and the section entitled “Restructuring Exercise” in this Offer Document, there has been no significant changes in percentage of ownership of our Shares since the incorporation of our Company on 28 September 2007 and until the LPD.

## MORATORIUM

To demonstrate their commitment to our Group, our Company's Substantial Shareholders, namely QH Sdn Bhd, CAV<sup>(1)</sup>, CKPF<sup>(1)</sup> and our Executive Directors, Dato' Dr Ameen and Mr Karim Dhala, who will in aggregate hold 68,529,590 Shares in our Company, representing approximately 50.9% of our Company's number of Shares after the Invitation, have each undertaken not to sell, transfer, assign, dispose or realise ("Disposal") any part of their respective shareholding interests in our Company except in the following manner:-

- (a) until the date following six (6) months after the date of our Company's admission to the Official List, no Shares may be the subject of Disposal;
- (b) at any time after six (6) months after the date of our Company's admission to the Official List, up to 50.0% of their respective Shares may be the subject of Disposal; and
- (c) at any time after twelve (12) months after the date of our Company's admission to the Official List, the balance of their respective Shares may be the subject of Disposal.

CAV, Dato' Dr Ameen and Mr Karim Dhala have also undertaken not to sell, transfer, assign, dispose or realise any part of their respective effective interests in CKPF and QH Sdn Bhd for a period of twelve (12) months after the date of our Company's admission to the Official List.

In addition, our Executive Officers, the managerial staff and our doctors numbering a total of seventy-six (76) Shareholders who will in aggregate hold 43,453,595 Shares in our Company, representing approximately 32.3% of our Company's number of Shares after the Invitation have each undertaken not to sell, transfer, assign, dispose or realise any part of their respective shareholding interests in our Company except in the following manner:-

- (a) until the date following three (3) months after the date of our Company's admission to the Official List, no Shares may be the subject of Disposal;
- (b) at any time after three (3) months after the date of our Company's admission to the Official List, up to 25.0% of their respective Shares may be the subject of Disposal;
- (c) at any time after six (6) months after the date of our Company's admission to the Official List, up to 50.0% of their respective Shares may be the subject of Disposal;
- (d) at any time after nine (9) months after the date of our Company's admission to the Official List, up to 75.0% of their respective Shares may be the subject of Disposal; and
- (e) at any time after twelve (12) months after the date of our Company's admission to the Official List, the balance of their respective Shares may be the subject of Disposal.

### Note:-

- (1) Our Company had applied to the SGX-ST for a waiver from compliance with Rule 421 of the Catalist Rules to require BCHB and CIMB Group to provide the moratorium undertakings. The reason for the application was because it was impracticable for BCHB and CIMB Group to provide moratorium over all their respective interest in CIMB Group and CAV, when the investment and divestment decisions of the Shares owned by CAV and CPKF are in the sole discretion of independent investment committees constituted under CAV and CKPF and do not lie in the discretion of BCHB and CIMB Group. On 7 April 2008, the SGX-ST granted the waiver, taking into account various information provided by us, in particular, the following:-
  - (a) Investment and divestment decisions in CAV and CKPF are governed by their respective investment mandates and administered by their respective investment committees. Members of the investment committees of CAV and CKPF are appointed by their respective boards of directors based on their investment expertise and industry experience. CAV and CKPF have boards which are independent of the boards of BCHB and CIMB Group;
  - (b) CAV and CKPF are financial investors in our Company. Neither CAV, CKFP, BCHB nor CIMB Group has in the past rendered or has any intention of rendering any form of financial assistance whether by way of shareholders' loans, guarantees, security or otherwise to the Group;
  - (c) CAV's and CKPF's investments in our Group are immaterial *vis-à-vis* the net asset value and net profits of BCHB and CIMB Group;

- (d) The moratorium undertakings from Dato' Dr Ameen, Mr Karim Dhala, CAV and CKPF not to sell transfer or otherwise dispose of any part of their interest in our Company for the first six (6) months (the "Initial Period") and at least 50.0% of the shareholdings for six (6) months after the Initial Period;
- (e) The moratorium undertakings from the Executive Officers, managerial staff and doctors in respect of their shareholdings for twelve (12) months, with 25.0% being released every three (3) months; and
- (f) The undertakings from CAV and CKPF not to appoint more than two (2) directors or more than one-third of the number of directors to our Board for a period of twelve (12) months from the date of listing.

For further details on the undertakings from CAV and CKPF not to appoint more than two (2) directors or more than one-third of the number of directors to our Board for a period of twelve (12) months from the date of listing, please refer to the section entitled "Directors, Management and Staff" of this Offer Document.

## CAPITALISATION AND INDEBTEDNESS

The following table shows our cash and cash equivalents and capitalisation:-

- (a) on an actual basis as at 30 April 2008; and
- (b) as adjusted to give effect to the Restructuring Exercise, the Share Split and the issue of 22,000,000 New Shares pursuant to the Invitation.

You should read this table in conjunction with the Report from the Reporting Accountants and Auditors on the Audited Consolidated Financial Statements of QHC and its subsidiaries for the financial years ended 31 December 2005, 2006 and 2007 set out in Appendix I of this Offer Document, the Report from the Reporting Accountants and Auditors on the Unaudited Proforma Consolidated Financial Statements of the Group for the financial year ended 31 December 2007 set out in Appendix II of this Offer Document and the related notes under the section entitled "Management's Discussion and Analysis of Financial Position and Results of Operations" of this Offer Document.

| <i>RM'000</i>                                | Actual as at 30<br>April 2008 | Actual as at 30<br>April 2008 as<br>adjusted for the<br>Restructuring<br>Exercise and<br>the Share Split | As adjusted for<br>the net proceeds<br>from the issue<br>of New Shares |
|--|-------------------------------|--|--|
| Cash and cash equivalents                    | 12,027                        | 12,027   | 21,367   |
| Short term debt:-                            |                               |  |  |
| Secured                                      | 497                           | 497  | 497  |
| Unsecured                                    | 245                           | 245  | 245  |
|  | 742                           | 742  | 742  |
| Long term debt:-                             |                               |  |  |
| Secured                                      | 2,252                         | 2,252  | 2,252  |
| Unsecured                                    | 139                           | 139  | 139  |
|  | 2,391                         | 2,391  | 2,391  |
| <b>Total indebtedness</b>                    | <b>3,133</b>                  | <b>3,133</b>   | <b>3,133</b>   |
| <b>Total shareholders' equity</b>            | <b>32,357</b>                 | <b>51,107</b>  | <b>60,447</b>  |
| <b>Total capitalisation and indebtedness</b> | <b>35,490</b>                 | <b>54,240</b>  | <b>63,580</b>  |

As at the LPD, we had total short-term loans amounting to RM0.7 million, consisting of RM0.5 million and RM0.2 million secured and unsecured loans respectively. We also had total long-term loans amounting to RM2.2 million, consisting of RM2.1 million and RM0.1 million secured and unsecured loans respectively.

Save as disclosed above, since 1 January 2008 to the LPD, there were no material changes in our total capitalisation and indebtedness, except for changes in our retained earnings arising from the day-to-day operations in the ordinary course of our business.

Details of our bank borrowings as at the LPD are set out in the table below:-

| Financial Institutions      | Borrower                                  | Facility Limit | Type of Facility               | Amount outstanding under each facility | Tenure of facility             |
|-----------------------------|---|----------------|--------------------------------|--|--------------------------------|
| Public Bank Berhad          | QMG                                       | RM1,620,000    | Fixed loan for working capital | RM1,519,000 <sup>(1)(4)</sup>          | October 2007 to September 2017 |
| Pac Lease Berhad            | QMG                                       | RM133,000      | Hire purchase facility         | RM15,000 <sup>(1)(2)</sup>             | October 2005 to September 2008 |
| Malayan Banking Berhad      | QMG                                       | RM3,000,000    | Overdraft                      | RM174,000 <sup>(1)(3)(4)</sup>         | No tenure                      |
| Public Bank Berhad          | QHC                                       | RM260,000      | Hire purchase facility         | RM182,000 <sup>(5)</sup>               | January 2007 to December 2011  |
| GE Capital Services Limited | Namrata Diagnostic Centre Private Limited | INR14,500,000  | Term loan                      | INR13,473,000 <sup>(6)</sup>           | December 2007 to February 2011 |

**Notes:-**

- (1) These bank borrowings/facilities are guaranteed by our wholly owned subsidiary, QHC.
- (2) This is a hire purchase loan for purchase of computer peripherals and ancillaries.
- (3) This is an overdraft facility for working capital purposes and is secured by a fixed deposit of RM1.0 million. It has no tenure and is subject to yearly review by the bank.
- (4) The applicable interest rates per annum for these borrowings range from 0.8% below the prevailing base lending rate ("BLR") to 1.5% above the BLR.
- (5) This is a hire purchase loan for purchase of a motor vehicle and is guaranteed by our Chairman and Managing Director, Dato' Dr Ameen.
- (6) This loan is granted by the financial institution pursuant to an equipment master security and loan agreement dated 24 October 2007 in relation to the assignment of a medical equipment loan from the previous borrower to our subsidiary, Namrata Diagnostic Centre Private Limited in connection with our acquisition of shares in Namrata Diagnostic Centre Private Limited. The loan is guaranteed by our subsidiary in India, Qualitas Medical Group Private Limited. The lending rate for this term loan is 11.5% per annum.

## COMMITMENTS

As at the LPD, we had the following commitments, which are not provided for in the financial statements:-

(a) Lease commitments

As at the LPD, our commitment in respect of non-cancellable operating lease rentals for our clinic premises contracted for but not recognised as liabilities are as follows:-

|  | RM'000       |
|--|--------------|
| Up to one (1) year                       | 2,566        |
| Between one (1) and up to five (5) years | 2,593        |
| More than five (5) years                 | —            |
| TOTAL                                    | <u>5,159</u> |

(b) Capital commitments

As at the LPD, we had the following capital commitments approved but not provided for in the financial statements:-

(i) Purchase of property at No. 11, Jalan Sultan Azlan Shah, 11700 Gelugor, Penang, Malaysia

Our Group has entered into a sale and purchase agreement dated 1 June 2008 to purchase the abovesaid property at a purchase price of RM1.8 million.<sup>(1)</sup>

(ii) Purchase of property at No. 603, Jalan Dato Keramat, 10460 Penang, Malaysia

Our Group has entered into a sale and purchase agreement dated 1 June 2008 to purchase the abovesaid property at a purchase price of RM650,000.<sup>(1)</sup>

**Note:-**

- (1) The acquisition of these properties is pursuant to a sale of business agreement dated 1 June 2008 entered into by our Group with two (2) doctors (the "vendors") for the business of four (4) clinics. These properties are used as clinic premises. We intend to fund the purchase price of the abovesaid two (2) properties by way of a bank loan. Under the terms of the respective sale and purchase agreements, the completion of the said properties shall take place on or before three (3) months from 1 June 2008 upon payment of the balance purchase price by us failing which the vendors shall grant an extension of one (1) month for us to pay the balance purchase price with interest at a rate of 8.0% per annum on the balance purchase price. Please refer to the section entitled "General and Statutory Information" for further details on these agreements.

Our Directors are of the reasonable opinion that the working capital available to our Group as at the date of this Offer Document is sufficient for the present requirements and for at least twelve (12) months after the Listing Date.

## CONTINGENT LIABILITIES

As at the date of this Offer Document, to the best of our knowledge, information and belief, we are not aware of any material contingent liabilities which may have a material effect on the financial position and profitability of our Group.

Save as disclosed in this section entitled "Capitalisation and Indebtedness" of this Offer Document, our Group had no other borrowings or indebtedness and liabilities under acceptances (other than normal trading bills) or acceptance credits, mortgages, charges, obligations under finance leases, guarantees or other material contingent liabilities.

## DILUTION

Dilution is the amount by which the Issue Price paid by the subscribers of our New Shares in this Invitation exceeds our NAV per Share after the Invitation. Our audited and proforma NAV per Share as at 31 December 2007 before adjusting for the estimated net proceeds from the Invitation and based on the pre-Invitation share capital of 112,684,221 Shares were 12.3 cents and 19.5 cents per Share respectively.

Based on the issue of 22,000,000 New Shares at the Issue Price, pursuant to the Invitation and after deducting estimated issue expenses, our audited and proforma NAV per Share as at 31 December 2007 based on the post-Invitation number of Shares of 134,684,221 Shares would have been 13.2 cents and 19.2 cents per Share respectively. This represents an immediate increase of 0.9 cent and a decrease of 0.3 cent in our audited and proforma NAV per Share respectively to our existing Shareholders and an immediate dilution in our audited and proforma NAV per Share of 11.8 cents and 5.8 cents respectively to our new investors.

The following table illustrates the dilution per Share as at 31 December 2007:-

|   | <b>Based on<br/>Audited NAV<br/>Cents</b> | <b>Based on<br/>Proforma NAV<br/>Cents</b> |
|---|---|--|
| Issue Price per Share   | 25.0                                      | 25.0                                       |
| NAV per Share based on the pre-Invitation number of Shares of 112,684,221 Shares and before adjusting for the net proceeds from the Invitation        | 12.3                                      | 19.5                                       |
| Increase or (decrease) in NAV per Share attributable to our existing Shareholders based on the post-Invitation number of Shares of 134,684,221 Shares | 0.9                                       | (0.3)                                      |
| NAV per Share after the Invitation  | 13.2                                      | 19.2                                       |
| Decrease in NAV per Share attributable to new investors as a percentage of the Issue Price  | 47.2%                                     | 23.2%                                      |
| Dilution in NAV per Share to new public investors   | 11.8                                      | 5.8  |



The following table summarises the total number of Shares issued by us to our Executive Directors and our Substantial Shareholders from the date of incorporation of our Company and prior to the date of this Offer Document, the total consideration paid by them and the effective cash cost per Share to them, and by our new public investors pursuant to the Invitation.

|                              | <b>Number of<br/>Shares acquired<br/>as at the LPD</b> | <b>Total<br/>consideration<br/>\$</b> | <b>Average<br/>effective cash<br/>cost per Share<br/>\$</b> |
|------------------------------|--|---------------------------------------|---|
| <b>Existing Shareholders</b> |  |                                       |   |
| Dato' Dr Ameen               | 18,683,762   | 3,564,583                             | 0.19  |
| Mr Karim Dhala               | 760,767  | 145,143                               | 0.19  |
| QH Sdn Bhd                   | 13,323,088   | 2,541,846                             | 0.19  |
| CAV                          | 21,737,670   | 4,147,223                             | 0.19  |
| CKPF                         | 14,024,303   | 2,675,628                             | 0.19  |
| <b>New public investors</b>  | <b>22,000,000</b>                                      | <b>5,500,000</b>                      | <b>0.25</b>   |

## RESTRUCTURING EXERCISE

Our Group structure prior to the Restructuring Exercise is set out under the heading “Group Structure Prior to Restructuring Exercise” of this Offer Document.

### OUR RESTRUCTURING EXERCISE

Since our Group was established in 1997, our mode of growth was through the acquisition of the majority stake of privately owned clinics, while leaving the minority stake in the hands of the original owners. Pursuant to the acquisition, the Group and the original owners entered into a put and call option which would allow the Group to acquire all the remaining shares held by the original owners during the listing of our Company, in consideration for shares in our Company. Prior to the listing of our Company, our Group carried out the following Restructuring Exercise to streamline and rationalise our Group structure:-

- (a) Our Company was incorporated in Singapore on 28 September 2007 under the Companies Act to serve as the ultimate holding company of our Group.
- (b) Pursuant to a series of restructuring agreements, the following share swaps were effected so that the majority owned subsidiaries of our Group prior to the Restructuring Exercise became 99.9% owned subsidiaries of our Group:-
  - (i) Pursuant to the Restructuring Exercise, Klinik Salak (Selangor) Sdn Bhd became a wholly owned subsidiary of Klinik Salak Sdn Bhd when the minority shareholder holding 34,000 shares in the capital of Klinik Salak (Selangor) Sdn Bhd transferred all his interest to Klinik Salak Sdn Bhd in return for an allotment of 39,581 Shares in the share capital of our Company.
  - (ii) Prior to the Restructuring Exercise, QMG was the majority shareholder in the subsidiaries listed in the table below. Pursuant to the Restructuring Exercise, the minority shareholders of the subsidiaries mentioned below transferred all their respective interests in those subsidiaries to QMG in return for an allotment of Shares in our Company (“Share Swaps”).

The following table lists the shares transferred in QMG's subsidiaries to QMG and the Shares issued by our Company pursuant to the Restructuring Exercise:-

| <b>Name of company in which shares were transferred to QMG</b> | <b>No. of shares transferred</b> | <b>No. of Shares of our Company issued to the minority shareholders for shares transferred</b> |
|--|----------------------------------|--|
| Kumpulan Medic (KL) Sdn Bhd                                    | 115,200                          | 1,251,061  |
| Kumpulan Medic (Selangor) Sdn Bhd                              | 115,200                          | 1,251,062  |
| Klinik Anis Sdn Bhd  | 147,000                          | 858,850  |
| Klinik Salak Sdn Bhd   | 49,048                           | 504,248  |
| Daya X-Ray Centre Sdn Bhd                                      | 119,700                          | 451,514  |
| Reddy Clinic Sdn Bhd   | 49,000                           | 909,071  |
| Klinik Ludher Sdn Bhd  | 49,000                           | 38,170   |
| Poliklinik Central & Surgeri Sdn Bhd                           | 48,881                           | 415,352  |
| Lambaian Adiwarna Sdn Bhd                                      | 39,200                           | 250,322  |
| Vertical Score Sdn Bhd   | 17,151                           | 536,710  |
| Towards Growth Sdn Bhd   | 75,951                           | 398,593  |
| Klinik JJ (Johor) Sdn Bhd                                      | 57,870                           | 72,368   |
| Klinik Thomas Sdn Bhd  | 49,000                           | 103,966  |
| Poliklinik Puteri dan Surgeri Sdn Bhd                          | 282,240                          | 2,230,470  |
| Klinik Dhas Sdn Bhd  | 45,570                           | 370,874  |
| Klinik Lee Medik Sdn Bhd                                       | 113,449                          | 1,039,588  |
| Klinik Daiman Sdn Bhd  | 31,780                           | 172,970  |
| Surplus Mode Sdn Bhd   | 31,850                           | 441,704  |
| Klinik Catterall, Khoo and Raja Malek Sdn Bhd                  | 175,179                          | 969,618  |
| Poliklinik Simpang Pulai Sdn Bhd                               | 78,400                           | 68,304   |
| Klinik Syed Alwi dan Chandran (Penang) Sdn Bhd                 | 80,326                           | 285,702  |
| Apex Support Sdn Bhd   | 63,700                           | 369,559  |
| Klinik Pantai Sdn Bhd  | 33,810                           | 153,524  |
| Q-Medical Care Sdn Bhd   | 62,230                           | 253,227  |
| Klinik Port Dickson Sdn Bhd                                    | 45,081                           | 281,406  |
| Klinik Dr Nur Ainita Sdn Bhd                                   | 24,500                           | 73,078   |
| First Rewards Sdn Bhd  | 44,400                           | 246,208  |
| <b>Total</b>   |                                  | <b>13,997,519</b>  |

The above subsidiaries became wholly owned subsidiaries of QMG as a result of the Share Swaps.

- (iii) Prior to the Restructuring Exercise, QHC held approximately 74.0% of the entire issued and paid up share capital in QMG. Pursuant to the Restructuring Exercise, the minority shareholders of QMG transferred all their interests in QMG amounting to 4,777,725 shares of RM1 each in the share capital of QMG in return for allotment and issue of 5,876,601 Shares in the share capital of our Company. As a result of the Restructuring Exercise, QMG became 99.9% owned by QHC.<sup>(1)</sup>

**Note:-**

- (1) Two (2) shareholders who were ex-employees of QMG who in aggregate hold 5,200 QMG shares of RM1 each in the capital of QMG, representing less than 0.1% of the entire issued and paid up share capital in QMG were not part of the Restructuring Exercise.
- (iv) Prior to the Restructuring Exercise, the shares in QHC were held by the following shareholders listed in the table below:-

| <b>Name of Shareholder in QHC</b> | <b>No. of shares held prior to completion of the Restructuring Exercise</b> | <b>% of equity interests held</b> |
|-----------------------------------|---|-----------------------------------|
| CAV                               | 9,880,759   | 31.6                              |
| Dato' Dr Ameen                    | 8,455,718   | 27.1                              |
| CKPF                              | 6,374,683   | 20.4                              |
| QH Sdn Bhd                        | 6,055,949   | 19.4                              |
| Mr Karim Dhala                    | 250,000   | 0.8                               |
| Other shareholders <sup>(1)</sup> | 213,450   | 0.7                               |
| <b>Total</b>                      | <b>31,230,559</b>   | <b>100.0%</b>                     |

**Note:-**

- (1) The other shareholders of QHC comprise our Executive Officers, our managerial staff, our doctors and other present and past employees.

Pursuant to the Restructuring Exercise, the shareholders of QHC transferred all their interests in QHC representing its entire issued and paid up share capital to our Company in return for allotment and issue of 31,230,559 ordinary shares in the share capital of our Company. As a result of the Restructuring Exercise, QHC became a wholly owned subsidiary of our Company.

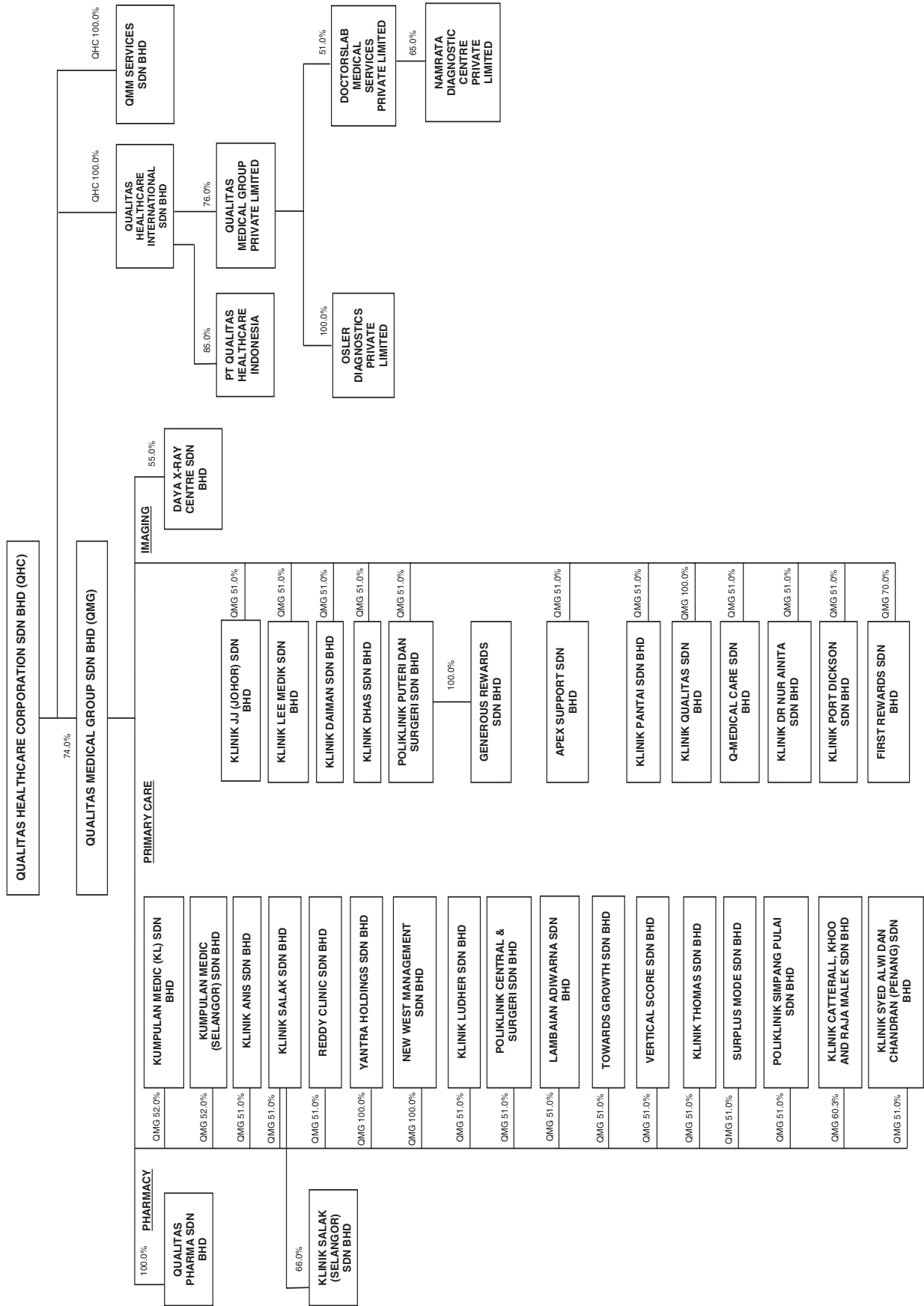
- (v) As a result of the above share swaps, the pre-Invitation share capital of our Company immediately after the Restructuring Exercise, the Share Split and the issue of 166,848 Shares to Sin Keng Choo @ Ng Nyet Chin<sup>(1)</sup> is as follows:-

|   | Direct Interest    |              | Deemed Interest  |      |
|---|--------------------|--------------|------------------|------|
|   | Number of Shares   | %            | Number of Shares | %    |
| <b>Directors</b>                                |                    |              |                  |      |
| Dato' Dr Ameen <sup>(2)(3)</sup>                | 18,683,762         | 16.6         | 13,323,088       | 11.8 |
| Mr Karim Dhala <sup>(2)</sup>                   | 760,767            | 0.7          | 13,323,088       | 11.8 |
| <b>Substantial Shareholders</b>                 |                    |              |                  |      |
| QH Sdn Bhd <sup>(2)</sup>                       | 13,323,088         | 11.8         | –                | –    |
| CAV <sup>(4)(5)(6)</sup>                        | 21,737,670         | 19.3         | 14,024,303       | 12.4 |
| CIMB Group <sup>(4)(5)</sup>                    | –                  | –            | 35,761,973       | 31.7 |
| BCHB <sup>(4)(5)</sup>                          | –                  | –            | 35,761,973       | 31.7 |
| CKPF <sup>(6)(7)</sup>                          | 14,024,303         | 12.4         | –                | –    |
| Koperasi Permodalan Felda Berhad <sup>(7)</sup> | –                  | –            | 14,024,303       | 12.4 |
| Doctor-employee Shareholders <sup>(8)</sup>     | 38,804,689         | 34.4         | –                | –    |
| Others <sup>(1)(9)</sup>                        | 5,349,942          | 4.8          | –                | –    |
| <b>Total</b>                                    | <b>112,684,221</b> | <b>100.0</b> |                  |      |

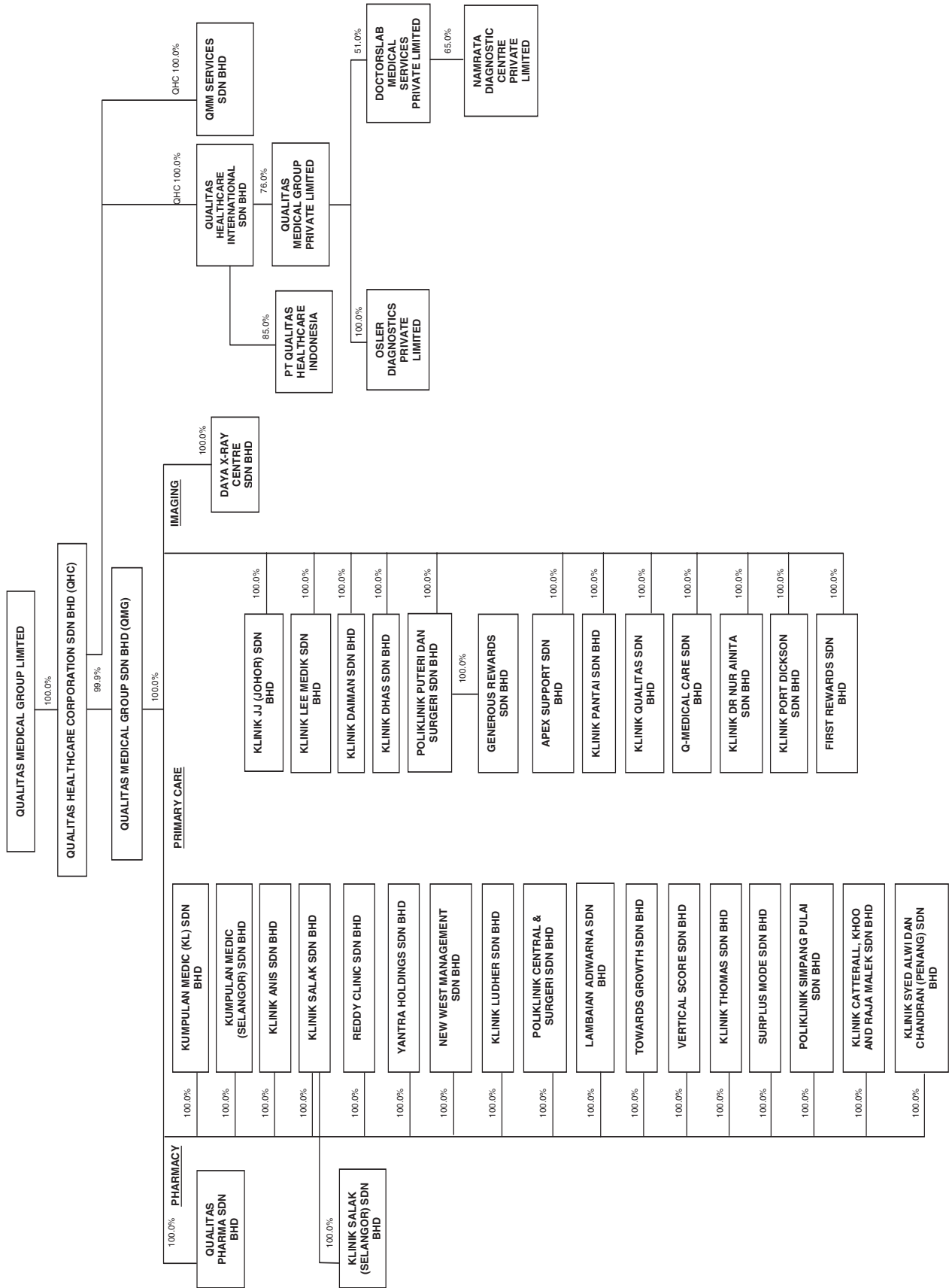
**Notes:-**

- (1) These are Shares issued pursuant to two (2) agreements dated 27 October 2006 and 19 June 2008 details of which are further set out in the section entitled "Shareholders" of this Offer Document.
  - (2) Dato' Dr Ameen and Mr Karim Dhala legally and beneficially own 57.8% and 42.2% respectively of the ordinary shares in QH Sdn Bhd and are therefore deemed to be interested in the shares held by QH Sdn Bhd in our Company.
  - (3) Dato' Dr Ameen held one (1) Share of our Company upon its incorporation which as a result of the Share Split became two (2) Shares.
  - (4) CAV is a wholly owned subsidiary of CIMB Group, a financial services group which in turn is a wholly owned subsidiary of BCHB, a listed company on Bursa Malaysia. It is the venture capital arm of CIMB Group with an independent investment committee which has the sole discretion to invest or divest its investment in us. Both CIMB Group and BCHB have not given a moratorium over their respective interests in CAV and CIMB Group. Please refer to the section entitled "Moratorium" of this Offer Document for further information on the waiver granted by SGX-ST from compliance with the moratorium requirements by CIMB Group and BCHB.
  - (5) CIMB Group and BCHB being the sole shareholders in CAV and CIMB Group respectively are deemed to be interested in the direct and indirect interests of CAV and CKPF in our Company.
  - (6) CAV legally and beneficially owns 51.0% of the ordinary shares in CKPF and is therefore deemed to be interested in the shares held by CKPF in our Company.
  - (7) Koperasi Permodalan Felda Berhad legally and beneficially owns 49.0% of the ordinary shares in CKPF and is therefore deemed to be interested in the shares held by CKPF in our Company.
  - (8) This refers to fifty-eight (58) individual Shareholders who are our doctor-employees currently employed by our Group and who each hold directly or indirectly less than 5.0% of our Company's Shares.
  - (9) Various other Shareholders comprising eighty-five (85) individuals who are our Executive Officers, managerial staff, staff and past employees and Sin Keng Choo @ Ng Nyet Chin who each hold directly or indirectly less than 5.0% of our Company's Shares and are unrelated to our Directors, Substantial Shareholders and their Associates.
- (c) The consideration for each of the above share swaps were determined on a willing-buyer, willing-seller basis which took into account, *inter alia*, the profitability of each subsidiary and the length of time which the subsidiary was part of our Group. The total consideration for the various acquisitions set out above is valued at RM51,144,260.

# GROUP STRUCTURE PRIOR TO RESTRUCTURING EXERCISE



# GROUP STRUCTURE AFTER RESTRUCTURING EXERCISE



## GROUP STRUCTURE

Our Group composition after the Restructuring Exercise and as at the date of this Offer Document comprises the following:-

### Malaysia<sup>(1)</sup>

| Name                         | Date and country of incorporation | Principal business             | Issued and paid up share capital | Effective equity interest held by our Company |
|------------------------------|-----------------------------------|--------------------------------|----------------------------------|---|
| Apex Support Sdn Bhd         | 22 December 2004<br>Malaysia      | Provision of medical services  | RM130,000                        | 99.9%   |
| Daya X-Ray Centre Sdn Bhd    | 26 July 1999<br>Malaysia          | Provision of x-ray consultancy | RM266,000                        | 99.9%   |
| First Rewards Sdn Bhd        | 5 June 2007<br>Malaysia           | Provision of medical services  | RM148,000                        | 99.9%   |
| Generous Rewards Sdn Bhd     | 26 August 2002<br>Malaysia        | Provision of medical services  | RM30,000                         | 99.9%   |
| Klinik Anis Sdn Bhd          | 13 July 1995<br>Malaysia          | Provision of medical services  | RM300,000                        | 99.9%   |
| Klinik Daiman Sdn Bhd        | 11 December 2002<br>Malaysia      | Provision of medical services  | RM64,858                         | 99.9%   |
| Klinik Dhas Sdn Bhd          | 27 February 2002<br>Malaysia      | Provision of medical services  | RM93,000                         | 99.9%   |
| Klinik Dr Nur Ainita Sdn Bhd | 10 July 2006<br>Malaysia          | Provision of medical services  | RM50,000                         | 99.9%   |
| Klinik JJ (Johor) Sdn Bhd    | 19 November 2001<br>Malaysia      | Provision of medical services  | RM118,102                        | 99.9%   |
| Klinik Lee Medik Sdn Bhd     | 16 July 2002<br>Malaysia          | Provision of medical services  | RM231,529                        | 99.9%   |
| Klinik Ludher Sdn Bhd        | 15 September 2000<br>Malaysia     | Provision of medical services  | RM100,000                        | 99.9%   |
| Klinik Pantai Sdn Bhd        | 12 August 2005<br>Malaysia        | Provision of medical services  | RM69,000                         | 99.9%   |
| Klinik Port Dickson Sdn Bhd  | 5 June 2006<br>Malaysia           | Provision of medical services  | RM92,002                         | 99.9%   |



| <b>Name</b>                                    | <b>Date and country of incorporation</b> | <b>Principal business</b>     | <b>Issued and paid up share capital</b> | <b>Effective equity interest held by our Company</b> |
|--|--|-------------------------------|---|--|
| Klinik Qualitas Sdn Bhd                        | 28 July 2005<br>Malaysia                 | Provision of medical services | RM100,000                               | 99.9%  |
| Klinik Salak (Selangor) Sdn Bhd                | 25 September 2000<br>Malaysia            | Provision of medical services | RM100,000                               | 99.9%  |
| Klinik Salak Sdn Bhd                           | 4 August 1997<br>Malaysia                | Provision of medical services | RM100,100                               | 99.9%  |
| Klinik Syed Alwi Dan Chandran (Penang) Sdn Bhd | 5 February 2004<br>Malaysia              | Provision of medical services | RM163,931                               | 99.9%  |
| Klinik Thomas Sdn Bhd                          | 25 March 2002<br>Malaysia                | Provision of medical services | RM100,000                               | 99.9%  |
| Klinik Catterall, Khoo and Raja Malek Sdn Bhd  | 2 December 2003<br>Malaysia              | Provision of medical services | RM440,958                               | 99.9%  |
| Kumpulan Medic (KL) Sdn Bhd                    | 29 June 1976<br>Malaysia                 | Provision of medical services | RM240,000                               | 99.9%  |
| Kumpulan Medic (Selangor) Sdn Bhd              | 27 April 1983<br>Malaysia                | Provision of medical services | RM240,000                               | 99.9%  |
| Lambaian Adiwarna Sdn Bhd                      | 16 February 2001<br>Malaysia             | Provision of medical services | RM80,000                                | 99.9%  |
| New-West Management Sdn Bhd                    | 21 June 1990<br>Malaysia                 | Provision of medical services | RM1,464,000                             | 99.9%  |
| Poliklinik Central & Surgeri Sdn Bhd           | 10 January 2001<br>Malaysia              | Provision of medical services | RM99,758                                | 99.9%  |
| Poliklinik Puteri dan Surgeri Sdn Bhd          | 6 May 2002<br>Malaysia                   | Provision of medical services | RM576,000                               | 99.9%  |
| Poliklinik Simpang Pulai Sdn Bhd               | 12 December 2003<br>Malaysia             | Provision of medical services | RM160,000                               | 99.9%  |
| Q-Medical Care Sdn Bhd                         | 6 January 2006<br>Malaysia               | Provision of medical services | RM127,000                               | 99.9%  |
| QMM Services Sdn Bhd                           | 7 November 1997<br>Malaysia              | Provision of medical services | RM2                                     | 99.9%  |

| <b>Name</b>                               | <b>Date and country of incorporation</b> | <b>Principal business</b>                               | <b>Issued and paid up share capital</b> | <b>Effective equity interest held by our Company</b> |
|---|--|---|---|--|
| Qualitas Healthcare Corporation Sdn Bhd   | 23 June 1997<br>Malaysia                 | Investment holding and provision of management services | RM31,230,559                            | 100.0%   |
| Qualitas Healthcare International Sdn Bhd | 14 July 2003<br>Malaysia                 | Investment holding and provision of management services | RM1,175,002                             | 100.0%   |
| Qualitas Medical Group Sdn Bhd            | 10 October 1997<br>Malaysia              | Investment holding and provision of management services | RM18,078,060                            | 99.9%  |
| Qualitas Pharma Sdn Bhd                   | 27 February 1981<br>Malaysia             | Supply of medical drugs                                 | RM240,000                               | 99.9%  |
| Reddy Clinic Sdn Bhd                      | 2 August 1997<br>Malaysia                | Provision of medical services                           | RM100,000                               | 99.9%  |
| Surplus Mode Sdn Bhd                      | 3 September 2003<br>Malaysia             | Provision of medical services                           | RM65,000                                | 99.9%  |
| Towards Growth Sdn Bhd                    | 18 October 2001<br>Malaysia              | Provision of medical services                           | RM155,002                               | 99.9%  |
| Vertical Score Sdn Bhd                    | 24 September 2001<br>Malaysia            | Provision of medical services                           | RM35,002                                | 99.9%  |
| Yantra Holdings Sdn Bhd                   | 18 January 1997<br>Malaysia              | Provision of medical services                           | RM302,995                               | 99.9%  |

### **India<sup>(3)</sup>**

| <b>Name</b>                                 | <b>Date and country of incorporation</b> | <b>Principal business</b>     | <b>Issued and paid up share capital</b> | <b>Effective equity interest held by our Company</b> |
|---|--|-------------------------------|---|--|
| Osler Diagnostics Private Limited           | 28 Jan 1993<br>India                     | Provision of medical services | INR8,000,000                            | 76.0% <sup>(2)</sup>                                 |
| Qualitas Medical Group Private Limited      | 4 April 2002<br>India                    | Provision of medical services | INR1,315,790                            | 76.0% <sup>(3)(4)</sup>                              |
| Doctorslab Medical Services Private Limited | 24 Jan 2006<br>India                     | Provision of medical services | INR100,000                              | 38.8%  |
| Namrata Diagnostic Centre Private Limited   | 31 October 2007<br>India                 | Provision of medical services | INR100,000                              | 25.0%  |

## Indonesia<sup>(3)</sup>

| <b>Name</b>                      | <b>Date and country of incorporation</b> | <b>Principal business</b>     | <b>Issued and paid up share capital</b> | <b>Effective equity interest held by our Company</b> |
|----------------------------------|--|-------------------------------|---|--|
| PT Kualitas Healthcare Indonesia | 6 March 2007<br>Indonesia                | Provision of medical services | IDR906.0 million                        | 85.0% <sup>(3)</sup>                                 |

### Notes:-

- (1) Two (2) of our subsidiaries, Klinik Genting Kelang Sdn Bhd and Galaxy Corner Sdn Bhd, are dormant companies which as at the LPD are undergoing members' voluntary liquidation proceedings commenced on 13 November 2007.
- (2) Dato' Dr Ameen holds two (2) shares as a nominee to our Group.
- (3) The minority shareholders of our subsidiaries in India and Indonesia are not related to our Directors, our Controlling Shareholders or their Associates or our Substantial Shareholders.
- (4) Under an Investment Agreement dated 19 October 2005 between QHI, Kualitas Medical Group Private Limited and International Columbia 2004, Kualitas Medical Group Private Limited has an option to require International Columbia to increase its shareholding in Kualitas Medical Group Private Limited to 49.0% within a period of three (3) years from the date of the Investment Agreement. For further details of the investment by International Columbia 2004 into Kualitas Medical Group Private Limited, please refer to the section entitled "History" of this Offer Document.

None of our subsidiaries are listed on any stock exchange.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated financial information should be read in conjunction with the full text of this Offer Document, including the Audited Consolidated Financial Statements of Qualitas Healthcare Corporation Sdn Bhd and its subsidiaries for the financial years ended 31 December 2005, 2006 and 2007 and the Unaudited Proforma Consolidated Financial Statements of our Group for the financial year ended 31 December 2007 as set out in the respective Appendices I and II of this Offer Document and the section entitled “Management’s Discussion and Analysis of Financial Position and Results of Operations” of this Offer Document.

### Operating Results of QHC and its subsidiaries

| <i>RM'000</i>                   | <b>FY2005</b> | <b>FY2006</b> | <b>FY2007</b> |
|---------------------------------|---------------|---------------|---------------|
| <b>Revenue</b>                  | 51,908        | 52,471        | 57,676        |
| Cost of sales                   | (25,476)      | (25,692)      | (27,565)      |
| <b>Gross profit</b>             | 26,432        | 26,779        | 30,111        |
| Other income                    | 412           | 581           | 446           |
| Administrative expenses         | (16,955)      | (17,649)      | (20,237)      |
| Other expenses                  | (1,230)       | (1,367)       | (2,156)       |
| <b>Operating profit</b>         | 8,659         | 8,344         | 8,164         |
| Interest income                 | 147           | 124           | 192           |
| Finance costs                   | (160)         | (48)          | (66)          |
| Impairment loss on goodwill     | (141)         | –             | –             |
| <b>Profit before income tax</b> | 8,505         | 8,420         | 8,290         |
| Income tax expense              | (1,766)       | (2,179)       | (1,969)       |
| <b>Profit for the year</b>      | 6,739         | 6,241         | 6,321         |
| <b>Attributable to:-</b>        |               |               |               |
| Equity holders of the Company   | 2,662         | 2,262         | 2,329         |
| Minority interests              | 4,077         | 3,979         | 3,992         |
| <b>Profit for the year</b>      | 6,739         | 6,241         | 6,321         |
| <b>Earnings per share (EPS)</b> |               |               |               |
| Basic EPS <sup>(1)</sup>        | 2.4 sen       | 2.0 sen       | 2.1 sen       |
| Diluted EPS <sup>(2)</sup>      | 2.0 sen       | 1.7 sen       | 1.7 sen       |

#### Notes:-

- (1) For comparative purposes, Basic EPS for the years under review were computed based on the net profit attributable to equity holders of the Company for the respective financial years and the pre-Invitation share capital of 112,684,221 Shares. This method of computation is not governed by the Singapore Financial Reporting Standards (“FRS”). The EPS as determined in accordance with FRS can be found in the financial statements in Appendix I of this Offer Document.
- (2) For comparative purposes, Diluted EPS for the years under review were computed based on the net profits attributable to equity holders of the Company for the respective financial years and the post-Invitation share capital of 134,684,221 Shares. This method of computation is not governed by the FRS. The EPS as determined in accordance with FRS can be found in the financial statements in Appendix I of this Offer Document.

## Financial Position of QHC and its subsidiaries

RM'000

31 December 2007

### Non-current assets

|                               |        |
|-------------------------------|--------|
| Property, plant and equipment | 10,908 |
| Intangible assets             | 21,358 |
| Deferred tax assets           | 27     |
|                               | <hr/>  |
|                               | 32,293 |
|                               | <hr/>  |

### Current assets

|                                     |        |
|-------------------------------------|--------|
| Pharmaceutical inventories, at cost | 3,416  |
| Trade and other receivables         | 12,785 |
| Tax recoverables                    | 806    |
| Cash at bank and in hand            | 13,502 |
|                                     | <hr/>  |
|                                     | 30,509 |
|                                     | <hr/>  |

### Total assets

**62,802**

### Equity attributable to equity holders of the parent

|               |        |
|---------------|--------|
| Share capital | 31,230 |
| Reserves      | 681    |
|               | <hr/>  |

### Total equity attributable to shareholders of QHC

|                    |        |
|--------------------|--------|
| Minority interests | 31,911 |
|                    | 19,720 |
|                    | <hr/>  |

### Total equity

51,631

### Non-current liabilities

|                          |       |
|--------------------------|-------|
| Deferred tax liabilities | 261   |
| Financial liabilities    | 2,558 |
|                          | <hr/> |
|                          | 2,819 |
|                          | <hr/> |

### Current liabilities

|                          |       |
|--------------------------|-------|
| Trade and other payables | 7,626 |
| Financial liabilities    | 516   |
| Current tax liabilities  | 210   |
|                          | <hr/> |
|                          | 8,352 |
|                          | <hr/> |

### Total liabilities

11,171

### Total equity and liabilities

**62,802**

NAV per Share on a non-diluted basis, based on the pre-Invitation share capital (sen)<sup>(1)</sup> 28.3 sen

NAV per Share on a diluted basis, based on the post-Invitation share capital (sen)<sup>(2)</sup> 23.7 sen

### Notes:-

- (1) For comparative purposes, the NAV per Share was computed based on the net assets and the pre-Invitation share capital of 112,684,221 Shares.
- (2) For comparative purposes, the NAV per Share was computed based on the net assets and the post-Invitation share capital of 134,684,221 Shares.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

*The following discussion of our operating results and financial position should be read in conjunction with the Audited Consolidated Financial Statements of Qualitas Healthcare Corporation Sdn Bhd and its subsidiaries for the financial years ended 31 December 2005, 2006 and 2007 and the Unaudited Proforma Consolidated Financial Statements of our Group for the financial year ended 31 December 2007 as set out in Appendices I and II of this Offer Document respectively. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Offer document, particularly in the section on "Risk Factors". Under no circumstances should the inclusion of such forward-looking statements herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by our Company, the Sponsor, the Underwriter or the Placement Agent or any other person. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. Please refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements" of this Offer Document.*

### OVERVIEW

#### Revenue

We are a leading private primary healthcare services provider in Malaysia with a network of 152 clinics in Malaysia comprising eighty-nine (89) owned and sixty-three (63) associate/affiliate clinics as at LPD. We are also expanding into the region with operations in India and Indonesia. As at the LPD, we have a network of three (3) clinics, all of which have diagnostic facilities in India and we manage one (1) clinic in Indonesia. We have also recently added four (4) affiliate clinics in Cambodia to our regional network of clinics.

We provide primary healthcare services with supporting diagnostic services under our Qualitas brand to patients to whom we act as general practitioners. Our Group is a "doctor-led and doctor-governed" organisation arising from years of acquiring and integrating third party clinics into our Group thereby making many of our doctors as our Shareholders as well.

We derive our revenue from the provision of medical services to patients. Patients are self-paying consumers or employees provided with healthcare benefits by corporate employers and MCOs. In our patient-centric approach, whether a patient is self-paying or a corporate patient, is of no distinction to our Group in our delivery of healthcare services. Cash is collected from cash paying individual patients and invoices are generated for billing to corporate patients and MCOs.

In FY2007, corporate clients and MCOs account for 66.8% of our revenue while the remaining 33.2% were from self-paying patients.

Revenue is recognised upon consultation services being rendered and drugs being supplied, based on invoiced amounts. These fees vary depending on length of consultation, types of medical investigations, complexity of the treatment procedures and types of drugs supplied. These fees are generally in line with the Malaysian Medical Association guideline, where applicable.

In addition, we also derive revenue from:-

- (a) Associate clinic and affiliate clinic fees – We charge our associate and affiliate clinics an administrative fee based on a percentage of their panel sales billed through our Group. In addition, our Malaysian affiliate clinics are charged a fixed monthly administration fee for use of our Qualitas brand and IT system. The aggregate revenue contribution by associate clinics and affiliate clinics for the last three (3) financial years ended 31 December 2005, 2006 and 2007 were not significant. For further details on our associate and affiliate clinics, please refer to the section entitled "Business" of this Offer Document.

- (b) Under a cooperation agreement entered into on 28 May 2007 between us and PT Mega Medika, it was agreed that the parties would work jointly to establish a network of clinics in Indonesia. Under the cooperation agreement, we provide management services and lease certain fixed assets to the clinics, in consideration for management fees and a share of the profits generated by these clinics. The revenue contribution from the managed clinic for FY2007 was not significant.

Our revenue is mainly dependant on the following factors:-

- (a) duration and complexity of the consultation;
- (b) types of drugs being dispensed;
- (c) types of medical examination being conducted;
- (d) our ability to recruit and retain experienced and qualified healthcare professionals who have the expertise to provide quality and effective healthcare services;
- (e) our ability to maintain a good reputation as a quality healthcare service provider;
- (f) patient visits from individual patients, corporate clients and MCOs;
- (g) changes in the government policies or regulation with respect to primary healthcare in the regions we operate in; and
- (h) the outbreak of disease that may affect the demand for our services.

In FY2007, our revenue amounted to RM57.7 million of which RM55.4 million or 96.0% of revenue was derived from Malaysia and the balance RM2.3 million or 4.0% from outside Malaysia. In Malaysia, revenue from existing clinics contributed a total of RM54.2 million and the balance of RM1.2 million were derived from the clinics we acquired in 2007.

### **Cost of sales**

Our cost of sales consists mainly of: (a) cost of drugs, (b) cost of other medical supplies, (c) cost of medical investigations, (d) remuneration paid to our doctors, and (e) fees paid to freelance doctors.

The cost of drugs includes medicines and supplements purchased from the drug distributors and pharmaceutical companies in the regions where we operate. The cost of other medical supplies includes medical supplies and consumables. The cost of medical investigations includes health screening, laboratory charges and radiology charges.

The remuneration paid to doctors includes salaries, allowances and bonuses and are in respect of their services in managing the clinics and in providing consultation services to patients. Most of our doctors are remunerated on a fixed salary and a variable component.

Our cost of sales may be affected by the following factors:-

- (a) changes in prices of drugs, other medical supplies and cost of medical investigations;
- (b) ability to obtain bulk discounts for purchase of drugs and other medical supplies;
- (c) changes in the variable component of the doctors' remuneration; and
- (d) qualifications and experience of the doctors being employed.

The cost of sales accounted for 49.1%, 49.0% and 47.8% of our total revenue for FY2005, FY2006 and FY2007 respectively. Cost of drugs, cost of other medical supplies and cost of medical investigations accounted for 48.1%, 47.0% and 48.7% of our total cost of sales for FY2005, FY2006 and FY2007 respectively. Remunerations, fees and bonuses paid to doctors, accounted for the remaining 51.9%, 53.0% and 51.3% of our total cost of sales for FY2005, FY2006 and FY2007 respectively.

### **Other income**

Other income consists of rental income from sub-leasing of our certain of our leased premises, gains from the disposal of fixed assets, gains from the disposal of clinics and other sundry income. Other income amounted to RM0.4 million, RM0.6 million and RM0.4 million for FY2005, FY2006 and FY2007 respectively.

### **Administrative expenses**

The administrative expenses comprise of staff costs, rental and other administrative expenses. Our administrative expenses accounted for 32.7%, 33.6% and 35.1% of our total revenue for FY2005, FY2006 and FY2007 respectively.

#### *Staff costs*

Staff costs consists of remuneration paid to our Executive Directors, Executive Officers, managerial staff, clinic assistants and administration staff. These include salaries, wages, allowances, overtime payments, bonuses, employer's provident fund contributions and social security contributions in Malaysia.

Our staff costs accounted for 18.9%, 19.4% and 19.4% of our total revenue for FY2005, FY2006 and FY2007 respectively.

#### *Rental*

Rental incurred for our clinic and office premises accounted for approximately 5.5%, 5.4% and 5.4% of our total revenue for FY2005, FY2006 and FY2007 respectively.

#### *Other administrative expenses*

Other administrative expenses of our Group comprise mainly:-

- (a) insurance cost incurred on general insurance and clinical insurance;
- (b) printing and stationery expenses;
- (c) maintenance cost of medical and office equipment as well as clinic and office premises;
- (d) staff travelling and training expenses;
- (e) utilities which include electricity, telephone and water;
- (f) statutory cost which include audit and other professional fees; and
- (g) provision for doubtful debts and bad debts written off.

Items (a) to (f) are termed as "miscellaneous administrative expenses". Other administrative expenses accounted for approximately 8.3%, 8.8% and 10.3% of total revenue for FY2005, FY2006 and FY2007 respectively.

### **Other expenses**

Other expenses comprise mainly depreciation and amortisation and other expenses made up of fixed assets written off, preliminary expenses written off and also our losses from our operations in Indonesia. Other expenses accounted for 2.4%, 2.6% and 3.7% of the total revenue for FY2005, FY2006 and FY2007 respectively.



### *Depreciation and amortisation*

Depreciation expense refers to the depreciation on the furniture and fittings, medical equipment, renovations, motor vehicles and computer systems over the term of their estimated useful lives of between three (3) to twelve and a half (12½) years. Leasehold assets which comprise of land and buildings are depreciated over the lease periods.

Computer software is amortised and charged to the income statement on a straight line basis over the estimated useful life of five (5) years.

Depreciation and amortisation costs accounted for 93.0%, 89.9% and 77.0% of other expenses for FY2005, FY2006 and FY2007 respectively.

### *Other expenses other than depreciation and amortisation*

Such other expenses mainly comprise:-

- (a) plant and equipment is written off when we dispose of our fixed assets before they are fully depreciated. The amount written off represents the net book value of the assets, net of the sales proceeds, if any, at the point of disposal; and
- (b) losses from our operations in Indonesia mainly due to the start up costs incurred in FY2007.

### **Interest income**

Interest income arises from the placement of our surplus funds with financial institutions.

Interest income accounted for 0.3%, 0.2% and 0.3% of the total revenue for FY2005, FY2006 and FY2007 respectively.

### **Finance costs**

Finance costs consist of interest expense paid on borrowings from banks and financial institutions and finance leases.

Finance costs accounted for 0.3%, 0.1% and 0.1% of the total revenue for FY2005, FY2006 and FY2007 respectively.

### **Income tax expense**

Our Group's overall effective income tax rates for FY2005, FY2006 and FY2007 were 20.8%, 25.9% and 23.8% respectively.

The Malaysian statutory tax rates for FY2005 and FY2006 are as follows:-

- (a) company with paid up capital of RM2.5 million and below:-
  - on the first RM500,000 chargeable income – 20.0%
  - on subsequent chargeable income – 28.0%
- (b) company with paid up capital above RM2.5 million – 28.0%

The Malaysian statutory tax rates for FY2007 are as follows:-

- (a) company with paid up capital of RM2.5 million and below:-
  - on the first RM500,000 chargeable income – 20.0%
  - on subsequent chargeable income – 27.0%
- (b) company with paid up capital above RM2.5 million – 27.0%

The Indian statutory tax rates for FY2005, FY2006 and FY2007 were 35.0%, 30.0% and 30.0% respectively.

The Indonesian statutory tax rates for FY2007 are as follows:-

|     |  |   |       |
|-----|--|---|-------|
| (a) | IDR50.0 million and below                    | – | 10.0% |
| (b) | between IDR50.0 million and IDR100.0 million | – | 15.0% |
| (c) | more than IDR100.0 million                   | – | 30.0% |

### **Minority interests**

This represents the minority shareholders' share of our subsidiaries' results where we do not have a 100.0% equity interest. Upon the completion of the Restructuring Exercise, QMG became our 99.9% owned subsidiary and our other Malaysia subsidiaries are now wholly owned. For further details, please refer to the section entitled "Our Restructuring Exercise" of this Offer Document.

### **INFLATION**

Our operating results and financial position were not materially affected by inflation in the last three (3) financial years ended 31 December 2007.

However, in recent times, the global economy has been experiencing inflationary pressures on various goods and services such as oil, rice and commodities. This could potentially result in an increase in our operating costs moving forward.

### **SEASONALITY**

Generally, the demand for our medical services is not subject to any major seasonal fluctuations throughout the year.

### **REVIEW OF OPERATING RESULTS**

The following tables sets out a breakdown of our revenue and gross profit by geographical location of our business for the past three (3) financial years ended 31 December 2007. This analysis should be read in conjunction with the Audited Consolidated Financial Statements of QHC and its subsidiaries for the financial years ended 31 December 2005, 2006 and 2007 and the Unaudited Proforma Consolidated Financial Statements of our Group for the financial year ended 31 December 2007 and the related notes included elsewhere in this Offer Document.

The activity of the Group is principally the provision of medical services and accordingly, no segmental information by business segments is presented.

## Review of Past Performance by Geographical Location

### Revenue

|                       | FY2005 |       | FY2006 |       | FY2007 |       |
|-----------------------|--------|-------|--------|-------|--------|-------|
|                       | RM'000 | %     | RM'000 | %     | RM'000 | %     |
| Malaysia              | 48,058 | 92.6  | 51,406 | 98.0  | 55,361 | 96.0  |
| Others <sup>(1)</sup> | 3,850  | 7.4   | 1,065  | 2.0   | 2,315  | 4.0   |
|                       | 51,908 | 100.0 | 52,471 | 100.0 | 57,676 | 100.0 |

### Gross profit

|                       | FY2005 |       | FY2006 |       | FY2007 |       |
|-----------------------|--------|-------|--------|-------|--------|-------|
|                       | RM'000 | %     | RM'000 | %     | RM'000 | %     |
| Malaysia              | 24,573 | 93.0  | 26,310 | 98.2  | 28,711 | 95.4  |
| Others <sup>(1)</sup> | 1,859  | 7.0   | 469    | 1.8   | 1,400  | 4.6   |
|                       | 26,432 | 100.0 | 26,779 | 100.0 | 30,111 | 100.0 |

### Gross profit margin

|                       | FY2005 | FY2006 | FY2007 |
|-----------------------|--------|--------|--------|
| Malaysia              | 51.1%  | 51.2%  | 51.9%  |
| Others <sup>(1)</sup> | 48.3%  | 44.0%  | 60.5%  |
| Overall               | 50.9%  | 51.0%  | 52.2%  |

### Profit before income tax

|                       | FY2005 |       | FY2006 |       | FY2007 |       |
|-----------------------|--------|-------|--------|-------|--------|-------|
|                       | RM'000 | %     | RM'000 | %     | RM'000 | %     |
| Malaysia              | 7,544  | 88.7  | 8,687  | 103.2 | 8,774  | 105.8 |
| Others <sup>(1)</sup> | 961    | 11.3  | (267)  | (3.2) | (484)  | (5.8) |
|                       | 8,505  | 100.0 | 8,420  | 100.0 | 8,290  | 100.0 |

### Profit before income tax margin

|                          | FY2005 | FY2006 | FY2007 |
|--------------------------|--------|--------|--------|
| Malaysia                 | 15.7%  | 16.9%  | 15.8%  |
| Others <sup>(1)(2)</sup> | 25.0%  | n.m.   | n.m.   |
| Overall                  | 16.4%  | 16.0%  | 14.4%  |

#### Notes:-

- (1) "Others" refers to our India operations for FY2005 and FY2006, and mainly to our India and Indonesia operations for FY2007.
- (2) "n.m." means not meaningful.

## **FY2006 vs FY2005**

### **Revenue**

Revenue increased by RM0.6 million or 1.1%, from RM51.9 million in FY2005 to RM52.5 million in FY2006. This was mainly due to the increase in revenue of RM3.3 million from our Malaysia operations. However, this increase was offset by a decrease in revenue of RM2.8 million in our India operations.

Revenue from our Malaysia operations increased by RM3.3 million or approximately 6.9%, from RM48.1 million in FY2005 to RM51.4 million in FY2006. This increase was due to the overall increase in revenue derived from our existing clinics as well as from five (5) clinics acquired in FY2006. The increase in revenue derived was mainly due to an increase in patient visits in Malaysia and also an increase in the average fees charged. Revenue from our existing clinics grew by RM1.6 million or 3.3%, from RM48.1 million in FY2005 to RM49.7 million in FY2006. New acquisitions in FY2006 generated revenue of RM1.7 million.

Revenue for our India operations decreased by RM2.8 million or 71.8%, from RM3.9 million in FY2005 to RM1.1 million in FY2006. This decrease was mainly due to a decrease of the number of medical check-ups for workers bound from India to Malaysia, due to the abolishment of the requirement of Indian workers having to undergo a medical check-up before arriving in Malaysia.

### **Cost of sales**

Cost of sales increased by RM0.2 million or 0.8%, from RM25.5 million in FY2005 to RM25.7 million in FY2006. This increase was primarily due to the increase in remunerations paid to doctors of RM0.1 million, fees paid to freelance doctors of RM0.3 million and offset by the reduction in the cost of drugs, medical supplies and investigations of RM0.2 million.

The increase of the fees paid to doctors was mainly due to an increase in the average rates paid to our doctors.

The reduction in the cost of drugs, medical supplies and medical investigations was due to fewer Indian workers undergoing medical check-ups at the Indian clinics.

Cost of sales as a percentage of revenue was 49.1% and 49.0% for FY2005 and FY2006 respectively. Our gross profit margin for FY2005 and FY2006 were 50.9% and 51.0% respectively. The increase in gross profit margin during FY2006 was not significant.

### **Other income**

There was an increase in other income of RM0.2 million or 50.0%, from RM0.4 million in FY2005 to RM0.6 million in FY2006. This increase was mainly due to a RM0.1 million gain from the disposal of two (2) clinics and RM0.2 million from the gain on disposal of fixed assets. The gains were partially offset by a one-off dividend tax claim made in FY2005 amounting to RM99,000.

The two (2) clinics disposed of were held respectively under Klinik Genting Kelang Sdn Bhd (which is currently undergoing voluntary liquidation), and Klinik Salak Sdn Bhd. The two (2) clinics were divested because they were not generating sufficient returns for our investment. They remain in our network of clinics as affiliate clinics.

### **Administrative expenses**

Administrative expenses increased by RM0.7 million or 4.1% from RM17.0 million in FY2005 to RM17.7 million in FY2006. This increase was primarily due to the increase in staff costs of RM0.4 million and other administrative expenses of RM0.3 million.

#### *Staff Costs*

Staff costs increased by RM0.4 million or 4.1% from RM9.8 million in FY2005 to RM10.2 million in FY2006. This increase was mainly due to the overall salary increment of the staff and the additional manpower staff from the acquired five (5) clinics.

Staff costs as a percentage of total revenue for FY2005 and FY2006 were 18.9% and 19.4% respectively.

#### *Rental*

The reduction in rental expenses during FY2006 was not significant.

Rental as a percentage of revenue for FY2005 and FY2006 were 5.5% and 5.4% respectively.

#### *Other administrative expenses*

Other administrative expenses increased by RM0.3 million or 7.0%, from RM4.3 million in FY2005 to RM4.6 million in FY2006. This was due to an increase in miscellaneous administrative expenses of RM0.3 million incurred mainly by our existing clinics. Such increase was in line with the increase in revenue contribution from Malaysia.

Other administrative expenses as a percentage of total revenue for FY2005 and FY2006 were 8.3% and 8.8% respectively.

#### **Other expenses**

Other expenses increased by RM0.2 million or 16.7% from RM1.2 million in FY2005 to RM1.4 million in FY2006. This increase was mainly due to an increase in depreciation charges.

#### *Depreciation and amortisation*

Depreciation expense increased by RM85,000 or 7.4%, from RM1.1 million in FY2005 to RM1.2 million in FY2006. This increase was mainly due to the addition of medical equipment, computers and renovations of our clinic premises.

#### *Other expenses other than depreciation and amortisation*

Increases in other expenses other than depreciation and amortisation for FY2006 were insignificant.

#### **Interest income**

The decrease in our interest income during FY2006 was insignificant.

#### **Finance costs**

Finance costs decreased by RM0.1 million or 50.0% from RM0.2 million in FY2005 to RM48,000 in FY2006. This decrease was mainly due to the reduction in interest paid on the loan advanced by the immediate holding company, Maya Wilayah Sdn Bhd when we repaid the loan in full by December 2005. Maya Wilayah Sdn Bhd has divested all of its shareholdings in our Group during FY2006. For further details of our Group's present borrowings, please refer to the sections entitled "Capitalisation and Indebtedness" and "Liquidity and Capital Resources" of this Offer Document.

#### **Profit before income tax**

Our Group achieved a profit before income tax of RM8.4 million in FY2006. This was a decrease of RM0.1 million or 1.2%, from RM8.5 million recorded in FY2005. Overall profit margin has also decreased slightly from 16.4% in FY2005 to 16.0% in FY2006. This decrease was primarily due to the losses incurred by our India operations.

Our profit before income tax for our Malaysia operations increased by RM1.2 million or 16.0%, from RM7.5 million in FY2005 to RM8.7 million in FY2006. This increase was mainly due to the 6.9% increase in revenue in our Malaysia operations. Profit before tax margin for our Malaysia operations increased from 15.7% in FY2005 to 16.9% in FY2006.

Our profit before income tax for our India operations decreased by RM1.3 million or 130.0%. We recorded a loss before income tax of RM0.3 million in FY2006 compared to a profit before income tax of RM1.0 million in FY2005. The loss before income tax of RM0.3 million was mainly attributable to the decrease in revenue generated from our India operations.

## **Income tax expense**

The income tax expense for FY2006 was RM2.2 million, an increase of RM0.4 million or 22.2%, from RM1.8 million in FY2005. The effective tax rate for our Group has therefore increased to 25.9% in FY2006 from 20.8% in FY2005. The increase was mainly due to the higher non-deductible expenses and under provision of prior year income tax for our India operations.

## **FY2007 vs FY2006**

### **Revenue**

Revenue increased by RM5.2 million or 9.9%, from RM52.5 million in FY2006 to RM57.7 million in FY2007. This was mainly due to a RM4.0 million revenue increase in Malaysia and RM1.2 million revenue increase in India. In FY2007, we acquired three (3) clinics in Malaysia and two (2) clinics in India.

Revenue from our Malaysia operations increased by RM4.0 million or approximately 7.8%, from RM51.4 million in FY2006 to RM55.4 million in FY2007. This increase was due to revenue derived from our existing clinics as well as from the three (3) clinics acquired in FY2007. Revenue from our existing clinics grew by RM2.8 million or 5.4%, from RM51.4 million in FY2006 to RM54.2 in FY2007. This increase in FY2007 was mainly due to (a) an increase in patient visits and average fees which we charged, (b) full year impact of revenue accounted for the five (5) clinics that we acquired during FY2006, and (c) revenue contributed by the clinics we acquired during FY2007.

Revenue for our India operations increased by RM1.2 million or 109.1%, from RM1.1 million in FY2007 to RM2.3 million in FY2007. The increase in revenue was mainly due to revenue contributed from the two (2) clinics we acquired during FY2007. This was slightly off-set by the decline in the number of medical check-ups conducted for Indian workers bound for Malaysia.

During FY2007, we entered into a cooperation agreement with PT Mega Medika to manage one (1) clinic in Indonesia. The revenue contribution from our Indonesia operations was insignificant.

### **Cost of sales**

Cost of sales increased by RM1.9 million or 7.4%, from RM25.7 million in FY2006 to RM27.6 million in FY2007. This increase was primarily due to an increase in the cost of drugs, medical supplies and medical investigations of RM1.4 million arising from an increase in patient visits to our clinics in Malaysia and corresponding to our two (2) newly acquired clinics in India. Other reasons for the increase in cost of sales were explained by increases in the remunerations paid to doctors and fees paid to freelance doctors totalling RM0.5 million, mainly arising from five (5) clinics we acquired in Malaysia and India during FY2007.

We recorded a marginal increase of 1.2 percentage point in Gross Profit Margin from 51.0% in FY2006 to 52.2% in FY2007 which was insignificant.

### **Other income**

There was a reduction in other income of RM0.1 million in FY2007 or 16.7%, from RM0.6 million in FY2006 to RM0.5 million in FY2007. The reduction was mainly due to the income we recorded in FY2006 for the gain in disposal of a clinic and certain fixed assets totalling RM0.3 million. The reduction in other income was offset by negative goodwill of RM0.2 million which we recorded in FY2007, arising from two (2) clinics that we acquired in India.

### **Administrative expenses**

Administrative expenses increased by RM2.6 million or 14.8%, from RM17.6 million in FY2006 to RM20.2 million in FY2007. This increase was due to the increases in (a) staff costs of RM1.0 million, (b) rental expenses of RM0.3 million and (c) other administrative expenses of RM1.3 million.

### *Staff Costs*

Staff costs increased by RM1.0 million or 9.8%, from RM10.2 million in FY2006 to RM11.2 million in FY2007. There was an overall salary increment for our staff totalling approximately RM0.6 million. The increase in staff costs attributable to the new clinics that we acquired during FY2007 totalled approximately RM0.4 million.

Staff costs as a percentage of total revenue for FY2006 and FY2007 were both 19.4%.

### *Rental*

Rental expenses increased by RM0.3 million or 10.7%, from RM2.8 million in FY2006 to RM3.1 million in FY2007. The increase was due mainly to the rental expenses of RM0.2 million incurred for the additional clinics which we acquired during FY2007. There was an increase in rental expenses in FY2007 of approximately RM0.1 million due to the full year impact accounted for the five (5) clinics that we acquired during the previous year, FY2006.

Rental expenses as a percentage of total revenue for FY2006 and FY2007 were both 5.4%.

### *Other administrative expenses*

Other administrative expenses increased by RM1.3 million or 28.3%, from RM4.6 million in FY2006 to RM5.9 million in FY2007.

The increase in other administrative expenses was due mainly to:-

- (a) An increase of RM0.3 million relating to miscellaneous administrative expenses incurred by our existing clinics. This increase was in line with the increase in revenue contribution from our Malaysia operations;
- (b) An increase of RM0.6 million relating to miscellaneous administrative expenses incurred by the five (5) clinics that we acquired in FY2007; and
- (c) An increase of RM0.4 million in the allowance for doubtful debts and bad debts written off mainly due to specific provisions which we made for outstanding debts. For further details on the Company's credit policy, please refer to the section entitled "Credit Policy" of this Offer Document.

Other administrative expenses as a percentage of total revenue for FY2006 and FY2007 were 8.8% and 10.3% respectively.

### **Other expenses**

Other expenses increased by RM0.8 million or 57.1% from RM1.4 million in FY2006 to RM2.2 million in FY2007. This increase was due to an increase in depreciation charges and amortisation of RM0.4 million and other expenses of RM0.4 million.

### *Depreciation and amortisation*

Depreciation expense increased by RM0.4 million or 33.3%, from RM1.2 million in FY2006 to RM1.6 million in FY 2007. This increase was mainly due to additional depreciation charge of (a) RM0.1 million for the additions of fixed assets for our Group's new corporate office and (b) RM0.2 million for the addition of fixed assets in our clinics. During FY2007, the total addition to our property, plant and equipment was RM6.9 million.

### *Other expenses other than depreciation and amortisation*

Other expenses increased by approximately RM0.4 million or 200.0%, from RM0.2 million in FY2006 to RM0.6 million in FY2007. The increase is mainly due to RM0.3 million of start-up losses for our Indonesia subsidiary established during FY2007.

## **Interest income**

The increase in interest income during FY2007 was insignificant.

## **Finance costs**

The increase in finance costs during FY2007 was insignificant.

## **Profit before income tax**

Our Group achieved a profit before income tax of RM8.3 million in FY2007. This was a marginal decrease of RM0.1 million or 1.2% from RM8.4 million recorded in FY2006. We recorded increase in profit before tax in Malaysia of approximately RM0.1 million but this was more than offset by the increase in losses before tax of RM0.2 million we incurred outside Malaysia. Overall profit margin before income tax marginally decreased by approximately 1.6 percentage points from 16.0% in FY2006 to 14.4% in FY2007.

Our profit before income tax for Malaysia operations increased by RM0.1 million or 1.1%, from RM8.7 million in FY2006 to RM8.8 million in FY2007. This increase was mainly due to the 7.7% increase in revenue from our Malaysia operations. The profit before income tax margin however marginally decreased by 1.1 percentage point from 16.9% in FY2006 to 15.8% in FY2007 mainly due to (a) an increase in the allowance for doubtful debts and bad debts written off for long outstanding debts during FY2007, and (b) write offs of certain fixed assets due to relocations of two (2) clinics and our corporate office.

Our loss before income tax for our operations outside Malaysia increased by RM0.2 million or 66.7%, from RM0.3 million in FY2006 to RM0.5 million in FY2007. This was mainly due to (a) reduction in medical check ups at our India clinics, (b) write offs of certain fixed assets due to relocation of two (2) newly acquired clinics in FY2007, and (c) start-up losses from our Indonesia subsidiary established in FY2007.

## **Income tax expense**

Income tax expenses decreased by RM0.2 million or 9.1%, from RM2.2 million in FY2006 to RM2.0 million in FY2007. Our effective tax rate for FY2007 was 23.8%, a decrease of 2.1 percentage points compared to the effective tax rate of 25.9% in FY2006. This decrease was due to the lower Malaysia corporate tax rate of 1.0 percentage point from 28.0% in FY2006 to 27.0% in FY2007.

## **REVIEW OF FINANCIAL POSITION**

### **As at 31 December 2007**

#### *Non-current assets*

Our non-current assets of RM32.3 million represented 51.4% of our total assets comprise the following:-

- (a) property, plant and equipment of RM10.9 million, representing 17.3% of our total assets. These comprise freehold land, leasehold land and buildings, furniture, fittings and office equipment, medical equipment, renovations, motor vehicles and computers;
- (b) intangible assets of RM21.4 million, representing 34.1% of our total assets. This relates to the goodwill arising from the acquisition of subsidiaries, a clinic via a subsidiary and minority interests. Goodwill represents the excess of cost of acquisition over our Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. With the adoption of FRS 103 on 1 January 2005, goodwill is measured at cost and no longer amortised but tested for annual impairment, or when circumstances change indicating that the goodwill might be impaired. Our proprietary computer software is amortised on a straight line basis over the estimated useful life of the software of five (5) years from the date on which they are available for use; and
- (c) deferred tax assets of RM27,000, representing less than 0.1% of total assets comprise unutilised tax losses in certain subsidiaries.



### *Current assets*

Our current assets of RM30.5 million representing 48.6% of our total assets comprise the following:-

- (a) pharmaceutical inventories, at cost of RM3.4 million, representing 5.4% of our total assets comprise mainly drugs and medicines, medical supplies and consumables. The inventory turnover days as at 31 December 2007 was eighty-nine (89) days. For details of our Group's inventory management policy, please refer to the section on "Inventory Management" of this Offer Document;
- (b) trade and other receivables of RM12.8 million, representing 20.4% of our total assets. Trade receivables, net of allowance for doubtful debt amounted to RM9.8 million, representing 15.6% of the total assets comprise amount due from our corporate clients, amount due from other clinics for X-rays done in our clinics, and amount due from MCOs. As at 31 December 2007, RM0.5 million was set aside as provision for doubtful debts. For details of our Group's credit policy, please refer to the section entitled "General Information on our Group - Credit Policy" of this Offer Document. The balance of RM3.0 million, representing 4.8% of the total assets comprise other receivables of RM1.2 million and deposits and prepayments of RM1.8 million;
- (c) tax recoverables of RM0.8 million, representing 1.3% of total assets comprise corporate tax refund of RM0.4 million and overpayment of tax payable of RM0.4 million in some subsidiaries. The corporate tax refund was the tax deducted on the dividend received by the Company and the Company had unutilised tax losses to off-set against the dividend tax. The overpayment of tax payable was due to the estimates of the tax payable in certain subsidiaries in Malaysia being higher than the actual tax payable. In Malaysia, all companies are required to estimate their current year tax liabilities and remit the estimated tax payable to the Inland Revenue Board in twelve monthly installments; and
- (d) cash at bank and in hand of RM13.5 million representing 21.5% of our total assets comprise fixed deposits, cash and bank balances.

### *Non-current liabilities*

Our non-current liabilities of RM2.9 million, representing 25.9% of our total liabilities comprise the following:-

- (a) financial liabilities being the long term portion of loans and borrowings of RM2.6 million, representing 23.2% of total liabilities comprise secured bank loans of RM2.4 million (for financing the acquisition of leasehold land and building and medical equipment) and hire purchase liabilities of RM0.2 million (for financing the acquisition of motor vehicles and office and medical equipment); and
- (b) deferred tax liabilities of RM0.3 million, representing 2.7% of total liabilities was due to the difference in the depreciation rate of the fixed assets and the tax capital allowance of the same assets resulting in excess of the net book value over the tax written down value of the assets.

### *Current liabilities*

Our current liabilities of RM8.3 million representing 74.1% of our total liabilities comprise the following:-

- (a) trade and other payables of RM7.6 million, representing 67.8% of total liabilities. Trade payables were RM2.8 million representing 25.0% of total liabilities. For details of the credit terms granted by our suppliers, please refer to the section entitled "General Information on our Group - Credit Policy" of this Offer Document. Other payables, accrued expenses and amounts due to directors were RM4.8 million in aggregate, representing 42.8% of total liabilities. These comprise mainly RM3.0 million in other payables, RM1.8 million in accrued expenses and RM38,000 in amount due to directors;
- (b) current portion of our loans and borrowings of RM0.5 million, representing 4.5% of total liabilities. These comprise RM0.4 million of secured bank loans (for financing the acquisition of leasehold land and buildings and purchase of medical equipment) and RM89,000 of hire purchase liabilities (for financing the acquisition of motor vehicles and office and medical equipment); and

(c) current tax liabilities of RM0.2 million, representing 1.8% of total liabilities.

#### Minority interests

As at 31 December 2007, our minority interest of RM19.7 million relates to the minority shareholders' share of net assets of our subsidiaries where we do not hold 100.0% equity interest.

### LIQUIDITY AND CAPITAL RESOURCES

Our operations are mainly financed by cash generated from operating activities, credit granted by our suppliers and external short term financing comprising mainly hire purchases borrowings and overdrafts from financial institutions.

The principal uses of cash are for payment of our purchases, operating expenses, finance expenses, capital expenditure, acquisition activities and payment of dividends to our Shareholders.

As at 30 April 2008, our cash and cash equivalents totalled RM12.0 million. We have fixed term loans totalling of RM2.7 million which was outstanding as at 30 April 2008 comprising of two (2) loans being (a) a RM1.5 million term loan, and (b) a INR14.2 million or RM1.2 million equivalent term loan. As at 30 April 2008, we also have hire purchase loans of RM0.2 million outstanding and unused credit facilities (overdraft) of RM2.8 million. Our Group's banking facilities as at the LPD are as follows:-

| Financial institutions            | Credit facilities  | Amount granted | Interest rates            | Facilities granted to                     | Facilities guaranteed by  |
|-----------------------------------|--|----------------|---------------------------|---|---|
| Public Bank Berhad                | Fixed term loan for the purchase of the Group's corporate office | RM1,620,000    | BLR <sup>(1)</sup> -0.80% | QMG                                       | (1) Charge on Company's property at Suite 301, Level 3, Menara PJ, Amcorp Trade Center, Petaling Jaya.<br><br>(2) Corporate guarantee by QHC. |
| Public Bank Berhad                | Hire purchase of a motor vehicle                                 | RM260,000      | 2.48%                     | QHC                                       | Dato' Dr Ameen <sup>(2)</sup>   |
| Pac Lease Berhad                  | Hire purchase of office equipment                                | RM133,000      | 3.90%                     | QMG                                       | Corporate guarantee by QHC  |
| Malayan Banking Berhad            | Overdraft facility   | RM3,000,000    | BLR <sup>(1)</sup> +1.50% | QMG                                       | (1) Corporate guarantee by QHC<br><br>(2) RM1.0 million fixed deposits  |
| GE Capital Services India Limited | Fixed term loan for medical equipment                            | INR14,500,000  | 11.50%                    | Namrata Diagnostic Centre Private Limited | Corporate guarantee by our subsidiary in India, Qualitas Medical Group Private Limited <sup>(3)</sup>   |

#### Notes:-

- (1) BLR refers to the bank's base lending rate. As at the LPD, the BLR for Malayan Banking Berhad and Public Bank Berhad are both 6.75%.
- (2) Subject to consent from Public Bank Berhad, the Company intends to replace Dato' Dr Ameen as the guarantor of this facility after listing.
- (3) Namrata Diagnostic Centre Private Limited is held by our subsidiary Doctorslab Medical Services Private Limited and a doctor individual whereas Doctorslab Medical Services Private Limited is held by our subsidiary Qualitas Medical Group Private Limited and another shareholder. The doctor individual has provided land as security for this loan. The other shareholder in Doctorslab Medical Services Private Limited also provided a corporate guarantee for this loan.

We set out below a summary of the net cash flow for QHC and its subsidiaries for FY2007 as follows:-

| <b>RM'000</b>  | <b>FY2007</b> |
|--|---------------|
| Net cash generated from operating activities                           | 6,603         |
| Net cash used in investing activities                                  | (8,864)       |
| Net cash generated from financing activities                           | 3,610         |
| <b>Net increase in cash and cash equivalents</b>                       | <b>1,349</b>  |
| Cash and cash equivalents at the beginning of the financial year       | 11,187        |
| Effect of exchange rate changes on balances held in foreign currencies | (34)          |
| <b>Cash and cash equivalent at the end of the financial year</b>       | <b>12,502</b> |
| Fixed deposits pledged to bank   | 1,000         |
| <b>Cash at bank and in hand</b>  | <b>13,502</b> |

## **FY2007**

### *Net cash generated from operating activities*

Operating profit before changes in working capital for FY2007 amounted to RM9.8 million. The increase in working capital requirements of RM1.0 million reduced the cash generated from operations to RM8.8 million. For FY2007, interest and income taxes paid totalled RM2.2 million. Net cash generated from operations amounted to RM6.6 million.

### *Net cash used in investing activities*

The net cash used in investing activities for FY2007 amounted to RM8.9 million.

The funds were used mainly for (a) acquisition of property, plant and equipment for RM6.9 million, (b) acquisition of subsidiaries and a clinic for RM1.7 million, and (c) acquisition of minority interest in a subsidiary for RM0.7 million. Net cash used in the acquisition of property, plant and equipment was mainly due to our new corporate office, our purchase of land and building of one of the clinics we acquired in India during FY2007, additions of plant and equipment as part of our acquisitions of clinics and replacement of plant and equipment during the ordinary course of our business.

Our Group received approximately RM0.2 million as interest income from the placement of our funds with financial institutions and RM0.2 million as proceeds from the disposal of property, plant and equipment.

### *Net cash generated from financing activities*

The net cash generated from investing activities for FY2007 amounted to RM3.6 million. Our Group received RM6.6 million consisting of (a) RM2.8 million drawdown of term loan, (b) RM1.5 million being proceeds from the issuance of shares and (c) RM2.3 million from issue of shares in our subsidiaries to its minority shareholders.

Our Group paid out a dividend of RM2.9 million during FY2007 to the minority shareholders of our subsidiaries. We also made a repayment of hire purchase liabilities of RM0.1 million.

Currency translation which arose from the translation of our INR denominated financial statements into our reporting currency, RM, reduced the cash and cash equivalents by RM34,000, which was insignificant.

Based on the above, we recorded a net increase of cash and cash equivalents of RM1.3 million during FY2007. As at 31 December 2007, we had total cash and cash equivalents of RM12.5 million comprising RM9.9 million cash and bank balances and RM2.6 million of deposits with financial institutions. As this excluded fixed deposits of RM1.0 million which we pledged to a bank to secure an overdraft facility, our total cash at bank and in hand totalled RM13.5 million as at 31 December 2007.

Our Directors are of the opinion that the working capital available to our Group as at the date of this Offer Document is sufficient for the present requirements and for at least twelve (12) months after listing.

## **CAPITAL EXPENDITURE AND DIVESTMENTS**

### **Capital Expenditure**

Our major capital expenditure comprises mainly additions of freehold land, leasehold land and buildings, plant and equipment such as furniture fittings and office equipment, medical equipment, renovations, motor vehicles, computers and capital work in progress. The purchases of such assets, which are based in Malaysia and India, were financed mainly by funds generated from operations, hire purchase loans and term loans. The details for such capital expenditure and disposals made by QHC Group for FY2005, FY2006 and FY2007 and for the period from 1 January 2008 to the LPD is set out in the following table. For acquisitions and divestments of investments in companies and businesses, please refer to the sections "Our Restructuring Exercise" and "General Statutory Information" of this Offer Document.

RM'000

|   | FY2005       | FY2006       | FY2007       | 1 January<br>2008 to<br>the LPD |
|---|--------------|--------------|--------------|---------------------------------|
| <b>Acquisitions</b>                                 |              |              |              |                                 |
| Freehold land                                       | –            | –            | 265          | –                               |
| Leasehold land and buildings                        | –            | –            | 3,425        | –                               |
| Plant and equipment                                 | 1,165        | 1,279        | 3,251        | 342                             |
| <b>Total Property, Plant and Equipment acquired</b> | <b>1,165</b> | <b>1,279</b> | <b>6,941</b> | <b>342</b>                      |
| <b>Disposals</b>                                    |              |              |              |                                 |
| Leasehold land and buildings                        | –            | 409          | –            | –                               |
| Plant and Equipment                                 | 5            | 390          | 1,121        | 283                             |
| <b>Total Property, Plant and Equipment disposed</b> | <b>5</b>     | <b>799</b>   | <b>1,121</b> | <b>283</b>                      |

### **Divestment**

During FY2006, we disposed two (2) clinics which were held respectively under Kelinik Genting Kelang Sdn Bhd (which is currently undergoing voluntary liquidation) and Klinik Salak Sdn Bhd. The two (2) clinics were divested because they were not generating sufficient returns for our investment. They remain in our network of clinics as affiliated clinics. We recorded other income of approximately RM0.1 million for the disposals.

We did not have any material capital divestment during FY2005, FY2007 and for the period from 1 January 2008 to the LPD and we do not have any material capital divestment in progress.

## **FOREIGN CURRENCY MANAGEMENT**

Our Group operates in Malaysia, India, Indonesia and Cambodia. Our functional and reporting currency is RM. The functional currencies of our Malaysia, Indonesia and India subsidiaries are denominated in RM, INR and IDR respectively. As our revenues and purchases are predominantly in Ringgit, our foreign exchange gains and losses, as a percentage of total revenue for the past three (3) financial years ended 31 December 2007 have been insignificant. Most of the revenue and expenses are matched, to the extent possible, in our foreign subsidiaries. Under the affiliate agreement, our affiliate clinics in Cambodia will remit affiliate fees to us in US\$ which we will immediately record in RM upon receipt.

As the functional currencies for our India and Indonesia operations are denominated in INR and IDR respectively, while our functional and reporting currency is RM, we will be subject to foreign currency translation exposure at the time when we translate our foreign subsidiaries' financial statements into RM for consolidation purposes. The effect of the fluctuations of the foreign exchange rates of IDR and INR against RM, on the translations of our foreign subsidiaries' financial statements into RM for consolidation purposes has not been significant for the past three (3) years and have been included in the currency translation reserve.

Our Group does not engage in any hedging transaction, as most of our revenue and expenses are received and paid for in the local currencies in the countries in which we operate. Presently, our Group has no intention to engage in any hedging transaction. However, in the event that we decide to engage in any hedging transaction, we will (a) seek our Board approval for our policy to enter into any hedging transaction, and (b) put in place adequate procedures which must be reviewed and approved by our Audit Committee.

## **ORDER BOOK**

Due to the nature of our business, we do not have an order book.

## GENERAL INFORMATION ON OUR GROUP

### HISTORY

Our Company was incorporated on 28 September 2007 in Singapore under the Companies Act as a private company limited by shares. Our Company is the holding company for (a) QHC and its subsidiaries, all of which are incorporated in Malaysia which subsidiaries conduct our business in Malaysia; and (b) QHI and its subsidiaries, which conduct our business outside Malaysia. Our Group has been providing primary healthcare services since 1998.

Our Group has its origins in 1997 when our Chairman and Managing Director, Dato' Dr Ameen, saw the need for general practitioners to organise into an integrated network of private primary healthcare clinics in Malaysia. The aim was to get like-minded doctors to accept the concept of becoming an integrated part, in both equity and operations, of a primary healthcare group that desires to be professionally managed and which will be marketed on a centralised basis to corporate clients and MCO clients for corporate patients.

To do this, QHC was incorporated jointly by Dato' Dr Ameen and Warburg, Pincus, a venture capital fund, on 23 June 1997 in Malaysia as a private company limited by shares to be the investment holding company to acquire and hold private clinics. QHC subsequently established QMG on 10 October 1997 to act as its subsidiary to acquire and own majority stakes in such clinics.

### Our History of Growth in Malaysia

QHC, through its subsidiary QMG, started acquiring majority stakes in private clinics in Klang Valley, commencing with Kumpulan Medic (Selangor) Sdn Bhd and its purchasing arm Healthcare Sdn Bhd (subsequently renamed as Qualitas Pharma Sdn Bhd which currently performs our centralised purchasing functions). As at 1 January 1998, we had eleven (11) clinics within our network.

In 1998, we continued to acquire majority stakes in other third party clinics through companies established for this purpose. The acquisitions in these clinics were coupled with a put and call option arrangement with us for the minority shareholders to swap their minority stakes into shares of our listing vehicle when a listing on a stock exchange is obtained by our Group.

In 1999, we enhanced our range of medical services provided by acquiring Daya X-Ray Centre Sdn Bhd, which was an independent radiology practice with four (4) facilities in Klang Valley to support our primary healthcare network in Klang Valley. By the end of 1999, our network of clinics had expanded to twenty-four (24) clinics.

From 2001, with further capital of approximately RM8.5 million contributed into QHC by Maya Wilayah Sdn Bhd, a subsidiary of Landmarks Berhad, a Malaysian listed company, we expanded outside of Klang Valley through acquisitions of majority stakes in private clinics in other states of Malaysia. Our expansion strategy enabled us to progressively and steadily venture into other parts of Malaysia. In 2002, we expanded into the State of Johor by acquiring thirteen (13) clinics there. Between 2005 and 2007, we expanded into the States of Negeri Sembilan, Pahang and Sabah and entrenched our presence in Johor through the acquisition of sixteen (16) clinics in total. Between 2008 and until the LPD, we acquired four (4) clinics in Penang and set up a new clinic in Johor.

As at the LPD, we had completed acquisitions of majority stakes in eighty-nine (89) private clinics in Malaysia.

### Launch of Affiliate and Associate Programs

In 2001, to complement our majority owned clinics and to provide comprehensive coverage throughout Malaysia to our corporate clients and MCOs, we developed and launched our associate and affiliate programs for third party clinics mainly for areas in which we do not have a physical presence. The business strategy was to better serve our clients through expansion of our reach and coverage by franchising our Qualitas branding. Affiliate clinics carry the Qualitas brand and treat patients who are employees of our corporate clients. Associate clinics do not carry the Qualitas brand but they treat

patients from specific corporate clients. Additional information on the affiliate and associate programs is set out in the section entitled “Business” of this Offer Document. As of the LPD, we had sixty-seven (67) affiliate and associate clinics.

### **Regional Expansion outside Malaysia**

In 2003, we embarked on our next phase of growth through overseas expansion. We expanded outside Malaysia as we had identified regional countries with large populations and an emerging middle class population who would require quality primary healthcare services. QHI was incorporated on 14 July 2003 to spearhead our regional expansion and to own and hold our operations in the region.

By 2004, we had ventured into the Indian subcontinent with the setting up of Qualitas Medical Group Private Limited as our wholly owned subsidiary in India to operate a facility in Chennai, in the state of Tamil Nadu, as a private primary healthcare clinic. As Malaysian employers continuously recruit a significant number of Indian nationals as foreign workers into Malaysia, our Indian clinic was licenced then by the Malaysian authorities as an approved healthcare screening centre to screen such workers.

In 2006, to bring about synergy into our business in India, we divested 24.0% of our shareholding interest in Qualitas Medical Group Private Limited to International Columbia 2004. International Columbia 2004 is a company incorporated in Mauritius and is engaged in building and operating secondary and tertiary healthcare hospitals in India. Together, we market a full complement of primary, secondary and tertiary healthcare services in India.

The following year, in January 2007, our 76.0% owned subsidiary, Qualitas Medical Group Private Limited, acquired the entire shareholding of Osler Diagnostics Private Limited and Doctorslab Medical Services Private Limited. The former was an established private clinic with X-ray facilities and the latter was a blood and biochemistry diagnostic laboratory, both located in Chennai, Tamil Nadu. This enabled us to enhance our scope of medical services in India.

In November 2007, we reduced our shareholding in Doctorslab Medical Services Private Limited to 51.0% with Vijaya Diagnostic Services Pvt Ltd acquiring 49.0% equity interest from us. Subsequently, Doctorslab Medical Services Private Limited acquired 65.0% shareholding interest in Namrata Diagnostic Centre Private Limited in India, the sole diagnostic centre with MRI scan facilities in Karim Nagar, Andhra Pradesh. In addition, Doctorslab Medical Services Private Limited acquired a four storey building where the MRI scan centre is located.

Having commenced operations in India, we ventured into another two (2) foreign jurisdictions. Our expansion into Indonesia in 2007 was done by acquiring a 85.0% equity interest in PT Qualitas Healthcare Indonesia which was incorporated on 6 March 2007. PT Qualitas Healthcare Indonesia entered into a cooperation agreement with an unrelated third party to manage a primary healthcare medical centre in Jababeka, Cikarang, Jakarta which is a clinic which became operational on 1 April 2007.

In Cambodia, our Group entered into an affiliate arrangement with an unrelated third party, whereby our Group granted to four (4) affiliate clinics, namely, clinic Sokhaphheap Thmey (“CST”) and clinic Santepheap Thmey Angkor and the two (2) infirmaries of CST located at Raffles Hotel and Le’ Meridien Hotel in Seam Reap, Cambodia, managed by Qualitas Medical Group (Cambodia) Co. Ltd, the right to use the Qualitas brand. Such right will also extend to any other in-house clinics or infirmaries, associate clinics and any new clinics that may be owned and/or managed by the said party.

### **Investment by Commerce Asset Ventures Sdn Bhd**

In 2006, CAV, the venture capital arm of the CIMB Group, a financial services group whose holding company, BCHB, is listed on Bursa Malaysia and CKPF, a joint fund between Koperasi Permodalan Felda Berhad and CIMB Group, entered as shareholders of QHC to replace Warburg, Pincus and Maya Wilayah Sdn Bhd. CAV and CKPF became shareholders in QHC by buying out all the shares held by Warburg, Pincus and Maya Wilayah Sdn Bhd in the share capital of QHC.

Please refer to the section entitled “Prospects and Trends” of this Offer Document for more details on our expansion plans in the region.

In connection with this Invitation and pursuant to the put and call option arrangements that were previously in place with the minority shareholders of the clinics that were acquired over the years, we entered into the Restructuring Exercise set out in the section entitled “Our Restructuring Exercise” of this Offer Document.

## **BUSINESS**

### **Industry Overview**

*The information in this section below has been provided by us and reflects our understanding of the industry based on our belief and knowledge, unless otherwise stated. Information from external sources, including various government publications and industry reports, have not been independently verified by our Company, the Sponsor, the Underwriter or the Placement Agent, or any of our and their affiliates or advisers. This information may not be consistent with other information compiled within or outside Malaysia, India or Indonesia.*

### **Introduction**

We provide primary healthcare services through our network of owned, affiliate, associate and managed clinics in Malaysia and other countries in the region comprising India, Indonesia and Cambodia. To understand the role of primary healthcare services in the overall healthcare needs of a country, it is necessary to understand the broad classification of healthcare services into its three levels, namely, primary, secondary and tertiary.

- Primary healthcare services generally refer to the first point-of-contact of medical services and healthcare prevention services in an outpatient setting delivered by general practitioners. Minor surgical procedures for the treatment of minor injuries, wounds or ailments are included in the outpatient setting. Primary healthcare facilities are typically clinics with one or more general practitioners on site. High-end primary healthcare services refer to primary healthcare services with added modalities like full range blood and biochemistry diagnosis, ECG and ultrasound scans.
- Secondary healthcare services refer to medical services in both inpatient hospital care and outpatient clinical settings as well as day care services delivered by medical practitioners with specialist qualifications. These services include the disciplines of internal medicine, surgery, obstetrics, gynaecology and paediatrics.
- Tertiary healthcare services refer to medical treatments that are carried out in tertiary facilities such as general hospitals and specialist hospitals. Highly specialised and sophisticated medical care and surgical procedures at the tertiary level has to be carried out primarily in an inpatient setting. These range from surgical procedures in operating theatres, to intensive care on a post-surgical or ongoing basis, emergency care and chronic care. Tertiary facilities offer treatment in all specialties provided at the secondary level and “high specialisation” areas of cardiology, neurology, oncology and orthopaedics, among others.

### **Malaysia**

Malaysians enjoy a relatively high overall standard of health and their healthcare system comprises public and private sectors and non-governmental organisations. The major provider and financier of healthcare services has been the Ministry of Health which provides primary, secondary and tertiary healthcare services to the public<sup>(1)</sup>.

The World Health Organisation (“WHO”)<sup>(1)</sup> reports that total expenditure on healthcare in Malaysia is 3.7% of its gross domestic product (“GDP”) in 2004. It also reports the successful implementation of the 8th Malaysian Plan between 2001 and 2005 and that Malaysia is presently implementing its 9th Malaysian Plan for the period 2006 to 2010.



Under the 9th Malaysian Plan, Malaysia intends to provide healthcare services for all Malaysians through a national health insurance scheme (the "Scheme"), which would require contribution from each individual as well as from the government for disadvantaged individuals such as the poor, elderly and the disabled who are unable to afford their health insurance premiums. We believe that this Scheme is expected to facilitate greater consolidation among healthcare providers who will be seeking mergers to defray the cost and resources required for administering the Scheme.

**Note:-**

- (1) Source: "WHO Country Cooperation Strategy, Malaysia 2006-2008" issued by WHO and available from the website of WHO at [http://www.who.int/countryfocus/cooperation\\_strategy/ccs\\_mys\\_en.pdf](http://www.who.int/countryfocus/cooperation_strategy/ccs_mys_en.pdf). The report has been extracted from the named website on 30 April 2008. We have not asked WHO for their consent for the inclusion of the above information and accordingly, WHO is not liable for these statements under sections 253 and 254 of the SFA. While our Directors have taken the reasonable steps to ensure that the information is extracted accurately and fairly and has been included in this Offer Document in its proper form and context, they have not independently verified the accuracy of the information set out above.

### **Other Countries in the Region**

In the public sector, the Indian and Indonesian authorities provide primary, secondary and tertiary healthcare services through government clinics and government hospitals of various sizes.

In the private sector, private enterprises in these countries to varying degrees provide primary, secondary and tertiary healthcare services through private clinics, specialist clinics and private hospitals. In India, like in Malaysia, there are niches of high-end multi-disciplinary tertiary and specialist services in the private sector. This applies to a moderate extent in Indonesia.

In India, like in Malaysia, there is a widespread proliferation of private clinics providing primary healthcare services but with the majority comprising small practices with one or a few general practitioners. This is attributable in part to the large population that still requires basic healthcare needs which a large number of Indian universities are meeting by providing professional courses in medicine. In Indonesia there is lesser proliferation of private clinics.

Primary healthcare services which are provided by general practitioners in small private clinics or in larger group practices play an important role in meeting healthcare needs in the region. By their nature of being numerous and spread out in other countries in the region and with the majority being small practices, the industry of having larger group practices are not common in these countries.

## **Business Overview**

### **Introduction**

We are a leading private primary healthcare services provider in Malaysia with a network of 152 clinics in Malaysia as at the LPD, which we either own or which form part of our associate and affiliate programs. We are also expanding into the region with operations in India and Indonesia. In India we have a network of three (3) owned clinics and in Indonesia we manage one (1) clinic, as at the LPD. We have also recently entered into an affiliate relationship in Cambodia in respect of four (4) clinics.

We operate general practice clinics with supporting diagnostic services under our Qualitas brand to patients. We are a "doctor-led and doctor-governed" organisation arising from our model of acquiring and integrating third party clinics into our Group which has made many of our doctors our shareholders as well.

We adopt a patient-centric approach to healthcare services for patients and patient management supported by maintaining a high standard in healthcare delivery. Our doctors focus on clinical functions whilst non-healthcare professionals carry out and manage non-clinical functions throughout our Group. Clinical functions would be the actual delivery of professional healthcare services by our doctors and healthcare workers while non-clinical functions would include clinic administration, finance and accounting, as well as marketing and customer relations with corporate clients and MCOs.

Our patients are self-paying individuals or employees provided with healthcare benefits by corporate clients and MCOs. In our patient-centric approach, we make no distinction in our delivery of healthcare services to self-paying patients or corporate patients and MCOs.

We recognise that the primary healthcare services sector in Malaysia and in many parts of the region is fragmented with numerous small practices. We believe that we have achieved a creditable size in Malaysia which has given us the resources and financial strength to continue acquiring and integrating third party clinics into our Group. We have the intention to replicate this process in the region and we believe that our growth model employed in Malaysia is scaleable. Towards this, we have commenced expansion into overseas markets such as India, Indonesia and Cambodia and intend to continue with this process.

### **Our Healthcare Services**

We provide predominantly primary healthcare services delivered by general practitioners in our Qualitas network. Within our Group, there may be a range of clinics from those manned by one (1) or two (2) general practitioners and located in towns and rural areas to one-stop higher-end clinics manned by a number of general practitioners with supporting medical diagnostic services including ECG, ultrasound and X-ray facilities.

We do not provide secondary or tertiary healthcare services by medical specialists and hospitals in Malaysia and Indonesia. In India, apart from primary healthcare services, we are embarking on secondary level primary healthcare services in the area of high-end medical diagnostics and to this effect we provide a full range blood and biochemistry diagnosis, MRI scan and we also have plans to provide CAT scan facilities.

Apart from the usual services by general practitioners in an outpatient setting, our one-stop higher-end clinics also provide the following primary healthcare services:-

- Prolonged care and monitoring of patients with chronic conditions (such as asthma, diabetes and hypertension) to complement specialist care;
- Health maintenance and general health screening (including routine pre-employment and annual check-ups) and periodic vaccinations;
- Preventive health screening for certain age groups or groups with a pre-disposed medical profile (including the screening for specific diseases, advisory on how to detect early warning signs of diseases); and
- Occupational health services, which comprises medical related services to patients exposed to work related hazards.

### **Our Patients and Customers**

In terms of healthcare delivery and clinical functions, our doctors regard their patients as their customers. In terms of business planning, we classify our patients into individual patients or corporate patients.

Individual patients are individuals who require our healthcare services on their own and who pay from their own account. In terms of business planning, such individual patients are regarded by us as our customers. As individual patients (usually members of the local community) are members of the self-paying public who have full discretion to choose their own medical service provider, we can only market and reach out to them by branding ourselves as a reputable healthcare group.

Corporate patients are individuals who are employees whose primary healthcare needs are arranged and paid for by their corporate employers or MCOs. These corporate employers or MCOs are regarded as our customers in terms of business planning as we would have to market and secure appointment with them as their panel of approved clinics which their employees can visit for their primary healthcare needs. Unlike individual patients, we can bill and market on a centralised basis to such corporate clients and MCOs.

Our corporate clients and MCOs appoint us through letters of appointment to their panel of approved doctors. As at the LPD, such corporate clients which number more than 5,000, range from multinationals and large corporations requiring nationwide coverage to small local companies requiring coverage in their local areas. Our corporate clients include multinational companies such as Tesco, Carlsberg Breweries,

Bank of Nova Scotia and Bank of America and MCOs such as ING. Our MCO clients, which number approximately eleven (11) as at LPD include those related or affiliated with insurance companies and independent third party administrators.

Our terms of appointment with corporate clients or MCOs set out the basis and scale for consultation fees, our service of billings and other procedures to verify the employees' identity during each consultation visit. We bill our corporate clients and MCO clients on a monthly basis for the number of corporate patient-visits in that month. We generally do not specify an expiration date for our appointment and both parties are able to terminate the appointment with reasonable written notification. The turnover of our corporate clients and MCO clients is generally low.

Since FY2005, our annual patient visits to our clinics in Malaysia number more than 1.0 million. In FY2007, our patient visits in Malaysia number approximately 1.1 million, of which approximately 40.0% were individual patients and the remaining 60.0% being corporate patients.

### **Clinical and Non-Clinical Functions**

Clinical functions refer to the healthcare services carried out by general practitioners at our clinics. Such clinical functions range from attending to a patient, examining and diagnosis of conditions, treating the patient and performing minor outpatient surgical procedures, prescribing medicines, investigations such as laboratory tests or diagnostic procedures and, if necessary, referring a patient for secondary or tertiary healthcare. Clinical functions would also include the general practitioner reviewing investigations results and following up on aftercare with the patient. Depending on a patient's condition, the general practitioner may counsel and offer advice to the patient.

Non-clinical functions refer to marketing, administration, management and accounting functions at the level of each clinic, at regional offices and at our corporate headquarters. These non-clinical functions are carried out and managed uniformly throughout our Group based on policies, processes and procedures that are standardised and managed on a centralised basis. Examples of non-clinical functions include marketing to the corporate clients and MCOs, clinic administration, finance activities including cash handling and control, marketing activities, human resources and inventory management including purchases, inventory return and inventory control and maintenance.

### **Key Features of our Mode of Operation**

Four (4) of our key features of our mode of operation in Malaysia which have played an important role in our growth and in providing us a competitive edge are our integrated software system, centralised purchasing system, centralised marketing system with centralised billings and centralised branding. We plan to leverage upon and to introduce these four (4) features into our regional operations and to drive our regional expansion. A summary of these key features are set out below:-

- **Integrated Software System**

In Malaysia, to support our clinical and non-clinical functions, we have, through a third party provider, developed for our own use an integrated software system which is installed and used across our Group. For supporting clinical functions, we have a clinic management software sub-system that holds our patient data base such as patient history, diagnosis and prescription and enables our doctors and nurses to electronically capture, manage, administer and monitor the registration of patients, dispensing of medications, billing for consultation and appointments. This is supported by our inventory management sub-system which assists our clinics in purchasing and inventory control alongside indenting and distributions from central purchasing to each clinic.

For supporting non-clinical functions, we have a management information sub-system, customer relationship management sub-system and financial and accounting sub-system. Apart from driving our ability to manage our operations uniformly across our Group, our IT software system is the backbone of our centralised billings to our corporate clients and MCOs (see centralised marketing with centralised billing below). Our integrated software system allows for data input by clinics to be uploaded to the regional offices, corporate headquarters, centralised purchasing services and with key customers such as our corporate clients and MCOs, and is a key feature of our operations.

Each clinic uploads its information to our central server located in our corporate office on a daily basis. To protect the confidentiality of our patients we do not allow access of information between clinics. Patient information will only be released among our clinics upon request and authorised by our doctors.

Our clinics in India presently use their in-house standalone system, which we intend to upgrade. For further information, please refer to the section entitled “Business Strategies and Future Plans”.

- **Centralised Purchasing System**

To benefit from economies of scale, we practice in Malaysia centralised buying of pharmaceutical and medical supplies through our subsidiary, Qualitas Pharma Sdn Bhd, as the central buyer for our Group. Qualitas Pharma Sdn Bhd buys and stocks in a central warehouse in Petaling Jaya, Selangor some 900 types of drugs commonly used in clinics comprising mainly pharmaceuticals in the form of tablets, capsules, liquid medicines, creams and vaccinations and medical supplies comprising consumables such as syringes, zipper bags, bottles, gloves, masks and gauze. With centralised buying, a growing number of clinics and integrated IT software system, we derive efficiencies in inventory management, enjoy bulk discounts and are able to ensure uniform distribution of drugs throughout our network of clinics as well as continuous availability. Our clinics may also buy infrequently used supplies directly from suppliers or pharmacies, if required.

- **Centralised Marketing System with Centralised Billings**

We recognise that corporate employers who provide primary healthcare benefits to their employees prefer to deal with a single group with a large network of clinics throughout Malaysia capable of rendering a single monthly invoice for all patient visits by their employees. To capitalise on this trend, our business development managers and executives market for all clinics in our Group on a centralised basis to secure or renew appointments from such corporate employers and MCOs to designate our clinics as their panel of approved clinics. Reinforcing this is our IT system and our uniform practices at all our clinics that enable us to perform centralised billings for all patient visits by all employees of a particular corporate client or MCO.

- **Centralised Branding**

We believe it is important given the fragmented nature of the primary healthcare sector which consists of numerous small clinics, to adopt a group branding to distinguish ourselves from our competitors. We practice co-branding the Qualitas brand with existing practice names of our acquired clinics. Our branding is reinforced by having clinic décor and signages and staff uniforms that follow a consistent design and colour theme as well as marketing and sales materials that display the Qualitas brand. We display within each clinic, identical posters emphasising our vision, mission statements and values as well as a list of all our clinics.

### **Our organisation, operations and management of our clinics**

Our clinics are organised into solo clinics or medical practice groups according to the subsidiaries under which they are held. Each solo clinic or medical practice group is led by a medical director.

Our operations may be broadly categorised into three (3) segments which are our clinical functions, non-clinical functions, and finance. We are also divided geographically into two (2) broad categories, namely operations in Malaysia and outside Malaysia. Given the extensive network of clinics in Malaysia, our operations in Malaysia have been further sub-divided into northern, central and southern regions. Our operations outside Malaysia are sub-divided based on the countries where we either own, or manage clinics, i.e. in India and Indonesia.

#### Malaysia

In Malaysia, we operate regional offices located in the northern, central and southern regions of Malaysia to supervise the operations of our clinics in these areas. Our corporate head office located in Kuala Lumpur, Malaysia exercises overall control over our entire network of clinics.

For clinical matters, the medical directors of solo clinics or medical practice groups lead and supervise a team of assistant doctors. The medical directors in turn report to the Director of Medical Services, who oversees the overall clinical matters of our Group. Our Director of Medical Services sits in all three (3) of the medical service committees established by our Group to oversee the quality of medical services of our Group. Please refer to the section entitled “Quality Assurance” of this Offer Document for further information on our medical service committees.

For non-clinical matters, the managers in the regional offices receive reports from the administrative executives of solo clinics or managers of the medical practice groups in their region and report to the managers in the corporate head office. The Director of Operations oversees the non-clinical operations of our clinics.

For finance matters, the accounts assistants and executives residing in each regional office report the clinic accounts and cash flow management to the finance managers at the corporate head office. The Director of Finance oversees the overall financial management of our Group.

At the solo clinic and medical practice group level, the doctors, administrative and finance staff interact amongst themselves under the supervision of the medical director to ensure the smooth operation of our clinics.

Other than the reporting structure, we have also developed in house standard operating procedures for non-clinical functions which provide guidance to staff on the non-clinical aspects of the operations in the clinics. Our IT system also allows us to monitor the operations of our clinics from our corporate head office.

#### Outside Malaysia

Outside Malaysia, we have appointed a general manager for our India operations and an administrative executive for our Indonesia operations. They report to our corporate head office through the respective key management who are responsible for clinical, non-clinical and financial matters.

#### Periodic reviews

We conduct periodic and regular meetings which involve various levels of our Group to chart the corporate strategy of our Group as well as to review and discuss on clinical, non-clinical and finance management issues. These periodic meetings serve to develop and clarify our corporate strategy, align the corporate direction of our clinics and resolve clinical, non-clinical and finance management issues which we may encounter from time to time so as to smoothen our operations.

#### **Our Qualitas Network of Clinics**

As at the LPD, in Malaysia, we have a network of eighty-nine (89) owned clinics and sixty-three (63) affiliate and associate clinics. To provide easy access to healthcare services, our clinics in Malaysia operate at times most suited to meet the needs of patients. For example, in residential areas, our clinics operate for longer hours compared with clinics operating in predominantly office/commercial areas. Within our network in Malaysia, sixty-seven (67) clinics, including our associate and affiliate clinics, operate every day of the week while twenty-two (22) clinics, including affiliate and associate clinics operate on a twenty-four (24) hour daily basis.

As at the LPD, in the region, we own three (3) clinics in India, operate one (1) managed clinic in Indonesia and have four (4) affiliate clinics in Cambodia. A list of our clinics and locations are set out in the section entitled “Business” of this Offer Document.

A summary of the nature and operations of our various types of clinics, namely, owned clinics, managed clinic and affiliate/associate clinics are set out below:-

- **Owned Clinics**

Most of our owned clinics were third party clinics which we had acquired a majority stake in. These clinics adopted our Qualitas brand alongside their existing clinic name, made changes to follow our operations and functions, engage in bulk buying of medical supplies through our centralised purchasing services and enjoy increased patient load as we grew our customer base of corporate

clients and MCO clients. Over the years, there is increasing uniformity in the way in which each owned clinic is operated and managed and this has resulted in greater integration in management and operating efficiencies.

At the time of acquiring majority stake in these clinics, we entered into put and call option arrangements with the minority shareholders which entitled us to acquire the remaining minority interest in the clinics in exchange for Shares in our Company at a valuation to be agreed upon or decided by an independent third party valuer. Pursuant to the Restructuring Exercise, we acquired their minority interests.

Some of our owned clinics are situated at the premises of our corporate clients such as Bank Negara Malaysia, F&N Coca-Cola (Malaysia) Sdn Bhd, Carlsberg Brewery (M) Bhd, RJ Reynolds Tobacco Co Sdn Bhd, Tractors Malaysia and Sanyo PT (M) Sdn Bhd, in order for us to serve our corporate clients better.

For further details, please refer to the section entitled "Our Restructuring Exercise" of this Offer Document.

- **Managed Clinic**

Managed clinic refers to our clinic in Indonesia. In Indonesia, the prevailing regulations prohibit direct ownership of clinics by foreigners.

In Indonesia, we operate through our 85.0% owned subsidiary, PT Kualitas Healthcare Indonesia, which is an approved foreign corporation in Indonesia. We have, in May 2007, entered into a cooperation agreement with an unrelated third party in Indonesia to establish a network of primary healthcare clinics in various locations in Indonesia. Under this agreement, we provide management services and lease certain fixed assets to the clinic in consideration for management fees and a share of the profits generated by these clinics.

We have been advised by the legal adviser to our Company as to Indonesian law that our operations in Indonesia through the cooperation agreement is legal, valid and enforceable.

- **Affiliate / Associate Clinics**

Affiliate clinics are third party clinics who participate in our affiliate program. Under the program, our affiliate clinics in Malaysia are licensed to use our Kualitas brand, to serve patients from our corporate clients, and to utilise our centralised purchasing services. We are entitled to a percentage of the revenue of our affiliate clinics, as well as a monthly affiliate and IT support fee. We have more recently in March 2008, added four (4) clinics in Cambodia as our affiliate clinics, namely, clinic SokhapheapThmey ("CST") and clinic Santepheap Thmey Angkor and the two (2) infirmaries of CST located in Raffles Hotel and Le' Meridien Hotel in Seam Reap, Cambodia, through an affiliate arrangement with an unrelated third party in Cambodia. Our affiliate clinics in Cambodia do not use our centralise purchasing services and IT system.

Associate clinics are third party clinics who participate in our associate program. Under such program, associate clinics do not use our Kualitas brand and they only serve employee patients from a specified corporate client of ours in that particular location. Under the program, we are entitled to a percentage of the revenue earned by these associate clinics from visiting patients who are employees of our corporate clients. All our associate clinics are presently located in Malaysia.

We grant participation in such programs in locations where the market is relatively undeveloped, or where we have a lower penetration or where we may not find it suitable or viable for us to locate one of our owned clinics.

### **Our Spread of Network Clinics**

As at the LPD, the spread of our clinics in the various locations are as follows:-

| <b>Location - Malaysia</b>                      | <b>Owned Clinics</b> | <b>Managed Clinic(s)</b> | <b>Affiliate / Associate Clinics</b> |
|---|----------------------|--------------------------|--------------------------------------|
| Federal Territories (specifically Kuala Lumpur) | 19                   | –                        | 12                                   |
| Selangor  | 28                   | –                        | 26                                   |
| Perak   | 3                    | –                        | 7                                    |
| Negeri Sembilan                                 | 12                   | –                        | 2                                    |
| Pahang  | 1                    | –                        | 1                                    |
| Johor   | 19                   | –                        | 3                                    |
| Penang  | 6                    | –                        | 2                                    |
| Sabah   | 1                    | –                        | –                                    |
| Melaka  | –                    | –                        | 3                                    |
| Kedah   | –                    | –                        | 4                                    |
| Kelantan  | –                    | –                        | 3                                    |
| <b>Total in Malaysia</b>                        | <b>89</b>            | <b>–</b>                 | <b>63</b>                            |
| <b>Location- India</b>                          |                      |                          |                                      |
| Tamil Nadu                                      | 2                    | –                        | –                                    |
| Andra Pradesh                                   | 1                    | –                        | –                                    |
| <b>Total in India</b>                           | <b>3</b>             | <b>–</b>                 | <b>–</b>                             |
| <b>Location – Indonesia</b>                     |                      |                          |                                      |
| Cikarang, West Java                             | –                    | 1                        | –                                    |
| <b>Total in Indonesia</b>                       | <b>–</b>             | <b>1</b>                 | <b>–</b>                             |
| <b>Location – Cambodia</b>                      |                      |                          |                                      |
| Phnom Penh                                      | –                    | –                        | 1                                    |
| Seam Reap                                       | –                    | –                        | 3                                    |
| <b>Total in Cambodia</b>                        | <b>–</b>             | <b>–</b>                 | <b>4</b>                             |
| <b>TOTAL</b>                                    | <b>92</b>            | <b>1</b>                 | <b>67</b>                            |

## **QUALITY ASSURANCE**

For quality assurance of our clinical functions in Malaysia, we have established three (3) committees which are the medical audit committee, continuing medical education committee and pharmacy committee (the “medical service committees”) which are staffed by senior management medical staff from our Group. For our clinics in countries outside Malaysia, we would disseminate the guidelines set by the medical service committees to the clinics for them to formulate their own continuing medical education programs and pharmacy policies. The functions of our various medical service committees are set out below:-

### Medical Audit Committee

The medical audit committee audits our doctors’ management of patients and diseases in accordance with generally accepted clinical practice guidelines, recommended by the health authorities or by leading medical journals; organises peer discussions; reviews doctors’ treatment patterns and investigates complaints. Our Director of Medical Services sits on this committee with two (2) other senior doctors in our Group.

### Continuing Medical Education Committee

The continuing medical education committee advises on continuing medical education for our doctors. Our programs include monthly talks on common disease and pain management; in-house quarterly updates on medical guidelines and protocol; and quarterly focus group meetings. Our programs are recognised by the Malaysian Medical Association for the purposes of continuing medical education qualification points which practitioners may wish to accumulate for their professional development. There is presently no mandatory obligation for doctors to accumulate continuing medical education qualification points but we encourage our doctors to participate in our in-house training programs. Our Director of Medical Services sits on this committee with three (3) other senior doctors in our Group.

### Pharmacy Committee

The pharmacy committee reviews and decides on a list of approved drugs that we would source and dispense to our patients. The committee sources for drugs based on cost effectiveness, medical efficacy and, reputation and reliability of the supplier. To do so, the committee keeps abreast of the latest drugs or adverse developments such as recalls or adverse effects and informs our doctors. Our pharmacy committee comprise our Director of Medical Services, our Director of Operations, three (3) senior doctors and a qualified pharmacist in our Group.

QMG which owns all our clinics in Malaysia has obtained ISO quality certification for the period from 9 February 2007 to 8 February 2010 in respect of the management and provision of support services for general medical practices. As part of a pilot project, one of our 24-hour clinics, namely, Klinik Anis, in Shah Alam, Selangor, has obtained ISO quality certification in respect of provision of primary medical services for the period from 9 February 2007 to 8 February 2010.

Please refer to the section entitled “Business Strategies and Future Plans” in respect of our plans to upgrade our quality standards.

## **STAFF TRAINING**

We provide in-house on-the-job training for our medical support staff using our in-house developed training manuals. Our manuals cover most aspects of our clinic operations. In addition to training our medical support staff with basic clinical procedures, emergency procedures, registration of patients and assisting in the dispensing of drugs to support our doctors, we also train our staff to adopt a patient-centric mindset in the course of providing service to our patients. For example, we train our staff to greet our patients appropriately and to differentiate the needs of different patients by prioritising those with the most urgent need to see the doctor first.

For medical practitioners, their ongoing professional continuing medical education is part of their professional obligations and we assist them through the in-house programs led by our continuing medical education committee.



## MAJOR CUSTOMERS

The following table sets forth our major customers accounting for 5.0% or more of our total revenue for each of the last three (3) financial years:-

|                                 | FY2005 | FY2006 | FY2007 |
|---------------------------------|--------|--------|--------|
| Pantai Fomema & Systems Sdn Bhd | 5.2%   | 5.0%   | 4.5%   |

Fomema Sdn Bhd was set up in 1997 upon being awarded a concession by the Government of Malaysia to carry out the monitoring and supervision of the medical examinations of foreign workers under the annual mandatory health-screening program in Malaysia. Pantai Fomema & Systems Sdn Bhd, formerly known as Anjur Dinamik Sdn Bhd, operates the services under the concession of Fomema Sdn Bhd. Revenues derived from Pantai Fomema & Systems Sdn Bhd for each of the past three (3) financial years ended 31 December 2007 had been relatively stable. The decline in the percentage of our total revenue derived from Pantai Fomema & Systems Sdn Bhd was principally due to the increase in our total revenue.

As at the LPD, we have more than 5,000 customers who are our corporate clients or MCO clients who send their employees to us as corporate patients who each respectively account for less than 5.0% of our total revenue. Save as disclosed above, as at the LPD, our business and profitability are not materially dependent on any industrial, commercial or financial contract (including a contract with a customer). Some of our corporate clients include Tesco, Carlsberg Breweries, Bank of Nova Scotia, Bank of America and MCO clients include ING.

None of our Directors, Substantial Shareholders or any of their Associates has any interest, direct or indirect, in our major customers listed above.

## MAJOR SUPPLIERS

The following table sets forth our major suppliers accounting for 5.0% or more of our total purchases for each of the past three (3) financial years:-

|                           | FY2005 | FY2006 | FY2007 |
|---------------------------|--------|--------|--------|
| Zuellig Pharma Sdn Bhd    | 29.1%  | 40.1%  | 41.4%  |
| Diethelm Malaysia Sdn Bhd | 10.4%  | 7.4%   | 7.3%   |

We are a wholesale buyer of generic and patented pharmaceutical drugs and supplies which our doctors prescribe and dispense to our patients. Our purchases of drugs and supplies are from local and foreign manufacturers who generally supply through distributors in Malaysia.

Zuellig Pharma Sdn Bhd and Diethelm Malaysia Sdn Bhd who are our major suppliers are among the leading pharmaceutical distributors of patented drugs in Malaysia representing local and foreign manufacturers. We agree on the prices for patented drugs with the pharmaceutical manufacturers and the distributors are responsible for delivering the drugs to us and for collecting payment from us.

In FY2006, we increased the percentage of our purchases from Zuellig Pharma Sdn Bhd for drugs which were not available from our other suppliers.

Although Zuellig Pharma Sdn Bhd and Diethelm Malaysia Sdn Bhd had accounted for a significant proportion of our total purchases for the last three (3) financial years ended 31 December 2007, no single pharmaceutical manufacturer had accounted for 5.0% or more of our total purchases during the period under review. However, if there is any change in the distributorship agreement between our major suppliers and the pharmaceutical manufacturers resulting in a disruption in our purchase of drugs and supplies, our operations, financial performance and financial condition may be adversely affected.

## INVENTORY MANAGEMENT

Our inventory comprises our stock of pharmaceutical and medical supplies which we keep in our central warehouse or in our clinics from which our doctors prescribe and dispense to our patients. Please refer to the section entitled "Business" of this Offer Document for details on the types of inventory held.

Our inventory days from FY2005 to FY2007 were as follows:-

|                                       | FY2005 | FY2006 | FY2007 |
|---------------------------------------|--------|--------|--------|
| Average inventory days <sup>(1)</sup> | 77     | 91     | 89     |

**Note:-**

- (1) The average inventory days is calculated based on the number of days in the respective financial year, the average inventory at the beginning and end of each financial year and the cost of drugs, medical supplies and investigations in respect of that financial year.

Our obsolete inventory written off for the past three (3) financial years ended 31 December 2005, 2006 and 2007 were insignificant.

Our subsidiary, Qualitas Pharma Sdn Bhd, operates a computerised inventory management system that is linked with our clinics. Orders from clinics can be made through this system and inventory at the clinic's premises is interfaced with our database. Our policy is to keep inventory of between seventy (70) and ninety (90) days of requirement to reduce the risks of physical losses and obsolescence. Our clinics conduct regular checks on the expiry dates of the medicines to ensure that expired medications are not dispensed. Restricted medicines where usage and consumption are licenced or regulated by the relevant health authorities are kept under lock and key.

## CREDIT POLICY

### Purchases

The credit term generally granted by our suppliers of drugs, consumables and laboratory services is between seventy-five (75) and ninety (90) days.

Our average payment days for the past three (3) financial years were as follows:-

|                                     | FY2005 | FY2006 | FY2007 |
|-------------------------------------|--------|--------|--------|
| Average payment days <sup>(1)</sup> | 72     | 80     | 74     |

**Note:-**

- (1) The average payment days is calculated based on the number of days in the respective financial year, the average trade payables at the beginning and end of each financial year and the cost of drugs, medical supplies and investigations in respect of that financial year.

### Sales

We typically bill our individual patients and collect payment at the end of their consultation visit. We accept various modes of payments including cash, cheque, credit card and electronic payments. We currently do not have the policy of extending credit to our individual patients.

We do not bill our corporate clients and MCOs nor collect payment from them at the end of each consultation visit. Under the terms of our appointment with corporate clients or MCOs, all our clinics aggregate all corporate patient visits for a particular corporate client or MCO during a month and to provide a consolidated bill to that corporate client or MCO for payment to be made within 120 days of the date of invoice. Our consolidated bill is generally rendered to our corporate clients and MCOs within fourteen (14) days of the month-end.

Our trade receivables comprise amounts receivable from our corporate clients and MCOs.

|  | FY2005 | FY2006 | FY2007 |
|--|--------|--------|--------|
| Average collection days <sup>(1)</sup> | 108    | 106    | 94     |

In FY2005, FY2006 and FY2007, corporate clients and MCOs contributed to approximately 62.1%, 66.3% and 66.8% respectively of our revenue.

Our provision for doubtful debts from our corporate clients and MCOs amount to approximately RM0.5 million for FY2007. The provisions for doubtful debts were not significant during FY2005 and FY2006. Please refer to the section entitled “Review of Operating Results” of this Offer Document for further information.

**Note:-**

(1) The average collection days is calculated based on the number of days in the respective financial year, the average trade debtors at the beginning and end of each financial year and the credit sales in respect of that financial year.

## **MARKETING AND BUSINESS DEVELOPMENT**

As at the LPD, we have our own in-house marketing and business development team comprising seven (7) persons, five (5) in Malaysia and two (2) in India. Our team continuously identifies leads to prospective corporate employers and MCOs and make sales call and sales presentation to such prospects.

The thrust of our centralised marketing is our ability as a Group to negotiate and contract efficiently as a single party, following which the employees of the corporate clients can easily tap into our entire network of clinics for consultation and medication whilst leaving the payment to be handled on a consolidated basis between us and our corporate clients. Our marketing thrust is supported by the following:-

- **Centralised Branding**

For further details, please refer to the section entitled “Business” of this Offer Document.

- **Corporate Website, Educational Talks and Health Campaigns**

We support our marketing efforts to corporate clients, MCOs and the consumer at large with our own website [www.qualitas.com.my](http://www.qualitas.com.my) from which patient education articles and links to other health sites is available. We supplement our marketing efforts and create greater brand awareness with public service educational talks by our doctors along with health campaigns offering free basic health screenings.

## INTELLECTUAL PROPERTY

### Trademark



We have applied for trademark registration in Malaysia for the above trademark. Applications were made under Classes 9, 16 and 44. As at the LPD, the status of our applications for the registration of the above trademark is as follows:-

| <b>Trademark Application number</b> | <b>Country of application</b> | <b>Class<sup>(1)</sup></b> | <b>Application date</b> | <b>Status</b> |
|-------------------------------------|-------------------------------|----------------------------|-------------------------|---------------|
| 07018973                            | Malaysia                      | 9 <sup>(2)</sup>           | 26 September 2007       | Pending       |
| 07018972                            | Malaysia                      | 16 <sup>(3)</sup>          | 26 September 2007       | Pending       |
| 07018971                            | Malaysia                      | 44 <sup>(4)</sup>          | 26 September 2007       | Pending       |

## KLINIK NG dan LEE

We have applied for trademark registration in Malaysia for the above trademark. Applications were made under Classes 9, 16 and 44. As at the LPD, the status of our applications for the registration of the above trademark is as follows:-

| <b>Trademark Application number</b> | <b>Country of application</b> | <b>Class<sup>(1)</sup></b> | <b>Application date</b> | <b>Status</b> |
|-------------------------------------|-------------------------------|----------------------------|-------------------------|---------------|
| 07002676                            | Malaysia                      | 9 <sup>(2)</sup>           | 13 February 2007        | Pending       |
| 07002677                            | Malaysia                      | 16 <sup>(3)</sup>          | 13 February 2007        | Pending       |
| 07002678                            | Malaysia                      | 44 <sup>(4)</sup>          | 13 February 2007        | Pending       |



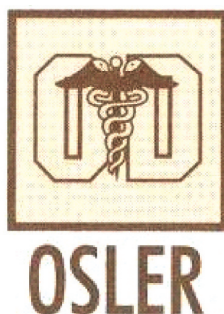
We have applied for trademark registration in Malaysia for the above trademark. Applications were made under Classes 9, 16 and 44. As at the LPD, the status of our applications for the registration of the above trademark is as follows:-

| <b>Trademark Application number</b> | <b>Country of application</b> | <b>Class<sup>(1)</sup></b> | <b>Application date</b> | <b>Status</b> |
|-------------------------------------|-------------------------------|----------------------------|-------------------------|---------------|
| 07002673                            | Malaysia                      | 9 <sup>(2)</sup>           | 13 February 2007        | Pending       |
| 07002674                            | Malaysia                      | 16 <sup>(3)</sup>          | 13 February 2007        | Pending       |
| 07002675                            | Malaysia                      | 44 <sup>(4)</sup>          | 13 February 2007        | Pending       |

# 黃李藥房

We have applied for trademark registration in Malaysia for the above trademark. Applications were made under Classes 9, 16 and 44. As at the LPD, the status of our applications for the registration of the above trademark is as follows:-

| <b>Trademark Application number</b> | <b>Country of application</b> | <b>Class<sup>(1)</sup></b> | <b>Application date</b> | <b>Status</b> |
|-------------------------------------|-------------------------------|----------------------------|-------------------------|---------------|
| 07002679                            | Malaysia                      | 9 <sup>(2)</sup>           | 13 February 2007        | Pending       |
| 07002680                            | Malaysia                      | 16 <sup>(3)</sup>          | 13 February 2007        | Pending       |
| 07002681                            | Malaysia                      | 44 <sup>(4)</sup>          | 13 February 2007        | Pending       |



We have applied for trademark registration in India for the above trademark. Applications were made under Classes 42. As at the LPD, the status of our applications for the registration of the above trademark is as follows:-

| <b>Trademark Application number</b> | <b>Country of application</b> | <b>Class<sup>(1)</sup></b> | <b>Application date</b> | <b>Status</b> |
|-------------------------------------|-------------------------------|----------------------------|-------------------------|---------------|
| 156273                              | India                         | 42 <sup>(5)</sup>          | 25 August 2007          | Pending       |

**Notes:-**

- (1) The following classes are meant to provide general information about the types of goods and services covered by each class. A specification referring to a class does not amount to a claim for all goods or services in that class. This list below is meant for quick reference and is not exhaustive.
- (2) Class 9 under Trade Marks Regulations 1997 of Malaysia is applicable to product types such as advertisement signboards (luminous); light signboards; metal signboards (electric); outdoor signboards of metal (luminous).
- (3) Class 16 under Trade Marks Regulations 1997 of Malaysia, is applicable to product types such as advertisement boards of paper or cardboard; albums; booklets, bookmarkers; business cards; bottle envelopes of cardboard or paper; boxes of cardboard or paper; bubble packs for wrapping or packaging; bags of paper or plastics; cardboard articles; cardboard tubes; cards; greeting cards; diaries; year planners; labels; stationery comprising envelopes, letterheads, index cards, stickers, folders, files, pens, pencils, paper, paper sheets, pencil and pen holders and cases; stamps (seals) and stamp pads, writing pads and paper; wrappers; charts; forms; calendars; pamphlets; brochures; handbooks; cheque books; catalogues; manuals; magazines; newsletters, newspapers; packing paper; photographs; pictures; printed publications; printed matters; printed timetables; postcards; posters; plans; placards of paper or cardboards; plastic film for wrapping; periodicals; tags for index cards; price tags; signboards of paper or cardboard; receipt books; wrapping paper.
- (4) Class 44 under Trade Marks Regulations 1997 of Malaysia is applicable to product types such as medical clinic services.
- (5) Class 42 under Rule 37(10) of the Trade Mark Rules, 2002 of India is applicable for medical services.

None of our business or profitability is materially dependent on any trademark or patent.

## **RESEARCH AND DEVELOPMENT**

Currently, our Group does not undertake any research and development activities.

## **GOVERNMENT REGULATIONS**

We are subject to all relevant laws and regulations of the countries where our business operations are located. The principal laws and regulations in Malaysia and India that materially affect our operations and the relevant regulatory bodies are as follows:-

### **Malaysia**

In Malaysia, all our owned clinics are either registered with the Director General of Health or applications have been made for registration, as required under the statute, namely, Private Healthcare Facilities and Services Act, 1998 (Act 586) of Malaysia. No renewal of such registrations is required. However, a certificate of registration can be revoked or suspended if a clinic does not comply with the standards and requirements prescribed under the Private Healthcare Facilities and Services Act, 1998 (Act 586) and its regulations.

Under the Medical Act, 1971 (Act 50), all medical practitioners are required to be registered with the Malaysian Medical Register and such fully registered person who desires to practice as a medical practitioner shall apply for a certificate to practice as a medical practitioner during the year for which the certificate is issued ("annual practicing certificate"). A fully registered person with an annual practicing certificate in force shall be entitled to practice medicine, surgery and midwifery and to recover in due course of law reasonable charges for professional aid, advice and visits and the value of any medicine or any medical or surgical appliances rendered, made or supplied by him to his patients. As of the date of this Offer Document, all our doctors practising in our owned clinics in Malaysia have valid and existing annual practicing certificates.

The following discussion summarises certain significant laws and regulations that govern our business in Malaysia.

#### Private Healthcare Facilities and Services Act, 1998 (Act 586) ("PHFSA")

The PHFSA regulates and controls the establishment, maintenance, operation or provision of private healthcare facilities and services and other health-related facilities and services and for matters related thereto in Malaysia. "Private healthcare facility" is defined as any premises, other than a Government healthcare facility, used or intended to be used for the provision of healthcare services or health-related services, such as a private hospital, hospice, ambulatory care centre, nursing home, maternity home, psychiatric hospital, psychiatric nursing home, community mental health centre, haemodialysis centre, medical clinic, dental clinic and such other healthcare or health-related premises as the Minister may from time to time, by notification in the gazette, specify.

No person shall establish or maintain or operate or provide a private healthcare facility, other than private medical clinic or private dental clinic, without approval or licence granted by the Director General of Health. All private medical clinics or private dental clinics in Malaysia are required to be registered with the Director General of Health.

The certificate of registration of a private medical clinic may only be issued to a registered medical practitioner i.e. any person who is registered as such under the Medical Act, 1971 (Act 50) and who holds a valid practicing certificate. Once registered, a private medical clinic is not required to renew its registration. However, a certificate of registration can be revoked or suspended if a clinic does not comply with the standards and requirements prescribed under the PHFSA and its regulations. Transfer, assignment or disposal of a certificate of registration is prohibited unless approved by the Director General of Health.

#### Medical Act, 1971 (Act 50) ("Medical Act")

The Medical Act was enacted to consolidate and amend the law relating to the registration and practice of medical practitioners and to make provisions with regard to public services after full registration as a medical practitioner and for purposes connected thereto. The Director General of Health shall keep a register of medical practitioners to be known as the Malaysian Medical Register and shall be responsible

for the maintenance and custody thereof. A medical practitioner must be fully registered with the Malaysian Medical Register and such fully registered person who desires to practice as a medical practitioner shall apply for a certificate to practice as a medical practitioner during the year for which the certificate is issued ("annual practicing certificate"). A fully registered person with an annual practicing certificate in force shall be entitled to practice medicine, surgery and midwifery and to recover in due course of law reasonable charges for professional aid, advice and visits and the value of any medicine or any medical or surgical appliances rendered, made or supplied by him to his patients.

The Malaysian Medical Council ("MMC") is the disciplinary controlling body and has the disciplinary jurisdiction over all persons registered under the Medical Act. MMC may in the exercise of its disciplinary jurisdiction order the name of such registered person to be struck off or suspended from the Malaysian Medical Register or order the registered person to be reprimanded. Any person who is aggrieved by any order made by the MMC may appeal to the High Court and the decision of the High Court upon such appeal shall be final.

#### Atomic Energy Licensing Act, 1984 (Act 304) ("AELA")

The AELA provides for the regulation and control of atomic energy, for the establishment of standards on liability for nuclear damage and for matters connected therewith. The Atomic Energy Licensing Board established hereunder has the functions and powers, amongst others, to exercise control and supervision over the production, application and use of atomic energy and matters incidental thereto. Only a registered medical practitioner, registered veterinary surgeon, radiologist, radiotherapist or registered dentist may be issued a licence hereunder for using any radioactive material, nuclear material, prescribed substance or irradiating apparatus for diagnostic or therapeutic purposes. Every such licence may be restricted to a specified kind of materials and/or irradiating apparatus for specified diagnostic or therapeutic purposes, which are limited in their type and nature. Every licence issued hereunder, unless sooner cancelled or suspended, shall continue in force for a period not exceeding three (3) years and may from time to time be renewed.

#### Registration of Pharmacists Act, 1951 (Act 371) ("RPA")

The RPA provides for the establishment of a Pharmacy Board and the registration of pharmacists. The Director General of Health, who shall be President of the Pharmacy Board shall keep a register of pharmacists and be responsible for the maintenance and custody thereof. Only pharmacist or a body corporate registered under the RPA shall be entitled to carry on within Malaysia a business of keeping, retailing, dispensing and compounding poisons, dangerous drugs or therapeutic substances. Such registered pharmacist or body corporate who desires his or its name to be retained on the register shall, before the end of every year, make application for retention of his or its name on the register during the ensuing year.

The Pharmacy Board has the power to inquire such registered pharmacist or body corporate and if it thinks fit, may order the name of such registered pharmacist or body corporate to be removed or suspended from the register or order the registered pharmacist or body corporate to be reprimanded. Any person who is aggrieved by any order made by the Pharmacy Board may appeal to the Minister whose decision shall be final.

#### Poisons Act, 1952 (Act 366) ("Poisons Act")

The Poisons Act regulates the importation, possession, manufacture, compounding, storage, transport, sale and use of poisons. "Poison" is defined as any substance specified by name in the first column of the poison list set out in the first schedule thereto and includes any preparation, solution, compound, mixture or natural substance containing such substance, other than an exempted preparation or an article or preparation included for the time being in the second schedule thereto. The Director General of Health or a licensing officer appointed hereunder ("Licensing Officer") may issue licences to import, store and deal generally by wholesale and retail or by wholesale only or by retail only in poisons. The Licensing Officer may in his discretion impose terms and conditions on the licences issued, subject however in all cases to appeal to the Minister. Every such licence shall be personal to the licensee named therein and shall not in any case be transferable to another person and no licence shall authorise the sale of any poison by any person other than the person named therein or otherwise than under his supervision provided that the Licensing Officer, if he sees fit, may amend on a licence the address of the premises at which the person licensed carries on the business or profession in respect of which he is licenced.

#### Dangerous Drugs Act, 1952 (Act 234) (“DDA”) and Dangerous Drugs Regulations, 1952 (“DDR”)

The DDA and DDR regulate the importation, exportation, manufacture, sale and use of opium and of certain other dangerous drugs and substances. A person shall not supply or procure, or offer to supply or procure, a drug or preparation to or for any person unless that person is authorised to be in possession of the drug or preparation and the drug or preparation is to be supplied or procured in accordance with the terms and conditions of that person’s authority. The authorisation or licence hereunder may be granted by the Director General of Health or such person as he may authorise in that behalf. For the purpose of these regulations, the administration of a drug or preparation by, or under the direct personal supervision and in the presence of, a registered medical practitioner, or by, or under the direct personal supervision of and in the presence of, a registered dentist in the course of dental treatment shall not be deemed to be the supplying of a drug or preparation.

#### Sale of Drugs Act, 1952 (Act 368) (“SDA”) and Control of Drugs and Cosmetics Regulations 1984 (“CDCR”)

The SDA and CDCR contain prohibitions against the manufacture, sale, supply, import or possession or administration of any (a) drug in a dosage unit or otherwise, for use wholly or mainly by being administered to one or more human beings or animals for a medicinal purpose; (b) drug to be used as an ingredient of a preparation for a medical purpose; or (c) cosmetic (collectively, the “product”) unless the product is a registered product and the person holds the appropriate licence required and issued hereunder. The Director of Pharmaceutical Services is authorised, subject to the provisions hereunder, to issue licence subject to such conditions as he may impose. Every such licence shall be personal to the licensee named in the licence and shall not be transferable to another person.

#### Medicines (Advertisement and Sale) Act, 1956 (Act 290) (“Medicines (A&S) Act”)

The Medicines (A&S) Act prohibits certain advertisements relating to medical matters and to regulate the sale of substances recommended as medicine. The Minister may authorise in writing any pharmacist in the public service to exercise the powers of an authorised officer hereunder, who may investigate the commission of any offence hereunder.

#### Foreign Investment Committee Guidelines

Foreign Investment Committee (FIC) was established in 1974 and it is placed under the aegis of the Prime Minister’s Department and its secretariat is in the Economic Planning Unit of the Malaysian Prime Minister’s Department. The functions of FIC are, amongst other:-

- (a) to formulate policy guidelines on foreign investment in all sectors of the economy to ensure the fulfilment of the objectives of certain economic policies in Malaysia;
- (b) to monitor the progress and help resolve problems pertaining to foreign private investment and to recommend suitable investment policies;
- (c) to supervise and advise ministries and government agencies concerned on all matters concerning foreign investment;
- (d) to co-ordinate and regulate the acquisition of assets or any interests, mergers and take-overs of companies in Malaysia; and
- (e) to monitor, assess and evaluate the form, extent and conduct of foreign investment in the country and to maintain comprehensive information on foreign investment.

There are two (2) Foreign Investment Committee Guidelines (“FIC Guidelines”), namely (a) the Guideline on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests; and (b) the Guideline on the Acquisition of Properties by Local and Foreign Interests. Generally, the FIC Guidelines requires certain acquisition of shares and assets in Malaysia which, in some cases, exceeds certain prescribed threshold to be approved by FIC.



## India

### The Indian Medical Council Act, 1956 (Act No.24 of 1964) ("MCA")

The MCA governs the registration of certain medical practitioners and supervision of medical education in India. The Medical Council of India ("MCI"), originally constituted under the Indian Medical Council Act, 1933, has been reconstituted under the MCA. The MCI so constituted is required to maintain a register of medical practitioners to be known as the Indian Medical Register, containing the names of all persons who are for the time being enrolled on any State Medical Register and who possess medical qualifications recognised under the MCA. The relevant State enactments provide for the constitution of State Medical Councils and the maintenance of State Medical Registers.

The MCI acts as the disciplinary controlling body and there is a corresponding "State Medical Council" in each State in India. The MCI has prescribed standards of professional conduct and etiquette and a code of ethics for medical practitioners. Primarily, the disciplinary control over the medical practitioners is maintained by the State Medical Councils, which have the power to remove the names of medical practitioners permanently or for a specified period from their registers, when they are judged after due inquiry to have been guilty of infamous conduct in any professional respect. They have also the power to direct the restoration of any name so removed. It must be borne in mind that the State Medical Councils do not take cognisance of any offence of misconduct committed unless the complaint is made in writing accompanied by one or more statutory declarations as to the facts alleged, when they assume the functions of professional Courts of Justice.

A medical practitioner in India should also observe the provisions of the relevant State acts like the Drugs Act, Pharmacy Act, Poisonous and Dangerous Drugs Act and such other laws, rules and regulations made by the Central Government / State Governments or local Administrative Bodies for protection and promotion of public health. Apart from the abovesaid laws, rules and regulations, there is also the Drugs and Magic Remedies Act (Objectionable Advertisements) Act, 1954 which provides mechanisms to control the advertisements of drugs in certain cases, to prohibit the advertisement for certain purposes of remedies alleged to possess magic qualities and matters connected therewith.

In case of violation of any laws, rules and regulations by a medical practitioner, the appropriate State Medical Council may award such punishment as deemed necessary or may direct the removal altogether for a specified reason from the Register the name of any registered practitioner who has been convicted of any such offence as in the opinion of the MCI and/or State Medical Councils, a defect of character or who after an enquiry at which opportunity has been given to such registered practitioner to be heard in person or by pleader, has been held by the appropriate Medical Council to have been guilty of serious professional misconduct. The appropriate Medical Council may also direct that any name so removed shall be restored.

In addition to the relevant Acts, rules and regulations as mentioned above, a medical practitioner should also observe guidelines and policies issued by the Government of India, which includes, the Ethical Guidelines for Biomedical Research on Human Subjects and the Indian Council of Medical Research Policies on Ethical Issues and Consent Process Pertaining to Stem Cell Research 2005, Department of Biotechnology, Government of India 2005. These guidelines and policies do not prescribe any specific punishment for failing to comply with them.

### Bio-Medical Waste (Management and Handling) Rules, 1998 ("BMW Rules")

The BMW Rules apply to all persons who generate, transport, treat, dispose or handle bio-medical waste in any form and regulate the mode of treatment and disposal of bio-medical waste. The BMW Rules mandate every occupier of an institution generating, collecting, transporting, treating, disposing and/or handling bio-medical waste to take steps to ensure that such waste is handled without any adverse effect to human health and environment and to apply to the prescribed authority for grant of authorisation. The BMW Rules further require such person to submit an annual report to the prescribed authority and also to maintain records related to the generation, collection, storage, transportation, treatment, disposal, and/or any form of handling of bio-medical waste in accordance with rules and guidelines issued.

#### Drugs and Cosmetics Act, 1940 (“DCA”)

In order to maintain high standards of medical treatment, the DCA regulates the import, manufacture, distribution and sale of drugs for proper protection of drugs and medicines and prohibits the manufacture and sale of certain drugs and cosmetics which are misbranded, adulterated, spurious or harmful. The DCA specifies the requirement of a license for the manufacture, sale or distribution of any drug or cosmetic. It further mandates that every person holding a licence must keep and maintain such records, registers and other documents as may be prescribed which may be subject to inspection by the relevant authorities.

#### Medical Termination of Pregnancy Act, 1971 (“MTP”)

The MTP regulates the termination of pregnancies by registered medical practitioners and permits termination of pregnancy only on specific grounds and for matters connected therewith. It stipulates that abortion can be carried out only in certain stipulated circumstances by a registered medical practitioner who has the necessary qualification, training and experience in performing medical termination of pregnancy and only at a place which has facilities that meet the standards specified in the rules and regulations issued under the MTP. Under the MTP, private hospitals and clinics need government approval and authorisation (certification) to provide medical termination of pregnancy services. Under the rules framed pursuant to the MTP, private clinics can receive their certification only if the government is satisfied that termination of pregnancies will be done under safe and hygienic conditions, and the clinic has the requisite infrastructure and instruments in place.

#### Pre-conception and Pre-natal Diagnostic Techniques (Regulation and Prevention of Selective Sex) Act, 1994 (“PDT”)

The PDT regulates the use of pre-natal diagnostic techniques for the purposes of detecting genetic or metabolic disorders or chromosomal abnormalities or certain congenital malformations or sex-linked disorders and for the prevention of the misuse of such techniques for the purpose of pre-natal sex determination leading to female foeticide, and, for matters connected therewith or incidental thereto. The PDT prohibits the opening of any genetic counseling centre or genetic laboratory or genetic clinic unless the centre or laboratory or clinic is duly registered under the PDT.

#### The Atomic Energy Act, 1962 (“AEA”)

In order to ensure safe disposal of radioactive wastes and secure public safety and safety of persons handling radioactive substances, the AEA mandates that no minerals, concentrates and other materials which contain prescribed substances be disposed of without the previous permission in writing of the Central Government. AEA provides that the Central Government may require a person to make periodical and other returns or such statements accompanied by plans, drawings and other documents as regards any prescribed substance in the AEA that can be a source of atomic energy and further states that the Central Government may prohibit among other things the acquisition, production, possession, use, disposal, export or import of any prescribed equipment, or substance, excepting under a license granted by it to that effect.

#### Radiation Protection Rules, 1971 (“RPR”)

The RPR provides that all persons handling radioactive material need to obtain a license from a competent authority. It stipulates that no person is to use any radioactive material for any purpose, in any location and in any quantity, other than in a manner otherwise specified in the license and that every employer must designate a “Radiological Safety Officer” and maintain records with respect to every such radiation worker in the manner prescribed under the RPR.

#### Radiation Surveillance Protection Rules, 1971 (“RSPR”)

The RSPR provides that every employer required to handle radiation equipment or radioactive material must obtain the prior permission of the competent authority. The RSPR mandates an employer to appoint a “Radiological Safety Officer” with the approval of the competent authority for the implementation of the radiation protection programme including all in-house radiation surveillance measures and procedures and to discharge the functions as specified under it. Further, the employer is also required to obtain prior permission from the competent authority for undertaking any decommissioning operation.

Code No. AERB/SC/MED-2 (Rev-1) dated October 5, 2001 ("Code on X-rays")

The Code on X-rays stipulates that all medical X-ray machines are required to be operated in accordance with the requirements outlined therein and that it is the responsibility of the owner/user of medical X-ray installation equipment to ensure compliance with the statutory provisions. The Code on X-rays mandates that only those medical X-ray machines which are of the type approved by Atomic Energy Regulatory Board ("AERB") are to be installed for use. It further provides among other things, that the owners of medical X-ray installations in India be registered with AERB, and further to carry out quality assurance performance test of the X-ray unit and to employ qualified staff. Non-compliance with the regulatory requirements set forth in the Code on X-rays could result in closure of the defaulting X-ray installations.

Pharmacy Act, 1948 ("PA")

The PA provides that all pharmacists require a registration under the PA, which registration process includes providing: (a) the full name and residential address of the pharmacist; (b) the date of his first admission to the register; (c) his qualification for registration; (d) his professional address, and if he is employed by any person, the name of such person; and (e) such further particulars as may be prescribed.

Miscellaneous

Certain other legislation such as the Narcotic Drugs and Psychotropic Substances Act, 1985, the Dangerous Drugs Act, 1930 and the Medical and Toilet Preparations Act, 1955 are also applicable to us. A wide variety of labour laws are also applicable to the nursing and hospital sector, including the Contract Labour (Regulation and Abolition) Act, 1970, the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, the Employees State Insurance Act, 1948, the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965, the Payment of Gratuity Act, 1972, the Payment of Wages Act, 1936, the Shops and Commercial Establishments Acts, the Trade Unions Act, 1926, and the Workmen's Compensation Act, 1922.

**LICENCES/APPROVALS**

Save as otherwise disclosed in this section entitled "Licences / Approvals" of this Offer Document, our Group has all the requisite licences, approvals, and is in compliance with all laws and regulations, that materially affect our business operations.

**Malaysia**

The following are the licences/approvals obtained by our subsidiaries and/or employees in Malaysia which are material to our operations and business:-

- (a) Certificate of registration issued to our clinics by the Director General of Health, Malaysia, under the Private Healthcare Facilities and Services Act, 1998 (Act 586)
- (b) Class C licence issued by the Director General of Health, Malaysia under the Atomic Energy Licensing Act, 1984 (Act 304) ("AELA") and the relevant regulations under the AELA to store and to use irradiating apparatus
- (c) Wholesaler Licence issued by the Drug Control Authority, Ministry of Health, Malaysia under the Sale of Drugs Act, 1952 (Act 368) and Control of Drugs and Cosmetics Regulations, 1984 to sell by wholesale or supply:-
  - (i) drug in a dosage unit or otherwise, for use wholly or mainly by being administered to one or more human beings or animals for a medicinal purpose;
  - (ii) drug to be used as an ingredient of a preparation for a medical purpose; or
  - (iii) cosmetic,

which are registered with the Drug Control Authority in Malaysia.

- (d) Pharmacist's Poisons License (Type A License) issued by the Director General of Health, State of Selangor under the Poisons Act, 1952 (Act 366) of Malaysia to import, store and deal generally in all poisons by wholesale.

Details of Wholesaler's Licence and Pharmacist's Poisons Licence

| Type of Licence  | License No     | Validity                                   |
|--|----------------|--|
| Wholesaler's Licence issued to Qualitas Pharma Sdn Bhd   | MALLB20080538A | 1 July 2008 to 30 June 2009 <sup>(1)</sup> |
| Pharmacist's Poisons Licence (Type A) issued to pharmacist Nur Akmal Hanim Bt Mat Yasit of Qualitas Pharma Sdn Bhd | BA462/2008     | 1 January 2008 to 31 December 2008         |

**Note:-**

- (1) We have been granted renewal of the license on 2 June 2008. The previous license number MSLLB20071593A is valid from 1 July 2007 to 30 June 2008.

- (e) Licence with local Authorities for Premises and Signboards

In Malaysia, a business premise licence is required from some local authorities in the relevant jurisdiction to operate businesses in that premise. Similarly, a signboard licence is also required from the relevant local authorities for displaying signboards in the business premises. We have applied for and obtained the premises licence (if applicable) and signboard licence from the relevant local authorities pursuant to the relevant by-laws of the local authority within whose jurisdictions our clinics are located.

- (f) Annual Practising Certificates for doctors employed in our clinics

Each of our doctors are responsible for applying and obtaining annual practising license from the Registrar of Medical Practices, Malaysian Medical Council ("MMC"), under the Medical Act, 1971 (Act 50) of Malaysia. As of the date of this Offer Document, all our doctors practising in our owned clinics in Malaysia have valid and existing annual practicing certificates.

## India

The following are the licences/approvals obtained by our subsidiaries in India:-

### Qualitas Medical Group Private Limited

| <b>Name and description of government regulation</b>   | <b>Name of regulatory body</b>               | <b>Licence / Approval / Permit</b>  | <b>Commencement and expiry date of Licence / Approval / Permit</b>  |
|--|--|---|---|
| Environment Norms  | Tamil Nadu Pollution Control Board ("TNPCB") | Consent order from TNPCB  | Issue of renewal of consent order for the period ending 31 March 2009 is deemed to have been issued by TNPCB <sup>(1)</sup> |
| Drugs and Cosmetics Act, 1940  | Assistant Director of Drugs Control          | Licence No. 20 2194/MIII/20 obtained to enable the company to sell, stock or exhibit specified drugs for sale or distribute by retail | 9 July 2007 to 8 July 2012  |
| Atomic Energy Act, 1962 and the relevant rules and regulations, including, Radiation Protection Rule, 1971 and Radiation and Surveillance Procedures for Medical Applications of Radiation | Atomic Energy Regulation Board               | Registration No. 600014.TN.001 (A) for operation of diagnostic X-ray installation   | 1 January 2008 to 31 December 2013  |

**Note:-**

- (1) We applied for the renewal of the consent order in March 2008 and had paid the requisite fee, and under the relevant Indian laws, consent order is deemed to have been given unconditionally if the relevant authorities do not respond within four (4) months of the application.

### Osler Diagnostics Private Limited

| <b>Name and description of government regulation</b>                                       | <b>Name of regulatory body</b>         | <b>Licence / Approval / Permit</b> | <b>Commencement and expiry date of Licence / Approval / Permit</b> |
|--|--|------------------------------------|--|
| Pre-conception and Prenatal Diagnostic Techniques (Prohibition of Selective Sex) Act, 1994 | Department of Medical and Rural Health | Reg. No. PNA 122/99                | 26 June 2004 to 25 June 2009                                       |

## Indonesia

The following are the licences/approvals obtained by our subsidiary, PT Kualitas Healthcare Indonesia:-

| <b>Name and description of government regulation</b>  | <b>Name of regulatory body</b>                   | <b>Licence / Approval / Permit</b>                     | <b>Commencement and expiry date of Licence / Approval / Permit</b> |
|---|--|--|--|
| See Note (1) below  | Capital Investment Coordinating Board ("BKPM")   | Permanent Business License (Izin Usaha Tetap or "IUT") | From December 2007. No expiry date <sup>(2)</sup>                  |
| Law No. 3 of 1982 regarding Mandatory Company Registry  | Municipal Government of South Jakarta            | Company Registration Certificate                       | 26 March 2007 – 26 March 2012                                      |
| Law No. 6 of 1983 regarding the General Taxation Provisions and Procedures as amended by Law No. 28 of 2007 | Department of Finance Directorate General of Tax | Tax Payer Identification Number                        | 21 February 2007 – No Limitation                                   |
| Law No. 40 of 2007 regarding Limited Liability Company  | Department of Law and Human Rights               | Deed of Establishment                                  | 6 March 2007 – No Limitation                                       |

### Notes:-

- (1) There is no particular government regulation under which the IUT is granted. Some of the Decrees of BKPM on the IUT are: (a) Decree of the Chairman of BKPM No. 61/SK/2004 dated July 20, 2004 as amended by Decree of the BKPM No. 71/SK/2004 dated October 4, 2004, regarding control on the implementation of investment; and (b) Decree of BKPM No. 57/SK/2004 dated July 2, 2004 as amended by Decree of the Head of the BKPM No. 70/SK/2004 dated October 3, 2004 and further amended by Regulation No.1/P/2008 dated April 3, 2008 of the Head of BKPM.
- (2) The licence continues to be valid as long as PT Kualitas Healthcare Indonesia continues to conduct its operational activities.

## PROPERTIES AND FIXED ASSETS

Our property, plant and equipment consist mainly of leasehold land and buildings, medical equipment, furniture, fittings and office equipment, and renovations, had a net book value of approximately RM10.9 million as at 31 December 2007.

### Malaysia

As at the LPD, our Group has a long-term lease for ninety-nine (99) years of the following immovable properties in Malaysia:-

| Location | Duration of Lease | Gross Built-Up Area | Use of Property | Proprietor |
|----------|-------------------|---------------------|-----------------|------------|
|----------|-------------------|---------------------|-----------------|------------|

Title

|   |  |                                    |  |     |
|---|--|------------------------------------|--|-----|
| Lot 19 Seksyen 26<br>Daerah Petaling<br>Mukim Bandar<br>Petaling Jaya | 99 years lease<br>expiring on 11<br>September 2088 | Approximately 416<br>square metres | Office premises<br>used as the<br>corporate office of<br>QHC | QMG |
|---|--|------------------------------------|--|-----|

Address

Suite 301, Level 3  
Menara PJ  
Amcorp Trade  
Centre  
No.18 Jalan  
Persiaran Barat  
46050 Petaling Jaya  
Selangor

Title

|   |   |                                    |                |                                |
|---|---|------------------------------------|----------------|--------------------------------|
| HSD 176723 PT 1<br>Seksyen 16<br>Bandar Shah Alam<br>District of Petaling<br>Selangor | 99 years lease<br>expiring on 16<br>August 2076 | Approximately 223<br>square metres | Medical clinic | Kumpulan Medic<br>(KL) Sdn Bhd |
|---|---|------------------------------------|----------------|--------------------------------|

Address

1 Lorong Tukang 16/3  
40000 Shah Alam  
Selangor

## India

As at the LPD, our Group owns the following immovable properties in India:-

| Location  | Tenure   | Gross Built-Up Area   | Use of Property | Proprietor  |
|---|----------|---|-----------------|---|
| H No. 6-6-533<br>Sahethnagar Karim<br>Nagar Town<br>Municipal<br>Corporation of Karim<br>Nagar<br>District of Andra<br>Pradesh<br>India<br>(Document<br>Registration<br>No.12691) | Freehold | Property<br>admeasuring an<br>extent of 50.0%<br>undivided share of<br>471.06 square yards<br>along with<br>approximately 8,750<br>square feet of built-<br>up area on the<br>ground and first    | Medical clinic  | Doctorslab Medical<br>Services Private<br>Limited |
| H No. 6-6-533<br>Sahethnagar Karim<br>Nagar Town<br>Municipal<br>Corporation of Karim<br>Nagar<br>District of Andra<br>Pradesh<br>India<br>(Document<br>Registration<br>No.12692) | Freehold | Property<br>admeasuring an<br>extent of 50.0%<br>undivided share of<br>471.06 square yards<br>along with<br>approximately 8,750<br>square feet built-up<br>area on the second<br>and third floors | Medical clinic  | Doctorslab Medical<br>Services Private<br>Limited |

Please refer to “Appendix IV - Details of Leased Property of our Group” and the section entitled “Other Transactions” of this Offer Document for particulars in respect of our other properties which have been leased.

To the best of our Directors’ knowledge and belief, there are no regulatory requirements that may materially affect our Group’s utilisation of our property, plant and equipment.

## INSURANCE

As at the LPD, we have effected the following insurances, namely medical malpractice liability insurance cover for our clinics and staff and general insurance cover for fire, lightning and burglary, public liability insurance for accidents in our clinics, loss insurance for possible loss and damage to medicines and vaccines kept in freezers in the event of breakdown or power failure, and personal accident insurances for our doctors and staff. Such insurances, as well as the scope and quantum are reviewed annually by us. Our Directors believe that the policy specifications and coverage of these insurances are in line with normal commercial practice and is adequate for our present operations. However, significant legal liability claims, damage to or loss suffered from our operations or any of the properties and goods, especially if these are not provided for in the insurance coverage, could have a material adverse effect on our financial performance and financial condition. The above insurances, as well as their scope and coverage, are reviewed annually by our Group.

In addition to the above, each doctor in our Group is encouraged to purchase personal professional medical indemnity insurance.

## COMPETITION

As at the LPD, we operate a network of 152 owned, affiliate and associate clinics in Malaysia and three (3) owned clinics in India through our subsidiaries and manage a third party clinic in Indonesia and have four (4) affiliate clinics in Cambodia.



## **Malaysia**

In Malaysia, we do not regard rural government clinics or small private clinics as our competitors. In fact, we regard the numerous small private clinics as potential candidates for us to acquire or with whom we can develop a relationship with as our associate or affiliate clinics.

Our competitors are government polyclinics and other private group practices. Government polyclinics compete with us for individual patients because they are relatively large and with rapidly modernising and improving supporting diagnostic facilities, they are becoming a one-stop primary healthcare services provider.

Private group practices, particularly the larger ones with a network of their owned clinics compete with us for corporate patients in providing primary healthcare services to employees of corporate clients. Examples of such competitors would be Mediviron clinic with clinics in Selangor and Federal Territories, Kumpulan Polyclinic City Clinic with clinics in the Klang Valley, Polyclinic Perdana with clinics in Kelantan and Terengganu and Penawar group in Johor. However, our Directors believe that there are no private group practices in Malaysia comparable to us in size or in geographical reach or with the number of owned clinics that we have.

## **India**

In India, our operations are high-end primary healthcare centres located in Chennai in the State of Tamil Nadu and Hyderabad and Karim Nagar in the State of Andhra Pradesh, where we have a number of general practitioners supported by our diagnostic facilities so that we can be a one-stop primary healthcare service provider to service corporate employers and other organisations. In addition, we operate high-end diagnostic facilities such as the full spectrum of blood and biochemistry testing in Chennai.

In India, we do not regard rural government clinics or small private clinics as our competitors. In the longer term future, our plan is to tap on to the numerous small private clinics as potential candidates for us to acquire or whom we can develop a relationship with as our associate or affiliate clinics.

In primary healthcare, our competitors would be small private hospitals with primary healthcare services and primary healthcare group practices. In high-end diagnostic services, our competitors would be other private laboratories and diagnostic centres with high-end facilities. We would therefore expect to compete with the Apollo group of hospitals which is operating and investing in high-end medical diagnostics and who would also draw away possible specialists who would otherwise refer their patients to us for diagnostic services, as Apollo group is organising a network of specialist clinics. Other competitors in high-end diagnostic centres capable of supporting specialist clinics are Bharat Scans and Lister Metropolis in Chennai, India.

## **Indonesia**

In Indonesia, our competitors are private primary healthcare centres that are owned by corporates or by groups of medical practitioners and small private hospitals providing primary healthcare services with ten (10) to twenty (20) beds. Examples of competitors in Jakarta are the Hosana group, Karya medical group and Jakarta medical centre. These competitors serve private and corporate patients in Indonesia.

None of our Directors, Substantial Shareholders or any of their Associates has any interest, direct or indirect, in any of the above competitors.

## **COMPETITIVE STRENGTHS**

Our Directors have identified the following key factors that have and will continue to enable us to compete effectively:-

### **We have one of the largest number of private clinics in Malaysia**

As of the LPD, we own eighty-nine (89) clinics and have a total of sixty-three (63) affiliate and associate clinics in Malaysia. Our competitive strength is our large number of owned clinics and which together with our affiliate and associate clinics represent a critical mass of doctors and what we believe provide one of the largest and most comprehensive geographical coverage in Malaysia. This makes us attractive: (a) to

corporate employers and multinational corporations when they seek to provide primary healthcare benefits to their employees in Malaysia; (b) to self-paying patients seeking quality healthcare; (c) to small private clinics seeking to join or become affiliated or associated with a larger group; and (d) to distributors and suppliers of pharmaceutical and medical supplies.

Having a critical mass of doctors several of whom have the requisite seniority and experience to take on quality and supervisory role in our in-house committees and as medical directors is a competitive advantage as it helps to ensure a high standard of medical professionalism.

#### **We enjoy certain competitive advantages and economies of scale because of our size**

Our centralised purchasing system and centralised marketing system with consolidated billing supported by our IT system represent competitive advantages which smaller private practices are not likely to have the resources and capabilities to put in place.

In centralised purchasing, we enjoy bulk discount whilst minimising inventory levels and obsolescence. In centralised marketing with consolidated billing, we have greater clout to negotiate and contract as a single party with corporate employers and multinationals due to our wide network of clinics which enables us to provide consolidated billings to our corporate clients and MCOs thus affording our corporate clients and MCOs with the convenience and ease in administering their healthcare benefits to their employees and their clients, respectively. This helps us to maintain a competitive position in Malaysia.

#### **We have a scaleable and replicable business model supported by our IT system**

We believe that we have developed the necessary infrastructure to manage our network of clinics. Our IT system allows us to remotely and actively monitor the operations of the clinics in different areas as we have access to the patient charges, patient registration records, patient database and the medicines dispensed recorded in our system. From our operational manuals which cover various aspects of the clinical process, to our IT system, which we use to monitor our operations, we have through the years developed a comprehensive system of management of clinics which we believe is scaleable and can be replicated in other parts of the region. Our IT system will form the backbone of our regional expansion plans and will enable our management at our corporate headquarters to monitor our operations closely.

#### **We have an established clientele of multinational corporations**

Since FY2005, our annual patient visits to our clinics in Malaysia had numbered more than 1.0 million. In FY2007, our patient visits in Malaysia numbered approximately 1.1 million of which approximately 40.0% were self-paying patients and the remaining 60.0% being corporate patients.

Over the years, we have developed an established clientele of a number of multinational corporations who use our primary healthcare services for their employees in Malaysia. Such multinational corporations include Tesco stores, Carlsberg Breweries, Bank of Nova Scotia and Bank of America, and ING as an MCO covering staff from multinational corporations that include Exxon Mobil, Citibank, HSBC and Hewlett Packard.

As we expand into the region, we believe that our established relationships with such multinational corporation clients would be a competitive advantage when they have operations and employees in the region. Having such multinational clients have also added credible references for our business.

#### **We have the capacity to provide a wide range of primary healthcare services, such as ECGs and scanning facilities**

Due to our comparatively large proportion of corporate patient load, we believe we are in a better position than smaller private practices to acquire the necessary equipment and to provide a wider range of primary healthcare services, such as ECGs and scanning facilities, which is typically not provided by smaller private practices. For example, our larger one-stop high-end clinics possess supporting diagnostic tests equipment which allows us to cater to the diagnostic needs in addition to the usual general practitioner role of providing treatment of common illnesses. Also, where there is constant demand for our services, we will locate our owned clinics at the premises of large corporate employers with a large work force in order to enjoy a captive market in that area.

### **Our Qualitas brand is gaining recognition**

We believe that our Qualitas brand is gaining recognition amongst corporate employers and multinational corporations as well as local communities in Malaysia. We also believe that the effectiveness of our centralised branding strategy is maximised through the large number of clinics in our network.

We believe that our growth is largely due to our adoption of a patient-centric philosophy of practising medicine. This has been helped by our ability to allow doctors to focus on their clinical functions whilst management and other professionals take on the non-clinical functions. Further, as our Group is doctor-led and doctor-governed with our doctors being caregivers and shareholders in our Company, our doctors' interests are aligned with our Company.

### **We have an experienced and proven management team**

We have a management team of dedicated and qualified professionals with proven track records in the healthcare industry. Our Chairman and Managing Director Dato' Dr Ameen who is our founder, has been responsible in growing our business from its inception. Dato' Dr Ameen is supported by our Executive Director, Mr Karim Dhala and a team of committed Executive Officers who are involved in the day-to-day running of our operations. He is further supported by several of our senior doctors who sit on our various in-house professional committees, namely, the medical audit committee, continuing medical education committee and pharmacy committee. Their combined management and medical experience as well as business acumen have been instrumental to our growth. We regard their ability to identify new market opportunities, implement strategic plans and exercise prudent financial management to be invaluable to our continuing success and development in the future.

## **PROSPECTS AND TRENDS**

### **Trend Information**

Our Directors believe that the business and prospects in the private primary healthcare sector in Malaysia and the region in which we operate would not face any significant trend for at least the current financial year ending 31 December 2008 that are reasonably likely to have a material effect on our revenues, profitability, liquidity or capital resources, or that would cause the financial information disclosed in this Offer Document to be not necessarily indicative of our future operating results or our financial condition.

### **Prospects**

#### Malaysia

Our Directors believe there are reasonable prospects for our growth in revenue and profitability with the expectation of a further consolidation in the private primary healthcare industry in Malaysia, a continued growth of the Malaysian economy and a growing urban lifestyle. With better education, affluence, urbanisation and increased healthcare awareness, there will be increasing demand for primary care services to move beyond meeting basic needs to include preventive care, management of chronic conditions, health maintenance through screening and monitoring and health advisory services. We believe that we are one of the largest primary healthcare group in Malaysia and are therefore well positioned to tap on this growth in demand.

The 9<sup>th</sup> Malaysian Plan aims to provide healthcare services for all Malaysians through a significant number of corporate employers through the National Health Insurance Scheme. The National Health Insurance Scheme is expected to encompass both the private and public healthcare systems in Malaysia and would allow the patient to choose his healthcare provider who will be reimbursed under the National Health Insurance System<sup>(1)</sup>. As we believe that we are one of the largest network of private clinics with national coverage in Malaysia, our Directors are of the view that we have good prospects to increase corporate patient load from corporate clients as well as private patient load from local communities.

Our Directors further believe that small practices will increasingly become part of a large group practice given the increasing challenges they face in dealing with larger customers such as corporate employers, multinationals and insurance companies. Accordingly, our Directors believe that there are good prospects for our strategy of amalgamating other private clinics into our Group which can add accretively to our performance in view of our competitive advantages.

## Region

The regional economies of India and Indonesia have been growing rapidly in the past years and there has been rapid growth in employment by corporate employers and multinationals. These would in turn, translate into demand for primary healthcare services from such employers and multinationals which would normally provide primary healthcare services as a work-related benefit to their employees.

In line with this, we believe that there is growing demand for one-stop high-end primary healthcare medical centres in the region and that our regional operations which are high-end primary healthcare centres with one-stop shop supported by diagnostic facilities would be attractive to such corporate employers and multinationals.

In addition, our Directors believe that there are good prospects for us to scale and multiply more of such one-stop primary healthcare centres in both primary and secondary cities in India, capital cities in Indonesia and Cambodia as and when opportunities permit in other cities of other countries in the region.

### **Note:-**

- (1) Source: "WHO Country Cooperation Strategy, Malaysia 2006-2008" issued by WHO and available from the website at WHO at [http://www.who.int/nha/countryfocus/cooperation\\_strategy/CCS\\_MYS\\_en.pdf](http://www.who.int/nha/countryfocus/cooperation_strategy/CCS_MYS_en.pdf). The report has been extracted from the named website on 30 April 2008. We have not asked WHO for their consent for the inclusion of the above information and accordingly, WHO is not liable for these statements under sections 253 and 254 of the SFA. While our Directors have taken the reasonable steps to ensure that the information is extracted accurately and fairly and has been included in this Offer Document in its proper form and context, they have not independently verified the accuracy of the information set out above.

## **BUSINESS STRATEGIES AND FUTURE PLANS**

Our aim is to build on our strengths and accelerate our expansion into the region. We plan to implement the following:-

### **We intend to continue to enlarge our presence in Malaysia and to expand with one-stop high-end primary healthcare centres in India and the region**

#### Malaysia

We believe we have one of the largest and most comprehensive geographical coverage in Malaysia through our clinics. Our plan is to continue to build on this presence. To do this, we plan to expand our number of clinics in Malaysia by repeating our process of identifying and acquiring other private clinics or developing affiliate/associate relationships. Our Directors are continually looking for opportunities to acquire clinics and/or to establish affiliate or associate relationships as well as other opportunities to grow our business and to this end they engage in discussions with third parties from time to time in respect of such opportunities.

#### Region

We have recently commenced operations in India, Indonesia and Cambodia. To leverage on the prospects in these countries, our strategy is to expand with primary healthcare clinics in India and the region so as to serve individual patients and corporate patients from corporate employers and multinational corporations. These clinics are expected to be manned by a number of doctors and with supporting diagnostic facilities in order that they can be organised as one-stop high-end primary healthcare centres. We have plans to replicate the business model that we had adopted in Malaysia and to expand in these countries through acquisitions or start ups or through affiliate or associate relationships. As with Malaysia, we would be co-branding all acquired clinics and branding start-ups with our Qualitas brand.

In India, we also have a separate plan to move beyond primary healthcare services. We plan to acquire or start up high-end medical diagnostic facilities such as MRIs, and CAT scans which are at levels and capabilities more than the primary healthcare level. Such facilities are expected to support third party medical specialists who send their patients to our facilities as well as private and corporate patients.

We intend to allocate \$2.9 million from the proceeds of the Invitation for these expansion plans in Malaysia and the region. Our Company will make appropriate announcements to inform our Shareholders on the use of our proceeds from the Invitation for such expansion plans.

### **We intend to enhance our Qualitas brand through marketing initiatives and corporate branding**

We believe that our Qualitas brand has gained a certain level of recognition amongst corporate employers, multinational corporations and individual patients and we believe we may leverage on this recognition and continue to build and develop this brand. To do this, we plan to do the following:-

- (a) Strengthen our marketing and business development team which may include a small customer relation and call centre in the future;
- (b) Increase our advertisement budget, including printing and distribution of corporate brochures and publicity materials;
- (c) Allocate an increased budget to implement consistent décor and logo for all our clinics to synchronising our corporate identity and improve patient experience in our clinics;
- (d) Display signages in our clinic premises prominently so that our corporate patients and individual patients as well as our prospective corporate and individual patients can identify our clinics with our Qualitas brand; and
- (e) Participate in community work in the local area in which our clinics are located and also provide sponsorships for such community work to create greater awareness and publicity of our Qualitas brand with the general public.

We expect to devote increasing budgets from our working capital to marketing and business development in Malaysia and the region over the next few years. We intend to allocate \$0.4 million from the proceeds of the Invitation for marketing and branding efforts to enhance the Qualitas brand.

### **We intend to upgrade our medical equipment and also to upgrade our IT system**

We intend to upgrade the existing medical equipment, such as X-ray machines and ultrasound scans for our existing clinics as well as acquire new medical equipment for our new clinics to improve and increase the range of our services to our patients.

We also intend to:-

- (a) develop a new laboratory module which allows us to capture and integrate the diagnostic data of our patients in India, who use our diagnostic facilities into our IT system;
- (b) develop a more comprehensive IT system to manage our human resources in order to cater to the expected increase in our employees as we grow; and
- (c) acquire new software licences and developing new software to upgrade the existing software of our clinics in Malaysia.

We intend to allocate \$0.4 million from the proceeds of the Invitation for upgrading our existing medical equipment or acquire new medical equipment in our clinics in Malaysia and for our IT upgrade plans.

### **We intend to obtain Malaysian Standards for Quality in Healthcare accreditation**

The Malaysian Standards for Quality in Healthcare (“MSQH”) accreditation is an accreditation which is affiliated to the International Standards for Quality Assurance (“ISQUA”). The ISQUA is an international method of accreditation specifically for clinical processes. It is a more specialised form of accreditation for clinical processes compared to the usual ISO certification.

We believe that obtaining the accreditation of the MSQH would enhance the professional credibility of our Group clinics.

We intend to fund this exercise with our working capital.

## **INTERESTED PERSON TRANSACTIONS, POTENTIAL CONFLICTS OF INTERESTS AND OTHER TRANSACTIONS**

### **INTERESTED PERSON TRANSACTIONS**

In general, transactions between our Group and any of its interested persons (namely, our Directors, Chief Executive Officer, Controlling Shareholders or any of their Associates are known as interested person transactions. The following discussion on interested person transactions (as defined in chapter 9 of the Catalyst Rules) for the last three (3) financial years ended 31 December 2007 and up to the LPD is based on our Group and interested persons are construed accordingly.

Save as disclosed below and in the section on “Restructuring Exercise” of this Offer Document, our Group does not have any other material transactions with any of its interested persons within the last three (3) financial years ended 31 December 2007 and up to the LPD.

#### **Past Interested Person Transactions**

##### Transaction with a subsidiary of our Controlling Shareholder, CAV

Under an advisory service agreement dated 15 February 2006 between CAV Private Equity Management Sdn Bhd and QHC, a sum of RM200,000 was paid by QHC during FY2006 as advisory services fee in relation to the investment by CAV in our Group. CAV Private Equity Management Sdn Bhd is a subsidiary of CAV, our Controlling Shareholder.

##### Payment of management fees to CAV Private Equity Management Sdn Bhd by QHC

Pursuant to the shareholders' agreement dated 10 February 2006 between CAV, Escalate Capital Sdn Bhd (now known as Commerce-KPF Ventures Sdn Bhd) and Dato' Dr Ameen in relation to QHC, QHC paid a management fee of RM30,000 and RM36,000 for FY2006 and FY2007 respectively to CAV Private Equity Management Sdn Bhd.

The aforesaid transactions were conducted on an arm's length basis and on normal commercial terms.

#### **Present and On-going Interested Person Transactions**

##### Guarantee provided by our Director

Dato' Dr Ameen, our Chairman and Managing Director, has provided a personal guarantee in favour of Public Bank Berhad in respect of the repayment by QHC of an amount of RM260,000 granted to it by Public Bank Berhad under a hire purchase agreement dated 12 December 2006 between Public Bank Berhad and QHC. The hire purchase facility was provided for the purchase of a motor vehicle by QHC and the facility is repayable over sixty (60) monthly instalments of RM4,871 commencing on 12 January 2007. The Company intends to replace Dato' Dr Ameen as the guarantor after listing, subject to consent from Public Bank Berhad.

Our Company does not intend to procure any personal guarantee in the future from any of our Directors.

#### **REVIEW PROCEDURES FOR FUTURE INTERESTED PERSON TRANSACTIONS**

Our Audit Committee will review and approve all interested person transactions to ensure that they are on normal commercial terms and arm's length basis, that is, the transactions are transacted on terms and prices not more favourable to the interested persons than if they were transacted with a third party and are not prejudicial to the interests of our Shareholders in any way.

During its periodic review or such other review deemed necessary by it, our Audit Committee will carry out a review of records of all interested persons transactions to ensure that they are carried out in accordance with the following internal control procedures:-

- (a) All interested person transactions above S\$100,000 are to be approved by a Director who shall not be an interested person in respect of that particular transaction. Interested person transactions below S\$100,000 do not require such approval. Any sale or purchase contracts to be made with an interested person shall not be approved unless the pricing is:-
  - (i) determined in accordance with our usual business practices and policies;
  - (ii) consistent with the usual margin given or price received by us for the same or substantially similar type of transactions between us and unrelated parties; and
  - (iii) the terms are no more favourable to the interested person than those extended to or received from unrelated third parties.

For the purpose of the above, contracts for the same or substantially similar type of transactions entered into between us and unrelated third parties, if any, will be used as a basis for comparison to determine whether the price and terms offered to or received from the interested person are no more favourable than those extended to unrelated third parties.

- (b) In addition, we shall monitor all interested person transactions entered into by us and categorise these transactions as follows:-
  - (i) a Category 1 interested person transaction is one where the value thereof is in excess of 3.0% of the latest audited NTA of our Group; and
  - (ii) a Category 2 interested person transaction is one where the value thereof is below or equal to 3.0% of the latest audited NTA of our Group.

All Category 1 interested person transactions must be approved by our Audit Committee prior to entry whereas Category 2 interested person transactions need not be approved by our Audit Committee prior to entry but shall be reviewed on a quarterly basis by our Audit Committee.

We will prepare relevant information to assist our Audit Committee in its review.

In the event that a member of our Audit Committee is interested in any of the interested person transactions, he will abstain from reviewing that particular transaction. Any decision to proceed with such an agreement or arrangement would be recorded for review by our Audit Committee.

Our Audit Committee will also review all interested person transactions to ensure that the prevailing rules and regulations of the SGX-ST (in particular, Chapter 9 of the Catalist Rules) are complied with.

We will also comply with the provisions in Chapter 9 of the Catalist Rules in respect of all future interested person transactions, and if required under the Catalist Rules or the Companies Act, we will seek our Shareholders' approval (where necessary) for such transactions.

All the Independent Directors, who are members of our Audit Committee, are of the view that the review procedures and systematic monitoring mechanism of all interested person transactions as mentioned above, are adequate in ensuring that such transactions will be on normal commercial terms and will not be prejudicial to the interests of our Shareholders in any way.

## **POTENTIAL CONFLICTS OF INTERESTS**

Save as disclosed in the section on "Interested Person Transactions" of this Offer Document:-

- (a) None of our Directors, Controlling Shareholders or any of their Associates has had any interest, direct or indirect, in any transactions to which our Group was or is to be a party;
- (b) None of our Directors, Controlling Shareholders or any of their Associates has any interest, direct or indirect, in any company carrying on the same business or a similar trade which competes materially and directly with the existing business of our Group; and

- (c) None of our Directors, Substantial Shareholders or any of their Associates has any interest, direct or indirect, in any company that is our customer or supplier of goods and services.

### **Interests of Experts**

No expert is interested, directly or indirectly, in the promotion of, or in any property or assets which have, within the two (2) years preceding the date of this Offer Document, been acquired or disposed of by or leased to our Company or any of our subsidiaries or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries.

No expert is engaged on a contingent basis by our Company or any of our subsidiaries, or has a material interest, whether direct or indirect, in our Shares, our subsidiaries or has a material economic interest, whether direct or indirect, in our Company, including an interest in the success of the Invitation.

### **Interests of Underwriters or Financial Advisers**

UOB, the Sponsor, Underwriter and Placement Agent of this Invitation is also the Receiving Banker of this Invitation and continuing sponsor of the Company post-listing.

### **OTHER TRANSACTIONS**

#### Rental agreements for clinic premises with doctor-employee Shareholders

The following monthly recurring payments in respect of rentals for our clinic premises in Malaysia are being made by our Group to our doctor-employees who are also Shareholders in our Company. These doctor-employees Shareholders are the lessors of the premises. None of them are Substantial Shareholders or Directors of our Company. Please refer to Appendix IV of this offer Document for particulars of these lease agreements.

- (a) Rental transaction between Dr Indrani a/p Karupiah (as lessor) and Apex Support Sdn Bhd (as tenant) amounted to RM2,500 per month. Property address: No. 02–A Pusat Perdagangan, Jalan Bandar, 81700 Pasir Gudang, Johor.
- (b) Rental transaction between Dato' Dr Mohan Singh s/o Amar Singh and Datin Dr Amrit Kaur Cheema (as lessors) and Daya X-Ray Centre Sdn Bhd (as tenant) amounted to RM2,800 per month. Property address: No.67 Jalan Kepong, 52100 Kuala Lumpur.
- (c) Rental transaction between Dato' Dr Mohan Singh s/o Amar Singh and Datin Dr Amrit Kaur Cheema (as lessors) and Daya X-Ray Centre Sdn Bhd (as tenant) amounted to RM2,700 per month. Property address: 25G (ground floor) Jalan Bandar Sepuluh, Pusat Bandar Puchong, 47100 Puchong, Selangor.
- (d) Rental transaction between Dr Muhammad Gowdh bin Jaffar, Dr Keshab Chandran Nair and the administrator of the estate of Dr Anis Ahmad bin Abdul Aziz (as lessor) and Klinik Anis Sdn Bhd (as tenant) amounted to RM5,700 per month. Property address: No. 17 Jalan Bunga Melur 2/18, 40000 Shah Alam, Selangor.
- (e) Rental transaction between Dr Muhammad Gowdh bin Jaffar, Dr Keshab Chandran Nair and the administrator of the estate of Dr Anis Ahmad bin Abdul Aziz (collectively as lessors) and Klinik Anis Sdn Bhd (as tenant) amounted to RM5,700 per month. Property address: No. 19 Jalan Bunga Melur 2/18, 40000 Shah Alam, Selangor.
- (f) Rental transaction between Dr Koh Ah Seong and Dr Toh Cheng Keat (as lessors) and Klinik Daiman Sdn Bhd (as tenant) amounted to RM3,000 per month. Property address: No. 105 Jalan Keris Satu, Taman Sri Tebrau, 80050 Johor Bahru, Johor.
- (g) Rental transaction between Dr M. Ravindran @ M. Ravidran and Dr Narainin @ Narayanan (as lessors) and Klinik Pantai Sdn Bhd (as tenant) amounted to RM1,200 per month. Property address: 875 (ground floor) Taman Mewah, 1½ Mile Jalan Pantai, 71000 Port Dickson, Negeri Sembilan.



- (h) Rental transaction between Dr Syed Alwi Bin Osman and Dr Chandran a/l Manikam (as lessors) being the owners of Dr Syed Alwi, Chandran dan Rakan-Rakan Sdn Bhd and Klinik Syed Alwi dan Chandran (Penang) Sdn Bhd (as tenant) amounted to RM2,700 per month. Property address: 6466 Kampong Gajah Road, 12200 Butterworth, Penang.
- (i) Rental transaction between Dr Thomas a/l T Arulananthan (as lessor) and Klinik Thomas Sdn Bhd (as tenant) amounted to RM1,443.20 per month. Property address: No. 58, Persiaran Silibin Utara, 30020, Ipoh, Perak.
- (j) Rental transaction between Kamal Ariffin Bin Habib (as lessor) and Vertical Score Sdn Bhd (as tenant) amounted to RM7,900 per month. Property address: 18-B1 (ground floor), Jalan SS 6/3 Kelana Jaya, 47301 Petaling Jaya, Selangor.
- (k) Rental transaction between Dr Mat Alewi Bin Zakaria (as lessor) and Poliklinik Puteri dan Surgeri Sdn Bhd (as tenant) amounted to RM3,500 per month. Property address: No. 37 Jalan Besi 1, Taman Sri Putri Skudai, 81300 Johor Bahru, Johor.
- (l) Rental transaction between Dr Mohan a/l Mahatheva (as lessor) and Q-Medical Care Sdn Bhd (as tenant) amounted to RM2,500 per month. Property address: No. 106, Block B-3 Pusat Dagangan Setiajaya, No. 9 Jalan PJS 8/9, 46150 Petaling Jaya, Selangor.
- (m) Rental transaction between Dr Kesavaraj a/l A Muthuvaloo (as lessor) and Klinik Salak Sdn Bhd (as tenant) amounted to RM3,000 per month. Property address: No. 4703 Jalan T.S. 1/1 Taman Semarak, 71800 Nilai, Negeri Sembilan.
- (n) Rental transaction between Dr Velayudham a/l Lakshmanan and Dr Soong Yin Leong (as lessors) and Reddy Clinic Sdn Bhd (as tenant) amounted to RM4,235 per month. Property address: 121 Jalan Ipoh, 51200 Kuala Lumpur.
- (o) Rental transaction between Dr Inderjit Singh s/o K Pritam Singh (as lessor) and Klinik Ludher Sdn Bhd (as tenant) amounted to RM4,000 per month. Property address: No. 72 (ground floor) Jln Mega Mendung Kompleks Bandar Batu Lima, Jalan Kelang Lama, 58200 Kuala Lumpur.
- (p) Rental transaction between Dr Alagaratnam Sivarajah (as lessor) and Poliklinik Simpang Pulai Sdn Bhd (as tenant) amounted to RM2,200 per month. Property address: No. 63 and 63A Persiaran Sengat Baru Dua, Taman Bersatu, 31300 Simpang Pulai, Perak.
- (q) Rental transaction between Dr Ramakrishan a/l Murugapan (as lessor) and Towards Growth Sdn Bhd (as tenant) amounted to RM2,800 per month. Property address: No. 25 Jalan 11, Taman Putra, 68000 Ampang, Selangor.

Our Directors believe that these transactions are entered into on an arm's length basis on normal commercial terms and at prevailing market rate. None of our Directors, Substantial Shareholders, Executive Officers or any of their Associates are related to any of the lessors.

### Acquisition of subsidiaries in India

We had entered into the following transactions with Sin Keng Choo @ Ng Nyet Chin (“Sin Keng Choo”) who is a past director of our Company and also the spouse of a director of the Solicitors to the Invitation, Drew & Napier LLC:-

- (a) Agreement dated 27 October 2006 (“Osler Agreement”) between Ms Sin Keng Choo (the “Vendor”) and Qualitas Medical Group Private Limited, India (“the “Purchaser”) for the acquisition of 799,998 shares in Osler Diagnostics Private Limited by Qualitas Medical Group Private Limited from the Vendor at a consideration of INR21,899,945 payable by Qualitas Medical Group Private Limited, India. It is stated in the Osler Agreement that the Vendor has an interest in a township in the IT corridor in Chennai pursuant to which the Vendor has the right to operate a medical centre in that township (the “centre”) and in connection therewith, it is provided in the Osler Agreement that in the event the Vendor intends to establish a joint venture in respect of the centre, the Purchaser or its related corporations shall have the right of first refusal to invest in the said centre on such terms and conditions and at such time to be mutually agreed between the Vendor and the Purchaser or the Purchaser’s related corporations.
- (b) Agreement dated 27 October 2006 between Ms Sin Keng Choo (“Vendor”) and Qualitas Medical Group Private Limited, India for the acquisition of 9,998 shares in Doctorslab Medical Services Private Limited by Qualitas Medical Group Private Limited from the Vendor at a consideration of INR100,000 payable by Qualitas Medical Group Private Limited.
- (c) Agreement dated 27 October 2006 between QHI and Ms Sin Keng Choo, whereby, as part of the consideration for the acquisition of Doctorslab Medical Services Private Limited and Osler Diagnostics Private Limited by our subsidiary in India, our Group agreed to issue to the Sin Keng Choo @ Ng Nyet Chin, RM100,000 worth of ordinary shares in any of our Group Company upon listing on any recognised stock exchange.
- (d) Agreement by way of deed dated 19 June 2008 between Ms Sin Keng Choo (“Vendor”), our Company and QHI pursuant to which our Company agreed to allot and issue and the Vendor agreed to accept, 166,848 Shares, as full and final settlement of all liabilities, duties and obligations owed by QHI under the agreement set out in paragraph (c) above.

Our Directors believe that these transactions are entered into on an arm’s length basis on normal commercial terms. None of our Directors, Substantial Shareholders, Executive Officers or any of their Associates is related to Ms Sin Keng Choo.

## DIRECTORS, MANAGEMENT AND STAFF

### DIRECTORS

The board of Directors is entrusted with the responsibility for the overall management of our Group. Our Directors' particulars are listed below:-

| Name                             | Age | Address   | Principal Occupation   |
|----------------------------------|-----|---|--|
| Noorul Ameen Bin Mohamed Ishack  | 58  | No. 3 Lorong 5/21A Section 5<br>46000 Petaling Jaya<br>Selangor<br>Malaysia                 | Chairman and<br>Managing Director of<br>our Company                  |
| Karim Tajdin Mohamed Ali Dhala   | 46  | 42 Taman Hijau Ukay Heights<br>68000 Ampang<br>Selangor<br>Malaysia                         | Executive Director of<br>our Company                                 |
| Raja Noorma Binti Raja Othman    | 49  | B405 University Tower 28<br>Jalan University<br>46200 Petaling Jaya<br>Selangor<br>Malaysia | Chief Executive<br>Officer, CIMB-<br>Mapletree<br>Management Sdn Bhd |
| Muhammad Azraini Bin Abdul Hamid | 32  | No.16 Lorong Taban 2<br>Lucky Garden<br>Bangsar<br>59100 Kuala Lumpur<br>Malaysia           | Senior Associate, CAV<br>Private Equity<br>Management Sdn Bhd        |
| Samsudin Bin Hussain             | 64  | No. 4<br>Jalan Ketiau 3/10<br>40000 Shah Alam<br>Selangor<br>Malaysia                       | Company Director   |
| Chaw Chong Foo                   | 45  | 56 Jalan Khairuddin<br>Singapore 457521   | Managing Director,<br>Zhaolim Pte Ltd                                |

The working, business experience, areas of responsibility and qualifications of our Directors are set out below:-

#### **Dato' Dr Ameen Chairman and Managing Director**

Dato' Dr Ameen is the founder of our Group and is our Chairman and Managing Director. He was appointed as a Director of our Company on 28 September 2007. He is responsible for charting the corporate direction and business strategies, business and corporate development, policy planning and oversees the day-to-day management of our Group. A doctor by profession, Dato' Dr Ameen's experience spans both the public and private sectors. He joined the Malaysian government service after his graduation in 1976. In 1984, he left the government service and joined Kumpulan Medic as an Assistant Physician. He was appointed the managing director for Kumpulan Medic in 1993 in which he subsequently became the chairman of the board. He has held and holds important positions in various associations as chairman, treasurer and council member. In 2000, he was conferred the Darjah Indera Mahkota Pahang (DIMP) which carries the title "Dato" by His Royal Highness, the Sultan of the State of Pahang in Malaysia. He graduated from the University of Mysore, India in 1976 with a Bachelor of Medicine and Bachelor of Surgery and also attained a Diploma in Sports Medicine from the University of London, United Kingdom in 1982.

**Mr Karim Dhala**  
**Executive Director**

Mr Karim Dhala is our Executive Director. He was appointed as an Executive Director of our Company on 9 May 2008. His responsibilities include foreseeing the finance, accounting and general administrative functions and the IT functions of our Group. He is also involved, along with Dato' Dr Ameen, in setting out strategies and policies for our Group's operations and development. He has wide exposure in the finance and accounting functions, having worked with professional accounting firms as well as with Morgan Stanley International, a leading US investment bank. He was also employed by the South East Asia Development Corporation Berhad ("SEACORP"), a company which was previously listed on the main board of the KLSE as the group financial controller. During his tenure with SEACORP, he was appointed as an Executive Director of Seacorp's finance company subsidiary, Malaysian Credit Finance Berhad. Prior to his appointment with our Group in 1999, he was attached to Prima Prai Sdn Bhd, a property development company, as a financial director between 1994 and 1998. He graduated in 1983 with a B.Sc (Hons) in Economics from the University of Wales, Institute of Science and Technology in Cardiff, Wales. He is also an Associate Member of the Institute of Chartered Accountants in England and Wales since 1987.

**Ms Raja Noorma**  
**Non-Independent Non-Executive Director**

Ms Raja Noorma was appointed as a Non-Independent Non-Executive Director of our Company on 23 June 2008. She heads the group asset management division of the CIMB Group and is a member of the CIMB Group's management committee. She is also the chief executive officer of CIMB-Mapletree Management Sdn Bhd (CMM) since April 2005. Between October 1999 and March 2005, she was employed with the JP Morgan group in various positions as vice president, telecommunications & media group in Hong Kong, as senior vice president in Singapore and as vice president & deputy head of investment banking in Malaysia. At JP Morgan, she originated and executed several transactions involving corporate advisory, equity and debt capital markets, private equity, cross border M&A as well as initial public offerings. Her other previous working experience include ten (10) years in Telekom Malaysia Berhad where the last post held was as general manager of corporate finance and several years in Malaysian Industrial Development Finance Berhad and Malaysian International Merchant Bankers Berhad. She holds a Bachelor of Business Administration degree from Ohio University, Athens, United States of America, under a twinning programme with Institut Teknologi MARA.

**Mr Muhammad Azrains**  
**Non-Independent Non-Executive Director**

Mr Muhammad Azrains was appointed as a Non-Independent Non-Executive Director of our Company on 23 June 2008. He is a senior associate at CAV Private Equity Management Sdn Bhd ("CPEM"). He is currently managing venture capital and private equity funds for Koperasi Permodalan Felda and the CIMB Group. With CPEM he was involved in various types of investments, ranging from start-ups, early stage, mezzanine and buyouts. Among the notable investments made by him include: Pentamaster Corporation Berhad, Goodmaid Chemicals Corporation Sdn Bhd, Qualitas Healthcare Corporation Sdn Bhd and Goodway Integrated Industries Berhad. He has also assisted CPEM in its fund raising efforts. Prior to joining CPEM in the year 2000, he worked for MTDC Capital & Technology Research Sdn Bhd which was involved in technology research, corporate advisory services, and overseeing the development of technology in Malaysia, between 1999 and 2000. He graduated from the Golden Gate University, San Francisco, United States of America, with a Bachelor of Science in Management honours degree in 1997.

**Dato' Dr Samsudin**  
**Independent Director**

Dato' Dr Samsudin was appointed as an Independent Director of our Company on 23 June 2008. He has more than thirty-three (33) years of experience in the healthcare industry. Between 1970 and 1991, he served as a doctor in the Malaysian Armed Forces, with the last ten (10) years as director of Medical Services with the rank of Brigadier General. During his tenure with the Malaysian Army, he was seconded to the University Hospital, Kuala Lumpur, Malaysia as director from 1992 to mid-1996. He was also the general manager, Healthcare in Landmarks Bhd, Malaysia between July 1996 and October 2003. He is an independent director in many private companies which include non-medical related companies. He graduated from the University of Malaya, Kuala Lumpur, Malaysia in 1969 with a Bachelor of Medicine and Bachelor of Surgery (M.B.B.S) and also attained a Masters in Public Health from the same University in 1974.

**Mr Chaw**  
**Lead Independent Director**

Mr Chaw was appointed as an Independent Director of our Company on 9 May 2008. He is the managing director of Zhaolim Pte Ltd, a private investment holdings company. He has more than fifteen (15) years of experience in the financial industry and corporate management having held senior level positions. From 2004 to 2007, Mr Chaw served as senior independent advisor at Deloitte & Touche Corporate Finance Limited in Hong Kong SAR and People's Republic of China. From 2002 to 2005, Mr Chaw served as the president of the Internet Security Systems Pte Ltd, a subsidiary of Internet Security Systems Inc, a company incorporated in the United States of America, and also served as an executive council member of the Singapore Infocomm Technology Federation's security chapter and as the chairman of the Foreign Security Alliance sub-committee. Mr Chaw started his career with Goldman Sachs in 1992 and later joined Morgan Stanley in 1995 and was with Morgan Stanley until 1997. He graduated with a Bachelor of Business Administration honours degree majoring in accounting from the University of Texas at Austin in 1990 and also completed his Mastery of Business Administration from the same university in 1991.

None of our Directors are related to one another nor are they related to any Executive Officer or Substantial Shareholder of our Company save for Ms Raja Noorma and Mr Muhammad Azraini who are nominee directors of CAV and CKPF respectively, on our Board.

None of our Independent Directors have any business or professional relationship of a material nature with our Group, our Directors or Substantial Shareholders.

**DIRECTORS' TRAINING**

Our Directors have undertaken training in the roles and responsibilities of a director of a listed company in Singapore. The training for the Directors was conducted by the Solicitors to the Invitation.

**DIRECTORS' EXPERIENCE AND FUTURE TRAINING**

Our Directors do not possess any prior experience as directors of public listed companies in Singapore. Each of our Directors intend to, in due course, attend such relevant courses on director duties organised by the SGX-ST, the Singapore Institute of Directors and/or other relevant professional organisations.

## EXECUTIVE OFFICERS

The day-to-day operations are entrusted to our Executive Directors who are assisted by an experienced and qualified team of Executive Officers. The particulars of our Executive Officers are set out below:

| <b>Name</b>                  | <b>Age</b> | <b>Address</b>  | <b>Principal Occupation</b>                    |
|------------------------------|------------|---|--|
| Ng Ai Kiang                  | 46         | 19 Jalan SS 2/38<br>47300 Petaling Jaya<br>Selangor<br>Malaysia                   | Director of Operations<br>of our Company       |
| Leong Tien Kuan              | 48         | 29 Jalan Hujan Bubuk 4<br>Overseas Union Garden<br>58200 Kuala Lumpur<br>Malaysia | Director of Finance<br>of our Company          |
| Sakina Binti Ali Abul Hassan | 38         | No 22 Jalan L3 Phase 6A<br>Taman Melawati<br>53100 Kuala Lumpur<br>Malaysia       | Director of Medical Services<br>of our Company |

The working, business experience and areas of responsibility of our Executive Officers are set out below:-

### **Ms Melissa Ng Director of Operations**

Ms Melissa Ng joined our Group as chief operating officer in December 1997. She is responsible for the operations and administration of our Group. She has more than twenty-two (22) years of experience in the areas of operation and administration, especially in the healthcare industry. Prior to joining our Group she worked as the general manager of Kumpulan Medic Sdn Bhd overseeing day to day operations. Ms Melissa Ng graduated in 1985 with a Bachelor of Science majoring in Physics from the National University of Singapore. She also obtained a Diploma in Administrative Management from the Institute of Administrative Management, an Advance Diploma in Business Administration from the Association of Business Executives as well as a Masters of Business Administration from The University of Strathclyde Graduate School of Business in Glasgow, United Kingdom.

### **Mr Allan Leong Director of Finance**

Mr Allan Leong joined our Group as chief financial officer in November 1999. He oversees our Group's accounting, finance, tax and compliance matters. Mr Allan Leong has more than twenty (20) years of experience in finance and accounting functions. He started his career with Yamaha Music (Malaysia) in 1983. His experience within the healthcare industry commenced in 1990 when he joined Johnson & Johnson as a management accountant. He was also employed as the finance & administration manager of Boehringer Mannheim Malaysia from 1991 to 1998. Mr Allan Leong is an associate member of the Chartered Institute of Management Accountants, London and also a registered accountant with the Malaysian Institute of Accountants.

### **Dr Sakina Hassan Director of Medical Services**

Dr Sakina Hassan joined our Group as Director of Medical Services in February 2008. She has more than twelve (12) years of experience in the medical field combined with consulting, management and customer centered service experience. Prior to joining our Group, she was a director of Lantasan Abadi Sdn Bhd from 2001 to 2007 where she managed the project for the pilot plant for the Malaysian Institute for Chemical Engineering Technology. Between 1997 and 2000 she practised with the Basildon & Thurrock NHS Trust (1997-1999) and North Middlesex NHS Trust (1999-2000) in the United Kingdom. Dr Sakina Hassan graduated from the University of Malaya, Malaysia in 1994 with a Bachelor of Medicine and Bachelor of Surgery (M.B.B.S). She obtained her membership and registration with the General

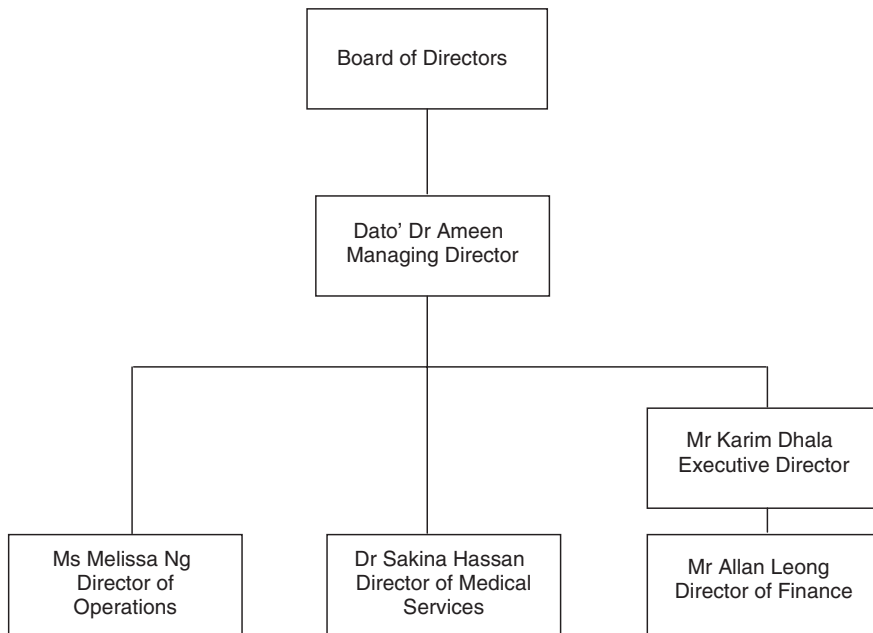
Medical Council, United Kingdom in 1998. She also obtained her Masters in Business Administration from the Imperial College of Science, Technology and Medicine, University of London, United Kingdom in 2000 with a focus in marketing and service development.

None of our Executive Officers are related to one another nor are they related to any of our Directors or Substantial Shareholders.

Save as disclosed in the section entitled “Directors” of this Offer Document in respect of Ms Raja Noorma and Mr Muhammad Azraini, there is no arrangement, or understanding with a Substantial Shareholder, customer or supplier of our Company or other person, pursuant to which any of our Directors or Executive Officers was selected as a Director or Executive Officer of our Company.

### MANAGEMENT REPORTING STRUCTURE

The following chart shows our management reporting structure as at the LPD.



## DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION

The remuneration (including salary, bonus, contributions to mandatory provident fund scheme/employees provident fund, directors' fees and benefits-in-kind) paid or payable to our Directors and Executive Officers based on the audited financial statements for the FY2005, FY2006 and FY2007 and in remuneration bands<sup>(1)</sup> for FY2005, FY2006 and FY2007, and the estimated remuneration payable to them in remuneration bands for FY2008 are as follows:-

|                               | FY2005 <sup>(2)</sup> | FY2006 <sup>(2)</sup> | FY2007 <sup>(2)</sup> | Estimate for FY2008 <sup>(3)</sup> |
|-------------------------------|-----------------------|-----------------------|-----------------------|------------------------------------|
| <b>Executive Directors</b>    |                       |                       |                       |                                    |
| Dato' Dr Ameen <sup>(4)</sup> | B                     | A                     | B                     | B                                  |
| Mr Karim Dhala                | A                     | A                     | A                     | A                                  |
| <b>Independent Directors</b>  |                       |                       |                       |                                    |
| Ms Raja Noorma                | —                     | —                     | —                     | A                                  |
| Mr Muhammad Azraini           | —                     | —                     | —                     | A                                  |
| Dato' Dr Samsudin             | —                     | —                     | —                     | A                                  |
| Mr Chaw                       | —                     | —                     | —                     | A                                  |
| <b>Executive Officers</b>     |                       |                       |                       |                                    |
| Mr Allan Leong                | A                     | A                     | A                     | A                                  |
| Ms Melissa Ng                 | A                     | A                     | A                     | A                                  |
| Dr Sakina Hassan              | —                     | —                     | —                     | A                                  |

### Notes:-

(1) Remuneration bands:-

"Band A" refers to remuneration of up to \$250,000.

"Band B" refers to remuneration from \$250,001 to \$500,000.

(2) The amounts paid in Ringgit has been converted into S\$ at the exchange rate of RM2.3811 to S\$1 as at the LPD, for the purpose of determining the remuneration band.

(3) The estimated remuneration for FY2008 does not include any performance bonus payable under the Service Agreements and/or the employment contracts of our Executive Directors.

(4) An amount of RM144,000 for each of the years FY2005 and FY2006 and an amount of RM462,828 for FY2007 (included in the remuneration of Dato' Dr Ameen) was paid to Samna Consultancy (Registration No. 000951562-X), a sole proprietorship owned by Dato' Dr Ameen.

Other than amounts set aside or accrued in respect of the relevant laws, no amounts have been set aside or accrued by our Group to provide for pension, retirement or similar benefits for any of our employees.

## SERVICE AGREEMENTS

### Executive Directors

Save as disclosed below, none of our Directors or Executive Officers has entered into service agreements with us.

To formalise arrangements for their services as Directors, our Company has entered into Service Agreements with each of our Chairman and Managing Director, Dato' Dr Ameen and our Executive Director, Mr Karim Dhala, (each, an "Appointee") for a period of three (3) years commencing from the date of this Offer Document (unless otherwise terminated by either party giving not less than six (6) months' notice to the other). We may also terminate their respective Service Agreements if any of the Appointees is guilty of dishonesty or serious or persistent misconduct, becomes bankrupt or otherwise acts to the prejudice of our Company. Dato' Dr Ameen and Mr Karim Dhala will be paid Director's fees in their capacity as Directors subject to the approval of Shareholders at our Company's annual general meeting.



In addition to the Service Agreements, Dato' Dr Ameen and Mr Karim Dhala have each entered into an employment contract with QHC ("Employment Contract") for a period of three (3) years commencing from the date of this Offer Document.

Dato' Dr Ameen's and Mr Karim Dhala's Employment Contracts will remain unchanged in most respects with their existing terms of employment. However, for Dato' Dr Ameen, in the event his services are no longer retained on QHC's board or his employment with our Group is terminated under certain circumstances, including but not limited to, his inability to work for a single period of three (3) months or more due to sickness or injury or if our Company or its successor corporation does not retain him as the managing director of QHC, he would be paid a long service payment of (a) one (1) month's salary for every year of service to the Group based on his last drawn salary; plus (b) a payment of 5.0% of the average profit before tax of the Group for the period from the date of commencement of the Employment Contract to the date of termination of his service with our Group (both dates inclusive) up to a period of three (3) years from the initial period of the Employment Contract (the "Service Period") and such payments collectively will not exceed twenty-four (24) months of his last drawn monthly salary. For the purposes of this said provision, "profit before tax of our Group" shall mean the audited consolidated profit before tax of our Group. For the purpose of computing the "average profit before tax of our Group" for the Service Period, the audited consolidated profit before tax of the Group for the relevant financial year shall be pro-rated, if applicable, based on the number of completed months for which Dato' Dr Ameen has served in that relevant financial year.

Mr Karim Dhala is also entitled to an annual wage supplement of one (1) month's pay payable after the end of each financial year.

In addition to their salaries and entitlement as set out above, their respective Employment Contracts also provide for the payment of annual performance bonus to be computed based on the following formula:-

| Audited consolidated profit before tax ("PBT") achieved | Performance bonus  |  |
|---|--|--|
|   | Dato' Dr Ameen   | Mr Karim Dhala   |
| RM8.0 million and below                                 | Nil  | Nil  |
| Above RM8.0 million and up to RM9.0 million             | 3.0% of the PBT exceeding RM8.0 million up to RM9.0 million  | 1.5% of the PBT exceeding RM8.0 million up to RM9.0 million  |
| Above RM9.0 million                                     | 3.0% of the PBT exceeding RM8.0 million up to RM9.0 million plus 4.0% of the PBT exceeding RM9.0 million | 1.5% of the PBT exceeding RM8.0 million up to RM9.0 million plus 2.0% of the PBT exceeding RM9.0 million |

### Executive Officers

Our subsidiary, QHC, has existing employment agreements with each of our Executive Officers, Mr Allan Leong, Ms Melissa Ng and Dr Sakina Hassan. Each of the employment agreement sets forth the compensation and related terms of that Executive Officer's employment, such as, *inter alia*, annual leave, grounds of termination and so forth. All of those persons are employed until an appropriate termination notice is given, or payment in lieu of notice is given by either party.

Save as disclosed above, there are no other existing or proposed service contracts entered into or to be entered into between our Company and our subsidiaries with any of our Directors or Executive Officers.

## EMPLOYEES

Our reputation is founded on the expertise, experience and service quality of our healthcare professionals. Many of our doctors are senior practitioners in the primary healthcare services sector, several of whom are nationally recognised in Malaysia for their expertise.

As at the LPD, we have 602 employees.

The functional and geographical distribution of our employees as at the end of each of the past three (3) financial years ended 31 December 2007 are as follows:-

|   | Number of Employees          |                              |                              |
|---|------------------------------|------------------------------|------------------------------|
|   | As at 31<br>December<br>2005 | As at 31<br>December<br>2006 | As at 31<br>December<br>2007 |
| <b>Segmented by Job Function</b>        |                              |                              |                              |
| Management                              | 4                            | 5                            | 5                            |
| Professional medical staff              | 89                           | 95                           | 106                          |
| Medical support staff                   | 258                          | 275                          | 303                          |
| Non-medical support staff               | 104                          | 118                          | 120                          |
| Operations                              | 8                            | 8                            | 10                           |
| Marketing                               | 4                            | 4                            | 4                            |
| Finance                                 | 8                            | 9                            | 12                           |
| Human resource                          | 4                            | 4                            | 4                            |
| Information technology                  | 3                            | 2                            | 3                            |
| <b>Total</b>                            | <b>482</b>                   | <b>520</b>                   | <b>567</b>                   |
| <b>Segmented by Geographical Region</b> |                              |                              |                              |
| Malaysia                                | 464                          | 503                          | 516                          |
| Others                                  | 18                           | 17                           | 51                           |
| <b>Total</b>                            | <b>482</b>                   | <b>520</b>                   | <b>567</b>                   |

Professional medical, medical support and non-medical support staff are based in the respective clinics.

We do not employ a significant number of temporary employees. Our employees are not covered by any collective bargaining agreements and are not unionised.

The relationship and co-operation between the management and staff have been good and are expected to continue to remain so in the future. There has not been any incidence of work stoppages or labour disputes which have affected our operations in the past.

## CORPORATE GOVERNANCE

Our Directors recognise the importance of corporate governance and the offering of high standards of accountability to our Shareholders, and will follow closely the recommendations of the Code of Corporate Governance 2005.

In view of Dato' Dr Ameen's concurrent appointment as our Chairman and Managing Director, we have appointed Mr Chaw as our Lead Independent Director. Our Lead Independent Director will be available to our Shareholders where they have concerns which cannot be resolved through normal channel of our Chairman and Managing Director, or where such contact is inappropriate.

### COMMITTEES

Our Board of Directors has formed three (3) committees: (a) the Nominating Committee; (b) the Remuneration Committee; and (c) the Audit Committee.

#### Nominating Committee

Our Nominating Committee comprises our Independent Directors, Mr Chaw and Dato' Dr Samsudin and our Executive Director, Mr Karim Dhala. The chairman of our Nominating Committee is Mr Chaw.

Our Nominating Committee will be responsible for:-

- (a) making recommendations to our Board on all appointments of Directors;
- (b) re-nomination of our Directors having regard to our Director's contribution and performance;
- (c) determining annually whether or not a Director is independent; and
- (d) deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director.

Our Nominating Committee will decide how the Board's performance is to be evaluated and propose objective performance criteria, subject to the approval of our Board, which address how our Board has enhanced long-term shareholders' value. The performance evaluation will also include consideration of our Share price performance over a five-year (5) period vis-à-vis the Singapore Straits Times Index and a benchmark index of its industry peers. Our Board will also implement a process to be carried out by our Nominating Committee for assessing the effectiveness of our Board as a whole and for assessing the contribution of each individual Director to the effectiveness of our Board. Each member of our Nominating Committee shall abstain from voting any resolutions in respect of the assessment of his performance or re-nomination as Director.

#### Remuneration Committee

Our Remuneration Committee comprises our Independent Directors, Mr Chaw and Dato' Dr Samsudin and our Non-Independent Non-Executive Director, Mr Muhammad Azraini. The chairman of our Remuneration Committee is Dato' Dr Samsudin.

Our Remuneration Committee will recommend to our Board a framework of remuneration for our Directors and key executives, and determine specific remuneration packages for each Executive Director and Executive Officer.

The recommendations of our Remuneration Committee should be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind shall be covered by our Remuneration Committee. Each member of our Remuneration Committee shall abstain from voting any resolutions in respect of his remuneration package.

## **Audit Committee**

Our Audit Committee comprises our Independent Directors, Mr Chaw and Dato' Dr Samsudin and our Non-Independent Non-Executive Director, Mr Muhammad Azraini. The chairman of our Audit Committee is Mr Chaw.

Our Audit Committee shall meet periodically to perform the following functions:-

- (a) review with the external auditors the audit plan, their evaluation of the system of internal controls, their audit report, their management letter and our management's response;
- (b) review with the internal auditors the internal audit plan and their evaluation of the adequacy of our internal control and accounting system before submission of the results of such review to our Board for approval prior to the incorporation of such results in our annual report;
- (c) review the financial statements before submission to our Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;
- (d) review the internal control and procedures and ensure co-ordination between the external auditors and our management, reviewing the assistance given by our management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our management where necessary);
- (e) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our operating results or financial position, and our management's response;
- (f) consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors;
- (g) review transactions falling within the scope of Chapter 9 and Chapter 10 of the Catalist Rules;
- (h) review the exposure of our Group to foreign exchange risks on account of our operations outside Malaysia and provide recommendation to the management so that our Group can take suitable actions to minimise such risks;
- (i) undertake such other reviews and projects as may be requested by our board of Directors and report to our Board its findings from time to time on matters arising and requiring the attention of our Audit Committee; and
- (j) generally to undertake such other functions and duties as may be required by statute or the Catalist Rules, or other relevant laws, rules and regulations, and by such amendments made thereto from time to time.

Apart from the duties listed above, our Audit Committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore laws, rules or regulations which has or is likely to have a material impact on our operating results and/or financial position.

In the event that a member of our Audit Committee is interested in any matter being considered by our Audit Committee, he will abstain from reviewing that particular transaction or voting on that particular transaction.

## **BOARD PRACTICES**

Our Directors are appointed by our Shareholders at a general meeting, and an election of Directors takes place annually. One third (or the number nearest one third) of our Directors, are required to retire from office at each annual general meeting. Further, all our Directors are required to retire from office at least once in every three (3) years. However, a retiring Director is eligible for re-election at the meeting at which he retires. Further details on the appointment and retirement of Directors can be found in Appendix III of this Offer Document.

## DESCRIPTION OF ORDINARY SHARES

The following statements are brief summaries of our capital structure and the more important rights and privileges of our Shareholders as conferred by the laws of Singapore and our Articles. These statements summarises the material provisions of our Articles but are qualified in entirety by reference to our Articles, a copy of which will be available for inspection at our offices during normal business hours for a period of six (6) months from the date of registration of this Offer Document.

### SHARES

We have only one (1) class of shares, namely, our Shares, which have identical rights in all respects and rank equally with one another. Our Articles provide that we may issue shares of a different class with preferential, deferred, qualified or special rights, privileges or conditions as our Directors may think fit and may issue preference shares which are, or at our option are, redeemable, subject to certain limitations.

As at the date of lodgment of this Offer Document, 112,684,221 Shares have been issued and fully paid. All of our Shares are in registered form. We may, subject to the provisions of the Companies Act, the Catalist Rules and other written law, purchase our own Shares. However, we may not, except in circumstances permitted by the Companies Act, grant any financial assistance for the acquisition or proposed acquisition of our Shares.

### NEW SHARES

New Shares may only be issued with the prior approval of our Shareholders in a general meeting. The aggregate number of Shares to be issued pursuant to such approval shall be subject to such limit and manner of calculation as may be prescribed by the SGX-ST. The approval, if granted, will lapse at the conclusion of the annual general meeting following the date on which the approval was granted unless otherwise revoked or varied by our Shareholders in a general meeting. Subject to the foregoing, the provisions of the listing rules of the SGX-ST and the Companies Act and any special rights attached to any class of shares currently issued, all new Shares are under the control of our Directors who may allot and issue the same with such rights and restrictions as they may think fit.

### SHAREHOLDERS

Only persons who are registered on our register of Shareholders and, in cases in which the person so registered is CDP, the persons named as the Depositors in the Depository Register maintained by CDP for our Shares, are recognised as our Shareholders. We will not, except as required by law, recognise any equitable, contingent, future or partial interest in any Share or other rights for any Share other than the absolute right thereto of the registered holder of that Share or of the person whose name is entered in the Depository Register for that Share. We may close our register of Shareholders for any time or times if we provide the SGX-ST with at least ten (10) clear Market Days' notice. However, the register may not be closed for more than thirty (30) days in aggregate in any calendar year. We typically close the register to determine our Shareholders' entitlement to receive dividends and other distributions.

### TRANSFER OF SHARES

There is no restriction on the transfer of fully paid Shares except where required by law or the listing rules or the rules or by-laws of SGX-ST. Our Directors may decline to register any transfer of Shares which are not fully paid or Shares on which we have a lien. Shares may be transferred by a duly signed instrument of transfer in a form approved by SGX-ST. Our Directors may also decline to register any instrument of transfer unless, among other things, it has been duly stamped and is presented for registration together with the share certificate and such other evidence of title as they may require. We will replace lost or destroyed certificates for Shares if we are properly notified and the applicant pays a fee which will not exceed \$2 and furnishes any evidence and indemnity that our Directors may require.

## **GENERAL MEETINGS OF SHAREHOLDERS**

We are required to hold an annual general meeting every year. Our Directors may convene an extraordinary general meeting whenever it thinks fit and must do so if our Shareholders representing not less than 10.0% of the total voting rights of all Shareholders request in writing that such a meeting be held. In addition, two (2) or more of our Shareholders holding not less than 10.0% of the total number of issued shares of our Company (excluding treasury shares) may call a meeting. Unless otherwise required by law or by our Articles, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of the votes cast at that meeting. An ordinary resolution suffices, for example, for the appointment of Directors. A special resolution, requiring the affirmative vote of at least 75.0% of the votes cast at the meeting, is necessary for certain matters under Singapore law, including voluntary winding up, amendments to our Memorandum of Association and our Articles, a change of our corporate name and a reduction in our share capital. We must give at least twenty-one (21) days' notice in writing for every general meeting convened for the purpose of passing a special resolution. Ordinary resolutions generally require at least fourteen (14) days' notice in writing. The notice must be given to each of our Shareholders who have supplied us with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting and, in the case of special business, the general nature of that business.

## **VOTING RIGHTS**

A holder of our ordinary shares is entitled to attend, speak and vote at any general meeting, in person or by proxy. A proxy does not need to be a Shareholder. A person who holds ordinary shares through the SGX-ST book-entry settlement system will only be entitled to vote at a general meeting as a Shareholder if his name appears on the Depository Register maintained by CDP forty-eight (48) hours before the general meeting. Except as otherwise provided in our Articles, two (2) or more Shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Articles, on a show of hands, every Shareholder present in person and by proxy shall have one (1) vote (provided that in the case of a Shareholder who is represented by two (2) proxies, only one (1) of the two (2) proxies as determined by that Shareholder or, failing such determination, by the chairman of the meeting in his sole discretion shall be entitled to vote on a show of hands), and on a poll, every Shareholder present in person or by proxy shall have one (1) vote for each Share which he holds or represents. A poll may be demanded in certain circumstances, including by the chairman of the meeting or by any Shareholder present in person or by proxy and representing not less than 10.0% of the total voting rights of all Shareholders having the right to attend and vote at the meeting or by any two (2) Shareholders present in person or by proxy and entitled to vote. In the case of a tie vote, whether on a show of hands or a poll, the chairman of the meeting shall be entitled to a casting vote.

## **DIVIDENDS**

We may, by ordinary resolution of our Shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board. We must pay all dividends out of our profits. All dividends are paid pro-rata amongst our Shareholders in proportion to the number of Shares held by each Shareholder, unless the rights attaching to an issue of any Shares provide otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each Shareholder at his registered address. Notwithstanding the foregoing, the payment by us to CDP of any dividend payable to a Shareholder whose name is entered in the Depository Register shall, to the extent of payment made to CDP, discharge us from any liability to that Shareholder in respect of that payment.

## **BONUS AND RIGHTS ISSUE**

Our Board may, with the approval of our Shareholders at a general meeting, capitalise any sum for the time being standing to the credit of any of the Company's reserve accounts or other undistributable reserve or any sum standing to the credit of the profit and loss account and distribute the same as bonus shares credited as paid up to our Shareholders in proportion to their shareholdings. Our Board may also issue rights to take up additional Shares to our Shareholders in proportion to their shareholdings. Such rights are subject to any conditions attached to such issue and the regulations of any stock exchange on which we are listed.

## **TAKEOVERS**

Under the Singapore Code on Take-Over and Mergers (“Singapore Take-over Code”) issued by the Authority pursuant to Section 321 of the Securities and Futures Act, any person acquiring an interest, either on his own or together with persons acting in concert with him, in 30.0% or more of our voting shares must extend a takeover offer for the remaining voting shares in accordance with the provisions of the Code. In addition, a mandatory takeover offer is also required to be made if a person holding, either on his own or together with persons acting or presumed to be acting in concert with him, between 30.0% and 50.0% of the voting shares acquires additional voting shares representing more than 1.0% of the voting shares in any six-month period.

## **LIQUIDATION OR OTHER RETURN OF CAPITAL**

If we are liquidated or in the event of any other return of capital, holders of our Shares will be entitled to participate in any surplus assets in proportion to their shareholdings, subject to any special rights attaching to any other class of shares.

## **INDEMNITY**

As permitted by Singapore law, our Articles provide that, subject to the Companies Act, our Board and officers shall be entitled to be indemnified by us against any liability incurred in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to have been done as an officer, director or employee and in which judgement is given in their favour or in which they are acquitted or in connection with any application under any statute for relief from liability in respect thereof in which relief is granted by the court. We may not indemnify our Directors and officers against any liability which by law would otherwise attach to them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to us.

## **LIMITATIONS ON RIGHTS TO HOLD OR VOTE SHARES**

Except as described in the sections entitled “Voting Rights” and “Takeovers” above, there are no limitations imposed by Singapore law or by our Articles on the rights of non-resident Shareholders to hold or vote ordinary shares.

## **MINORITY RIGHTS**

The rights of minority Shareholders of Singapore-incorporated companies are protected under Section 216 of the Companies Act, which gives the Singapore courts a general power to make any order, upon application by any of our Shareholders, as they think fit to remedy any of the following situations where:-

- (a) our affairs are being conducted or the powers of our Directors are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of our Shareholders; or
- (b) we take an action, or threaten to take an action, or our Shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of our Shareholders, including the applicant.

Singapore courts have a wide discretion as to the relief they may grant and those reliefs are in no way limited to those listed in the Companies Act. Without prejudice to the foregoing, the Singapore courts may:-

- (a) direct or prohibit any act or cancel or vary any transaction or resolution;
- (b) regulate the conduct of our affairs in the future;
- (c) authorise civil proceedings to be brought in our name, or on our behalf, by a person or persons and on such terms as the court may direct;
- (d) provide for the purchase of a minority Shareholder’s shares by our other Shareholders or by us and, in the case of a purchase of shares by us, a corresponding reduction of our share capital; or
- (e) provide that we be wound up.

## EXCHANGE CONTROLS

The following is a description of the exchange controls that exist in the jurisdictions which we operate in.

### **Singapore**

There are currently no Singapore exchange control or similar laws, decrees, regulations or other legislation that may affect the repatriation of capital and the remittance of profits by or to our Company and in that context, there is no impact on the availability of cash and cash equivalents for use by our Company and the remittance of dividends, interest or other payments to Shareholders.

### **Malaysia**

There are currently no Malaysian exchange control or similar laws, decrees, regulations or other legislation that may affect the following the repatriation of capital and the remittance of profits by or to our Company and in that context, there is no impact on the availability of cash and cash equivalents for use by our Company and the remittance of dividends, interest or other payments to Shareholders.

### **India**

There are certain restrictions on the conversion of Indian Rupees into foreign currency. The Foreign Exchange Management Act of India, 1999 ("FEMA"), as applicable in India, regulates transactions involving foreign exchange and provides that certain transactions cannot be carried out without the general or special permission of the Reserve Bank of India ("RBI"). FEMA has eased restrictions on most current account transactions.

However, the RBI continues to exercise significant control over capital account transactions (i.e., those which alter the assets or liabilities, including contingent liabilities, of persons). The RBI has issued regulations under the FEMA to regulate the various kinds of capital account transactions, including certain aspects of the purchase and issuance of shares of Indian companies.

The existing business of our subsidiaries incorporated in India as well as our investments as non-residents in the Indian subsidiaries are covered by General Permission for Foreign Direct Investment in India since it falls within a sector where Foreign Direct Investment up to 100.0% is permitted under the FEMA. However, in the event that any foreign direct investment is made by us in India, the RBI, being the competent authority, shall be notified within thirty (30) days of the inward remittance and thirty (30) days from the date of allotment of the shares to us by the Indian company in accordance with Notification No. FEMA 20/2000 RB dated 3 May 2000 and its modifications from time to time. Besides the above, there are no other limitations on the right to own shares, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on the shares that are imposed by law currently in force or by the constituent documents of our Company.

### **Indonesia**

Currently, no foreign exchange control restrictions exist in Indonesia. The Indonesian Rupiah and foreign currencies have been, and in general are, freely convertible. Bank Indonesia has introduced regulations to prohibit the movement of Indonesian Rupiah from banks within Indonesia to banks located offshore, thereby limiting offshore trading to existing sources of liquidity. The movement of Indonesian Rupiah to foreign parties (which include foreign citizens, foreign legal entities, foreign bodies, Indonesian citizens having permanent resident status in another country and not domiciled in Indonesia, offices of Indonesian banks and Indonesian companies located offshore) within banks in Indonesia without certain underlying trade or investment reasons is also prohibited. In addition, there is a reporting requirement to Bank Indonesia of foreign exchange transactions carried out through banks or non-bank financial institutions (for example, insurance companies, securities companies, finance companies or venture capital companies) in Indonesia. The requirement is imposed on the relevant Indonesian banks or non-bank financial institutions that carried out the transactions. There is also a reporting requirement to Bank Indonesia on certain activities of Indonesian companies with regard to their offshore financial assets and liabilities that are not carried out through the Indonesian banking system.



Subject to the above, there is no restriction on repatriation of capital and remittance of profits from foreign investment companies operating in Indonesia.

**Cambodia**

Currently, there are no exchange control restrictions in force in Cambodia which would prevent repatriation of capital (if any), income and profits from our operations in Cambodia.

## TAXATION

The following is a discussion of certain Singapore income tax, stamp duty, estate duty and Goods and Services Tax consequences of purchasing, holding or disposing of our Shares. This discussion is based on current tax laws in Singapore and is not intended to be and does not constitute legal or tax advice. This discussion is subject to changes in current tax laws, or in the interpretation thereof, which changes may be retrospective. While this discussion is considered to be a correct interpretation of existing laws in force as at the Last Practicable Date, no assurance can be given that courts or fiscal authorities responsible for the administration of such laws will agree with the interpretation taken or that changes in such laws will not occur.

The discussion is limited to a general description of certain tax consequences in Singapore with respect to the purchase, holding or disposal of the Shares. The statements made herein do not purport to be a comprehensive or exhaustive description of all tax considerations that may be relevant to a decision to purchase, hold or dispose of our Shares and do not address the tax treatment of investors subject to specific rules.

**EACH PROSPECTIVE SUBSCRIBER IS ADVISED TO CONSULT ITS TAX ADVISORS ABOUT THE PARTICULAR TAX CONSEQUENCES OF AN INVESTMENT IN OUR SHARES.**

### SINGAPORE TAXATION

#### Singapore Income Tax

##### Individual Taxpayers

An individual is a tax resident of Singapore in a year of assessment if, in the preceding year, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he resides in Singapore.

Generally, Singapore tax resident individuals are subject to Singapore income tax on income accrued in or derived from Singapore (i.e. Singapore-sourced income) and on foreign-sourced income received or deemed received in Singapore, unless the income is specifically exempt.

With effect from 1 January 2004, all foreign-sourced income received in Singapore (except for income received through a partnership in Singapore) by tax resident individuals will be exempt from income tax. In addition, certain Singapore-sourced investment income from financial instruments will also be exempt from Singapore income tax.

For a Singapore tax resident individual, the rate of tax will vary according to the individual's chargeable income, subject to a current maximum rate of 20.0%.

Non-resident individuals, subject to certain exceptions, are subject to Singapore income tax on all Singapore-sourced income. Foreign-sourced income received or deemed received in Singapore by a non-resident individual is exempt from tax. The rate of tax applicable to a non-resident individual on his Singapore-sourced income would depend on the type of income, subject to a current maximum rate of 20.0%.

##### Corporate Taxpayers

A company is tax resident in Singapore if the control and management of its business is exercised in Singapore.

Generally, both Singapore resident and non-resident companies are subject to Singapore income tax on income accrued in or derived from Singapore and on foreign-sourced income received or deemed received in Singapore from outside Singapore unless the income is exempt from tax. Non-resident companies are also taxable on certain income deemed to have been derived from Singapore.

Foreign-sourced income in the form of dividends, branch profits and service income received or deemed received in Singapore by resident corporate taxpayers on or after 1 June 2003 will be exempt from tax if certain prescribed conditions are satisfied.

The prevailing corporate tax rate in Singapore is 18.0%. In addition, three-quarters of up to the first S\$10,000, and one-half of up to the next S\$290,000, of a company's chargeable income otherwise subject to normal taxation is exempt from Singapore income tax. The remaining chargeable income will be taxed at the prevailing corporate tax rate.

#### Dividend Distributions

Singapore introduced the one-tier corporate tax system on 1 January 2003. Under the one-tier corporate tax system, the tax paid on profits at the corporate level would constitute a final tax and the company can pay tax exempt (one-tier) dividends which are tax exempt in the hands of all its shareholders regardless of the tax residence status of the shareholder.

Singapore does not currently impose withholding tax on dividends paid to non-Singapore tax resident shareholders. Foreign shareholders are advised to consult their own tax advisors in respect of the tax laws of their respective countries of residence and the applicability of any avoidance of double taxation agreement that their country of residence may have with Singapore.

#### Gains on Disposal of our Shares

Singapore does not impose tax on capital gains. However, there are no specific laws or regulations which deal with the characterisation of capital gains. Hence, any gains arising from the disposal of shares will be taxable in Singapore at the prevailing corporate tax rate if such gains are considered to be trading gains. Whether a gain realised from the disposal of shares is a capital or a trading gain will have to be determined based on the facts and circumstances of the transaction and the overall business traits of the person who disposes of the shares.

#### Stamp Duty

Stamp duty is payable on the instrument of transfer of our Shares at the rate of S\$0.20 for every S\$100 or part thereof computed on the amount or value of consideration. The amount or value of consideration is the actual consideration or market value of our Shares, whichever is higher.

The purchaser is liable for stamp duty, unless there is an agreement to the contrary.

No stamp duty is payable if no instrument of transfer is executed or the instrument of transfer is executed outside Singapore. However, stamp duty would be payable if an instrument of transfer which is executed outside Singapore is received in Singapore.

Stamp duty is not applicable to electronic transfers of our Shares through CDP.

#### Estate Duty

Pursuant to announcements made during Singapore Budget 2008, Singapore estate duty is abolished for deaths occurring on or after 15 February 2008. The above has not been promulgated as law yet.

#### Goods and Services Tax ("GST")

The sale of the Shares by an investor belonging in Singapore through an SGX-ST member or to another person belonging in Singapore is an exempt supply not subject to GST.

Where a GST-registered investor sells our Shares to a person belonging outside Singapore, the sale is generally a taxable supply subject to GST at zero-rate. Any GST incurred by a GST-registered investor in the making of this supply in the course of furtherance of a business may, subject to the provision of the Goods and Services Tax Act, Chapter 117A of Singapore be recovered from the Comptroller of GST.

Services such as brokerage, handling and clearing charges rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's purchase, sale or holding of shares will be subject to GST at the current rate of 7.0%. Similar services rendered for and to an investor belonging outside Singapore are subject to GST at zero-rate.

## CLEARANCE AND SETTLEMENT

Upon listing and quotation on the Official List, our Shares will be traded under the book-entry settlement system of the CDP, and all dealings in and transactions of our Shares through Catalist will be effected in accordance with the terms and conditions for the operation of securities accounts with the CDP, as amended, supplemented or modified from time to time.

Our Shares will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through depository agents, securities accounts with CDP. Persons named as direct securities account holders and depository agents in the depository register maintained by the CDP, rather than CDP itself, will be treated, under our Articles of Association and the Act, as members of our Company in respect of the number of Shares credited to their respective securities accounts.

Persons holding our Shares in securities accounts with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will, however, not be valid for delivery pursuant to trades transacted on Catalist, although they will be *prima facie* evidence of title and may be transferred in accordance with our Articles of Association. A fee of \$10 for each withdrawal of 1,000 Shares or less and a fee of \$25 for each withdrawal of more than 1,000 Shares is payable upon withdrawing our Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of \$2 or such other amount as our Directors may decide, is payable to the share registrar for each share certificate issued and a stamp duty of \$10 is also payable where our Shares are withdrawn in the name of the person withdrawing our Shares or \$0.20 per \$100 or part thereof of the last-transacted price where it is withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on Catalist must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP, and have their respective securities accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of \$20 is payable upon the deposit of each instrument of transfer with CDP.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's securities account being debited with the number of Shares sold and the buyer's securities account being credited with the number of Shares acquired. No transfer of stamp duty is currently payable for our Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in our Shares on Catalist is payable at the rate of 0.04 per cent. of the transaction value subject to a maximum of \$600 per transaction. The clearing fee, instrument of transfer deposit fee and share withdrawal fee may be subject to Singapore Goods and Services Tax of 7.0 per cent.

Dealings of our Shares will be carried out in Singapore dollars and will be effected for settlement on CDP on a scripless basis. Settlement of trades on a normal "ready" basis on Catalist generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following business day. CDP holds securities on behalf of investors in securities accounts. An investor may open a direct account with CDP or a sub-account with a Depository Agent. The Depository Agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

## GENERAL AND STATUTORY INFORMATION

### INFORMATION ON DIRECTORS AND EXECUTIVE OFFICERS

1. The name, address, principal occupation and business and working experience of each of our Directors and Executive Officers are set out in the sections entitled “Directors” and “Executive Officers” of this Offer Document.
2. The present and past directorships (held in the five (5) years preceding the date of this Offer Document), other than directorships held in our Company, of each of our Directors are as follows:-

| <b>Name</b>                                     | <b>Present Directorships</b>                  | <b>Past Directorships</b>                 |
|---|---|---|
| <b>Dato’ Dr Noorul Ameen Bin Mohamed Ishack</b> | <u>Group corporations</u>                     | <u>Group corporations</u>                 |
|   | Klinik Anis Sdn Bhd                           | Yantra Holdings Sdn Bhd                   |
|   | Klinik Lee Medik Sdn Bhd                      |   |
|   | Klinik Salak Sdn Bhd                          |   |
|   | Kumpulan Medic (KL) Sdn Bhd                   |   |
|   | Kumpulan Medic (Selangor) Sdn Bhd             |   |
|   | New West Management Sdn Bhd                   |   |
|   | Poliklinik Puteri dan Surgeri Sdn Bhd         |   |
|   | Qualitas Healthcare Corporation Sdn Bhd       |   |
|   | Qualitas Healthcare International Sdn Bhd     |   |
|   | Qualitas Medical Group Sdn Bhd                |   |
|   | Doctorslab Medical Services Private Limited   |   |
|   | Namrata Diagnostic Centre Private Limited     |   |
|   | Osler Diagnostics Private Limited             |   |
|   | Qualitas Medical Group Private Limited        |   |
| PT Qualitas Healthcare Indonesia                |   |   |
|   | <u>Other corporations</u>                     | <u>Other corporations</u>                 |
|   | QH Sdn Bhd                                    | Qualitas Medical Group (Cambodia) Co. Ltd |
|   | Syarikat Haji S.A. Mohamed Ishack Holdings    | Selangor Medical Centres Sdn Bhd          |
| <b>Karim Tajdin Mohamed Ali Dhala</b>           | <u>Group corporations</u>                     | <u>Group corporations</u>                 |
|   | Daya X-Ray Center Sdn Bhd                     | Nil                                       |
|   | First Rewards Sdn Bhd                         |   |
|   | Generous Rewards Sdn Bhd                      |   |
|   | Klinik Anis Sdn Bhd                           |   |
|   | Klinik Catterall, Khoo and Raja Malek Sdn Bhd |   |
|   | Klinik Dhas Sdn Bhd                           |   |
|   | Klinik JJ (Johor) Sdn Bhd                     |   |
|   | Klinik Lee Medik Sdn Bhd                      |   |
|   | Klinik Pantai Sdn Bhd                         |   |
| Klinik Port Dickson Sdn Bhd                     |   |   |

| Name   | Present Directorships  | Past Directorships   |                           |
|--|--|--|---------------------------|
| <b>Karim Tajdin Mohamed<br/>Ali Dhala (Cont'd)</b> | <u>Group corporations</u>  | <u>Group corporations</u>  |                           |
|  | Klinik Syed Alwi dan Chandran (Penang) Sdn Bhd<br>Lambaian Adiwarna Sdn Bhd<br>New West Management Sdn Bhd<br>Poliklinik Puteri & Surgeri Sdn Bhd<br>Kualitas Healthcare Corporation Sdn Bhd<br>Kualitas Healthcare International Sdn Bhd<br>Q-Medical Care Sdn Bhd<br>QMM Services Sdn Bhd<br>Reddy Clinic Sdn Bhd<br>Vertical Score Sdn Bhd<br>Doctorslab Medical Services Private Limited<br>Namrata Diagnostic Centre Private Limited<br>Osler Diagnostics Private Limited<br>Kualitas Medical Group Private Limited<br>P.T. Kualitas Healthcare Indonesia |  |                           |
|  | <u>Other corporations</u>  | <u>Other corporations</u>  |                           |
|  | QH Sdn Bhd<br>Tumutra Impresario Sdn Bhd (dormant)   | Nil  |                           |
|  | <b>Raja Noorma Binti Raja Othman</b>   | <u>Group corporations</u>  | <u>Group corporations</u> |
|  |  | Kualitas Healthcare Corporation Sdn Bhd  | Nil                       |
|  |  | <u>Other corporations</u>  | <u>Other corporations</u> |
|  |  | CAV Private Equity Management Sdn Bhd<br>CIMB Standard Strategic Asset Advisors Pte Ltd<br>CIMB Standard Strategic Asset Advisors Sdn Bhd<br>CIMB Strategic Assets (Cayman) Limited<br>CIMB Strategic Assets Sdn Bhd<br>CIMB Wealth Advisors Berhad (formerly known as SBB Mutual Berhad)<br>CIMB-Mapletree Management Sdn Bhd<br>CIMB-Principal Asset Management Berhad<br>CIMB-Principal Islamic Asset Management Sdn Bhd (formerly known as SBB Asset Management Sdn Bhd) | Nil                       |

| <b>Name</b>                                       | <b>Present Directorships</b>  | <b>Past Directorships</b>  |
|---|---|--|
| <b>Raja Noorma Binti Raja Othman<br/>(Cont'd)</b> | <u>Other corporations</u><br>CMREF 1 Sdn Bhd<br>Commerce Agro Ventures Sdn Bhd<br>(alternate to Darawati Hussain)<br>Commerce Asset Ventures Sdn Bhd<br>Commerce-KNB Agro Teroka<br>Sdn Bhd<br>Commerce Technology Ventures<br>Sdn Bhd<br>Forward Wealth Advisors Sdn Bhd<br>Hasrat Eramas Sdn Bhd<br>i-Wealth Advisors Sdn Bhd<br>(formerly known as Commerce<br>Asset Fund Managers Sdn Bhd)<br>Jaya Section Fourteen Sdn Bhd<br>Lot A Sentral Sdn Bhd<br>Mutiara Makmur Ventures Sdn Bhd<br>Project Asia City Sdn Bhd<br>SEASAF Education Sdn Bhd<br>(formerly known as Rich<br>Teamwork Sdn Bhd)<br>SEASAF Highway Sdn Bhd<br>(formerly known as Semarak<br>Jayamaju Sdn Bhd)<br>SEASAF Sdn Bhd<br>SEASAF Power Sdn Bhd<br>(formerly known as Premier<br>Unity Sdn Bhd)<br>Sentral Parc City Sdn Bhd<br>South East Asian Strategic Assets<br>(General Partner) Limited<br>Tanjung Pinang Villas Sdn Bhd<br>(formerly known as KL Park<br>City Sdn Bhd)<br>Titan Setup Sdn Bhd | <u>Other corporations</u>  |
| <b>Muhammad Azraini Bin<br/>Abdul Hamid</b>       | <u>Group corporations</u><br>Qualitas Healthcare Corporation<br>Sdn Bhd<br><br><u>Other corporations</u><br>CAV BAT Sdn Bhd (formerly<br>known as Forefront Potential<br>Sdn Bhd)<br>CAV Private Equity Management<br>Sdn Bhd<br>CM Nouvelle Pte Ltd<br>CNL Holdings Sdn Bhd<br>Commerce Growth Sdn Bhd<br>Delphax Engineering Sdn Bhd<br>Delphax Sdn Bhd<br>EduFuture Sdn Bhd<br>EQ Industry Supplies Sdn Bhd<br>Fortlab Holdings Sdn Bhd<br>Fortune Laboratories Sdn Bhd  | <u>Group corporations</u><br>Nil<br><br><u>Other corporations</u><br>Nil |

| <b>Name</b>                                      | <b>Present Directorships</b>   | <b>Past Directorships</b>   |
|--|--|---|
| <b>Muhammad Azraini Bin Abdul Hamid (Cont'd)</b> | <u>Group corporations</u><br>Fortune Organics (F.E.) Sdn Bhd<br>Fortune Pharma Sdn Bhd<br>Goodmaid Chemicals Corporation Sdn Bhd<br>Goodmaid Industrial Supplies Sdn Bhd<br>Goodmaid Marketing Sdn Bhd<br>In-Fusion Education Sdn Bhd<br>In-Fusion Solutions Sdn Bhd<br>Kibaru Manufacturing Sdn Bhd<br>Meru Utama Sdn Bhd<br>MMSC Learning Group Sdn Bhd<br>PolyScience Manufacturing Sdn Bhd<br>Prima Special Sdn Bhd<br>Stonington Pte Ltd<br>Titan Setup Sdn Bhd | <u>Group corporations</u>   |
| <b>Dato' Dr Samsudin Bin Hussain</b>             | <u>Group corporations</u><br>Nil<br><br><u>Other corporations</u><br>PB Gas Sdn Bhd<br>Isjati Sdn Bhd<br>Iktira Enterprise Sdn Bhd<br>Nu-Ira Holdings Sdn Bhd<br>Ekuiti Mantap Sdn Bhd<br>Manja Pelangi Sdn Bhd<br>Rekavista Sdn Bhd<br>Serijadi Sdn Bhd<br>PP Frame Technology Sdn Bhd<br>RV Geotechnic Sdn Bhd<br>Rekavista (Sarawak) Sdn Bhd<br>Tekad Hebat Sdn Bhd<br>RV Equipment Sdn Bhd<br>Reka Concrete Products Sdn Bhd                                     | <u>Group corporations</u><br>Nil<br><br><u>Other corporations</u><br>Nil  |
| <b>Chaw Chong Foo</b>                            | <u>Group corporations</u><br>Nil<br><br><u>Other corporations</u><br>Canadian Imperial Investment Pte Ltd<br>Canadian Maple Leaf Holdings (Singapore) Pte Ltd<br>Bigfix Asia Pte Ltd<br>Zhaolim Pte Ltd  | <u>Group corporations</u><br>Nil<br><br><u>Other corporations</u><br>Bigsix Asia Pte Ltd<br>International Mezzanine Fund Management Ltd<br>Internet Security Systems Pte Ltd<br>Trisecurity Holdings Pte Ltd<br>Trisecurity Pte Ltd |



3. The present and past directorships (held in the five (5) years preceding the date of this Offer Document) of each of our Executive Officers are as follows:-

| <b>Name</b>            | <b>Present Directorships</b>  | <b>Past Directorships</b> |
|------------------------|---|---------------------------|
| <b>Ng Ai Kiang</b>     | <u>Group corporations</u>   | <u>Group corporations</u> |
|                        | First Rewards Sdn Bhd<br>Galaxy Corner Sdn Bhd<br>(in liquidation)<br>Klinik Daiman Sdn Bhd<br>Klinik Dhas Sdn Bhd<br>Klinik Dr. Nur Ainita Sdn Bhd<br>Klinik Lee Medik Sdn Bhd<br>Klinik Pantai Sdn Bhd<br>Klinik Kualitas Sdn Bhd<br>Klinik Syed Alwi dan Chandran<br>(Penang) Sdn Bhd<br>Lambaian Adiwarna Sdn Bhd<br>Poliklinik Central & Surgeri Sdn Bhd<br>Poliklinik Simpang Pulai Sdn Bhd<br>Q-Medical Care Sdn Bhd<br>Kualitas Pharma Sdn Bhd<br>Towards Growth Sdn Bhd<br>Yantra Holdings Sdn Bhd   | Nil                       |
|                        | <u>Other corporations</u>   | <u>Other corporations</u> |
|                        | Nil   | Nil                       |
| <b>Leong Tien Kuan</b> | <u>Group corporations</u>   | <u>Group corporations</u> |
|                        | Apex Support Sdn Bhd<br>First Rewards Sdn Bhd<br>Galaxy Corner Sdn Bhd<br>(in liquidation)<br>Klinik Dhas Sdn Bhd<br>Klinik Genting Kelang Sdn Bhd<br>(in liquidation)<br>Klinik JJ (Johor) Sdn Bhd<br>Klinik Lee Medik Sdn Bhd<br>Klinik Ludher Sdn Bhd<br>Klinik Pantai Sdn Bhd<br>Klinik Port Dickson Sdn Bhd<br>Klinik Kualitas Sdn Bhd<br>Klinik Salak (Selangor) Sdn Bhd<br>Klinik Syed Alwi Dan Chandran<br>(Penang) Sdn Bhd<br>Klinik Thomas Sdn Bhd<br>Poliklinik Central & Surgeri Sdn Bhd<br>Poliklinik Simpang Pulai Sdn Bhd<br>Q-Medical Care Sdn Bhd<br>QMM Services Sdn Bhd<br>Surplus Mode Sdn Bhd<br>Yantra Holdings Sdn Bhd | Nil                       |
|                        | <u>Other corporations</u>   | <u>Other corporations</u> |
|                        | Nil   | Nil                       |

| <b>Name</b>                            | <b>Present Directorships</b>                           | <b>Past Directorships</b> |
|--|--|---------------------------|
| <b>Dr Sakina Binti Ali Abul Hassan</b> | <u>Group corporations</u>                              | <u>Group corporations</u> |
|  | Nil  | Nil                       |
|  | <u>Other corporations</u>                              | <u>Other corporations</u> |
|  | Hanawell Engineering Sdn Bhd<br>Lantasan Abadi Sdn Bhd | Nil                       |

4. (a) Our Independent Director, Mr Chaw, was a director and chief executive officer of Celebrities Asia Theme Restaurants (S) Pte Ltd, which went under judicial management in 1998 and was subsequently dissolved on 28 May 2001 pursuant to a creditors' voluntary winding up.
- (b) Save as disclosed above, none of our Directors, Executive Officers and Controlling Shareholders is or was at any time involved in any of the following events:-
- (i) during the last ten (10) years, had an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within two (2) years from the date he ceased to be a partner;
  - (ii) during the last ten (10) years, had an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within two (2) years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
  - (iii) any unsatisfied judgment against him;
  - (iv) been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware of) for such purpose;
  - (v) been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including pending criminal proceedings of which he is aware) for such breach;
  - (vi) during the last ten (10) years, had judgment entered against him in any civil proceedings in Singapore or elsewhere involving the breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;
  - (vii) been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
  - (viii) been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part in any way directly or indirectly in the management of any entity or business trust;

- (ix) been the subject of any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity;
- (x) ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of affairs of:-
  - (A) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;
  - (B) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;
  - (C) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
  - (D) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere;

in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; and

- (xi) been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or governmental agency, whether in Singapore or elsewhere.

5. The aggregate remuneration paid to our Directors for services rendered in all capacities to our Company and our subsidiaries for the last financial year ended 31 December 2007 was RM1.1 million. For the current financial year ending 31 December 2008, the aggregate remuneration payable to Directors by our Group is estimated to be RM1.1 million.
6. There is no shareholding qualification for our Directors under the Articles of Association of our Company.
7. No option to subscribe for or purchase shares in, or debentures of, our Company or any of our subsidiaries has been granted to, or was exercised by, any of our Directors or Executive Officers within the last financial year ended 31 December 2007.
8. Save as disclosed in the section entitled "Interested Person Transactions, Potential Conflicts of Interests and Other Transactions" of this Offer Document, none of our Directors is interested, directly or indirectly, in the promotion of, or in any property or assets which have, within the three (3) years preceding the date of this Offer Document, been acquired or disposed of by or leased to, our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries.
9. No sum or benefit has been paid or is agreed to be paid to any Director or expert, or to any firm in which such Director or expert is a partner or any corporation in which such Director or expert holds shares or debentures, in cash or shares or otherwise, by any person to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him or by such firm or corporation in connection with the promotion or formation of our Company.

## **SHARE CAPITAL**

10. As at the date of this Offer Document, there is only one (1) class of shares in the capital of our Company. There are no founder, management or deferred shares. The rights and privileges attached to our Shares are stated in the Articles of Association of our Company.

11. Save as disclosed in Appendix V of this Offer Document and in the section entitled “Restructuring Exercise” and the section entitled “Share Capital” of this Offer Document, there are no changes in the issued and paid up share capital of our Company and our subsidiaries within the last three (3) years preceding the date of this Offer Document.
12. Save as disclosed in Appendix V of this Offer Document, in the section entitled “Restructuring Exercise” and in the section entitled “Share Capital” of this Offer Document, no shares in, or debentures of, our Company or any of our subsidiaries have been issued, or are proposed to be issued, as fully or partly paid for cash or for a consideration other than cash, during the last three (3) years preceding the date of this Offer Document.
13. Save as disclosed in the section entitled “Group Structure” of this Offer Document, no person has the right, or is entitled to be, given an option to subscribe for any shares in or debentures of our Company or any of our subsidiaries.

#### **MEMORANDUM AND ARTICLES OF ASSOCIATION**

14. (a) Our Company is incorporated in Singapore and our Company registration number is 200717959H. The main object of our Company as set out in the Memorandum of Association is to carry on a network of primary care or general practice clinics.
- (b) An extract of the Articles of Association of our Company relating to, *inter alia*, Directors’ powers to vote on contracts in which they are interested, Directors’ remuneration, Directors’ borrowing powers, Directors’ retirement, Directors’ share qualification, rights pertaining to shares, convening of general meetings and alteration of capital are set out in Appendix III of this Offer Document.

#### **BANK BORROWINGS AND WORKING CAPITAL**

15. Save as disclosed in the sections on “Capitalisation and Indebtedness” and “Liquidity and Capital Resources” of this Offer Document and in the “Report from the Reporting Accountants and Auditors on the Audited Consolidated Financial Statements of QHC and its subsidiaries for the financial years ended 31 December 2005, 2006 and 2007”, our Group had no other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trading bills) or acceptance credits, mortgages, charges, hire purchase commitments, guarantees or other contingent liabilities for the period under review.
16. In the opinion of our Directors, no minimum amount must be raised by the issue of the New Shares. Although no minimum amount must be raised by our Company from the Invitation to provide for the use of proceeds, such amounts which are proposed to be provided out of the proceeds of the Invitation shall in the event such amount is insufficient or the Invitation is cancelled, be provided out of our existing credit facilities and/or funds generated from our operations.
17. Our Directors are of the opinion that, after taking into account our present credit facilities, cash and cash equivalents, and net cash to be generated from our operating activities, our Group has adequate working capital for our requirements.

#### **MATERIAL CONTRACTS**

18. The contracts, not being contracts entered into in the ordinary course of business, entered into by our Company and our subsidiaries within the two (2) years preceding the LPD and are or may be material are provided below:-
  - (a) Sale of business agreement dated 29 June 2006 between Klinik PDL Sdn Bhd (“Vendor”) and Brilliant Commitment Sdn Bhd (“Purchaser”) (which Purchaser subsequently changed its name to Klinik Port Dickson Sdn Bhd) whereby the Purchaser purchased from the Vendor the business of provision of primary healthcare and other related services through the operation of a clinic and in-house clinic carried on by the Vendor under the name and style as Klinik Port Dickson at No. 75-C, Jalan Lama, 71000 Port Dickson Negeri Sembilan, In-house clinics at ESSO (Malaysia) Bhd, Port Dickson Refinery, Shell Refining Co. (FOM) Bhd,

Port Dickson Refinery, Tunku Jaafar Power Station (the "Business") including goodwill and all other assets and rights of the Vendor used in the conduct of the Business, for a total consideration of RM92,000 to be fully satisfied by the issuance of 92,000 ordinary shares of RM1.00 each in the Purchaser to the Vendor.

- (b) Shareholders' agreement dated 30 June 2006 between Dr. Ram Gopal Katyal, Dr Shoba Nainani @ Vidya a/p Naraindas and Dr Sivapatham a/l Tharmalingam (collectively, "Existing Shareholders") and QMG in relation to the shareholding in Klinik Port Dickson Sdn Bhd on the terms and conditions set out therein.
- (c) Sale and purchase of shares agreement dated 30 June 2006 between Dr Ram Gopal Katyal, Dr Shoba Nainani @ Vidya a/p Naraindas and Dr Sivapatham a/l Tharmalingam (collectively as "Vendors") and QMG ("Purchaser") whereby the Vendors sold their shareholding interest in Brilliant Commitment Sdn Bhd ("Brilliant") (which company subsequently changed its name to Klinik Port Dickson Sdn Bhd) representing, in aggregate, 51.0% of the issued share capital of the Company to the Purchaser for an aggregate consideration of RM 485,975 to be satisfied 70.0% in cash and 30.0% by the allotment and issue of such number of ordinary shares in QMG to the Vendors on the terms and conditions as set out therein.
- (d) Put and call option agreement dated 30 June 2006 between Dr. Ram Gopal Katyal, Dr Shoba Nainani @ Vidya a/p Naraindas and Dr Sivapatham a/l Tharmalingam (collectively "Shareholders") and QMG ("Purchaser") whereby the Shareholders and QMG granted to each other put and call options in relation to 15,027 shares each held by Dr Ram Gopal Katyal, Dr Shoba Nainani @ Vidya a/p Naraindas and Dr Sivapatham a/l Tharmalingam in Klinik Port Dickson Sdn Bhd aggregating to 45,081 shares on the terms and conditions set out therein.
- (e) Sale of business agreement dated 24 July 2006 between Original Delights Sdn Bhd (now known as Klinik Dr. Nur Ainita Sdn Bhd) ("Purchaser") and Dr Nur A'inita Binti Hj Harun ("Vendor") whereby the Purchaser purchased from the Vendor the business of provision of primary healthcare and other related services through the operation of a clinic and in-house clinic carried on by the Vendor under the name and style as Klinik Dr Nur Ainita at No. 12-A-1, Jalan USJ 9/5Q, 47620 Subang Jaya, Selangor Darul Ehsan (the "Business") including goodwill and all other assets and rights of the Vendor used in the conduct of the Business, for a total consideration of RM49,998 to be fully satisfied by the issuance of 49,998 ordinary shares of RM1.00 each in the Purchaser to the Vendor.
- (f) Sale and purchase of shares agreement dated 25 July 2006 between Dr Nur A'inita Binti Hj Harun and Hazrin Fazail Bin Haroon (collectively "Vendors") and QMG ("Purchaser") whereby the Vendors sold their shareholding interest in Original Delights Sdn Bhd (now known as Klinik Dr Nur Ainita Sdn Bhd) (the "company") representing, in aggregate, 51.0% of the issued share capital of the company to the Purchaser for an aggregate consideration of RM125,284 to be satisfied 70.0% in cash and 30.0% by the allotment and issue of such number of ordinary shares in QMG to the Vendors on the terms and conditions as set out therein.
- (g) Shareholders' agreement dated 27 July 2006 between Dr Nur A'inita Binti Hj Harun and QMG in relation to the shareholding in Klinik Dr Nur Ainita Sdn Bhd on the terms and conditions set out therein.
- (h) Put and call option agreement dated 27 July 2006 between Dr Nur A'inita Binti Hj Harun and QMG whereby each of Dr Nur A'inita Binti Hj Harun and QMG granted to each other put and call options in relation to 24,500 shares in Klinik Dr Nur Ainita Sdn Bhd held by Dr Nur A'inita Binti Hj Harun on the terms and conditions set out therein.

- (i) Agreement dated 1 August 2006 between Qualitas Medical Group Private Limited, India and Vijaya Diagnostics Centre, Hyderabad whereby Vijaya Diagnostics Centre is responsible to establish and manage the laboratory and other duties of Qualitas Family Clinic and Screening Centre at New No. 165 Avvai Shanmugam Salai Royapettah, Chennai on a fee-sharing basis, with our Group being responsible to provide certain infrastructure facilities, including the premises for the Qualitas Family Clinic.
- (j) Agreement dated 27 October 2006 between Sin Keng Choo @ Ng Nyet Chin (“Vendor”) and Qualitas Medical Group Private Limited for the acquisition of 799,998 shares in Osler Diagnostics Private Limited by Qualitas Medical Group Private Limited from the Vendor at a consideration of INR21,899,945 payable by Qualitas Medical Group Private Limited.
- (k) Agreement dated 27 October 2006 between Sin Keng Choo @ Ng Nyet Chin (“Vendor”) and Qualitas Medical Group Private Limited for the acquisition of 9,998 shares in Doctorslab Medical Services Private Limited by Qualitas Medical Group Private Limited from the Vendor at a consideration of INR100,000 payable by Qualitas Medical Group Private Limited.
- (l) Agreement dated 27 October 2006 between Sin Keng Choo @ Ng Nyet Chin (“Vendor”) and QHI pursuant to which QHI (“Share Allotment Agreement”) agreed to allot and issue to the vendor ordinary shares equivalent to RM100,000 upon the listing of any of our Group companies on any internationally recognized stock exchange as part of the consideration of the acquisitions described in paragraphs (j) and (k) above.
- (m) Sale of business agreement dated 30 November 2006 between Yantra Holdings Sdn Bhd (as “Purchaser”) of one part and the executive of the estate of Dato’ Dr Reginald Vijianayagam Ananda (namely, Dato’ Dr George Devanayagam Ananda and Mr Sidney Rajanayagam Ananda) of the other part (collectively the “Vendors”) whereby the Purchaser purchased from the Vendors the business of provision of primary healthcare and other related services through the operation of a clinic carried on by the Vendor under the name and style as Klinik Ananda at Ground Floor of A5 Jalan Stadium, 25200 Kuantan, Pahang Darul Makmur (the “Business”) including goodwill and all other assets and rights of the Vendor used in the conduct of the Business, for a total consideration of RM930,084 to be fully satisfied in cash on the terms and conditions set out therein.
- (n) Pursuant to a letter dated 1 December 2006 from QMG to Zuellig Pharma Sdn Bhd (“ZP”), QMG has granted a corporate guarantee in favour of ZP for a sum not exceeding RM 2,500,000, in consideration of ZP agreeing to supply goods on credit to QMG’s wholly owned subsidiary, Qualitas Pharma Sdn Bhd. Such corporate guarantee covers all goods delivered to QMG’s respective branches with effect from 1 December 2006.
- (o) Hire purchase agreement dated 12 December 2006 between Public Bank Berhad and QHC for a hire purchase facility of RM260,000 for the purchase of a vehicle with repayment to be made by QHC over a period of sixty (60) months.
- (p) Sale and purchase agreement dated 12 January 2007 entered into between QMG and Melawangi Sdn Bhd (“Developer”) whereby the Developer agreed to sell and QMG agreed to purchase a parcel of office premises in Tower Block A, Unit No. 301, Level 3, Menara PJ (approximate area 4,478 square feet) at the total purchase consideration of RM1,880,760 and a deed of mutual covenants dated 12 January 2007 entered into between QMG and the Developer which sets out the covenants as determined by the Developer on the use of the Common Property (as defined therein) and conduct of QMG and/or other occupiers of and visitors to the parcel of office premises in Tower Block A Unit No. 301, Level 3, Menara PJ or the Project (as defined therein).
- (q) Sale of business agreement dated 31 March 2007 between Klinik Qualitas Sdn Bhd (as “Purchaser”) (formerly known as Klinik Qualitas (Seremban) Sdn Bhd) and Klinik Rasah Dan Surgeri Sdn Bhd (“Vendor”) whereby the Purchaser purchased from the Vendor the business provision of primary healthcare and other related services through the operation of a clinic carried on by the Vendor under the name of Klinik Rasah dan Surgeri at Ground floor of No.

1761 Rasah Utama, 70300 Seremban, Negeri Sembilan Darul Khusus (the "Business") including goodwill and all other assets and rights of the Vendor used in the conduct of the Business, for a total consideration of RM761,867 to be satisfied in cash on the terms and conditions set out therein.

- (r) Cooperation agreement dated 28 May 2007 between PT Kualitas Healthcare Indonesia and PT Mega Medika Clinic for investing in and providing management services in primary healthcare through the operation of clinics, laboratories, diagnostic centres and other such healthcare facilities and healthcare projects in Indonesia.
- (s) Sale of business agreement dated 25 June 2007 entered into between Fendez Sdn Bhd ("Vendor") and First Rewards Sdn Bhd, whereby First Rewards Sdn Bhd purchased from the Vendor the business of provision of primary healthcare and other related services through the operation of a clinic carried on by the Vendor under the name of Kelinik Asia as ground floor and first floor of No. 140 Jalan Besar, 81750 Masai, Johor and Poliklinik Fernandez at Suite No. G-02 Bangunan Timjaya, 127 Batu 4/1/2 Jalan Skudai, 81200 Johor Bahru (the "Business"), including goodwill and all other assets and rights of the Vendor used in the conduct of the Business, for a total consideration of RM800,617 to be satisfied fully by cash on the terms and conditions set out therein.
- (t) Letter of continuing guarantee dated 20 August 2007 by QHC in favour of Public Bank Berhad ("PBB"), in consideration of PBB agreeing to grant a fixed loan of RM1,620,000 to QMG.
- (u) Equipment master security and loan agreement dated 24 October 2007 ("Loan Agreement") between Namrata Diagnostic Centre Private Limited ("Debtor") and GE Capital Services Limited (as "Lender") in relation to a loan of INR14,500,000 granted by the Lender to the Debtor secured against any and all property of the Debtor as may be listed on any such collaterals set out in the schedule to the Loan Agreement.
- (v) Shareholders agreement dated 1 November 2007 entered into between Kualitas Medical Group Private Limited and Vijaya Diagnostics Private Limited in relation to the regulation of the affairs of Doctorslab Medical Services Private Limited.
- (w) Shareholders agreement dated 16 November 2007 entered into between Dr G. Balakrishna and Doctorslab Medical Services Private Limited as shareholders of Namrata Diagnostic Centre Private Limited in relation to the regulation of the affairs of Namrata Diagnostic Centre Private Limited.
- (x) Sale of business agreement dated 16 November 2007 entered into between Dr G. Balakrishna ("Vendor") and Namrata Diagnostic Centre Private Limited ("Purchaser") for the sale of the business of provision of diagnostic services and other related services through the operation of a diagnostic centre carried on by the Vendor under the name and style of Namrata Diagnostic Centre for a total consideration of INR7,000,000 to be satisfied mainly through certain adjustments as provided in the said agreement, including the purchase of the property by the parent company of the Purchaser as set out below in paragraph 18(aa) of this section, from the Vendor and the assumption of a loan of INR160.0 million outstanding from the Vendor to GE Capital Services Limited and partly by the issuance of 3500 shares of INR10.00 each constituting 35.0% of the paid-up equity share capital of the Purchaser on the terms and conditions set out therein.
- (y) Loan agreement dated 16 November 2007 entered into between Dr G. Balakrishna ("Borrower") and Namrata Diagnostic Centre Private Limited ("Lender") in relation to a loan of INR2,000,000 granted by the Lender to the Borrower on the on the terms and conditions set out therein and a memorandum of second share ("Charge Instrument") created by B. Vinaj Kumar and Dr. G. Balakrishna (collectively the "Chargors") in favour of Namrata Diagnostic Centre Private Limited ("Chargee") over certain land and building owned by the Chargors as set out in the Charge Instrument to secure the repayment of the above loan by the Lender on the terms and conditions set out in the Charge Instrument.

- (z) Sale deed bearing document registration no.12691 dated 19 November 2007 entered into between G. Veeralakshmi, G. Sunandha and Dr G. Balakrishna (collectively “Vendors”) and Doctorslab Medical Services Private Limited (as “Purchaser”) for the purchase of 50.0% undivided share of piece and parcel of land forming part of 471.06 square yards in house no.6-6-533 Sahethnagar Karim Nagar Town Karim Nagar Municipal Corporation Karim Nagar Taluk, Karim Nagar District Andhra Pradesh India admeasuring 235.53 square yards along with a built-up area of 8,750 square feet in the ground and first floors (the “Property”) for a total consideration of INR8,500,000.
- (aa) Sale deed bearing document registration no. 12692 dated 19 November 2007 entered into between G. Veeralakshmi, G. Sunandha and Dr G. Balakrishna (collectively “Vendors”) and Doctorslab Medical Services Private Limited (“Purchaser”) for the purchase of 50.0% undivided share of piece and parcel of land forming part of 471.06 square yards in house no. 6-6-533 Sahethnagar Karim Nagar Town Karim Nagar Municipal Corporation Karim Nagar Taluk, Karim Nagar District Andhra Pradesh India admeasuring 235.53 square yards along with a built-up area of 8,750 square feet (the “Property”) for a total consideration of INR7,500,000.
- (ab) Put and call option agreement dated 8 January 2008 made between Dr Faizah Binti Abdullah and QMG whereby each of Dr Faizah Binti Abdullah and QMG granted to each other put and call options in relation to 4,000 shares in Lambaian Adiwarna Sdn Bhd held by Dr Faizah Binti Abdullah on terms and conditions as set out therein.
- (ac) The restructuring agreements dated 5 February 2008 as amended by an addendum dated 28 February 2008 (collectively, the “Restructuring Agreement”) entered into by our Company with each of the minority shareholders of the various subsidiaries of QHC (excepting two (2) minority shareholders in QMG holding less than 0.1% of the ordinary shares in QMG) and all the shareholders of QHC (collectively the “Vendors”), to acquire from each of the Vendors their entire shareholdings in QHC and the respective subsidiaries as set out in the Restructuring Agreement in return for allotment of an aggregate of 51,144,260 new shares in our Company. Please refer to the section entitled “Our Restructuring Exercise” of this Offer Document for further details.
- (ad) Sale of business agreement dated 1 June 2008 entered into between Datin Dr Harinder Kaur a/p Gurcharan Singh and Dr Jaspal Singh Gill a/l Inder Singh (collectively the “Vendors”) and Yantra Holdings Sdn, Bhd, whereby Yantra Holdings Sdn Bhd purchased from the Vendor the business of provision of primary healthcare and other related services through the operation of three (3) clinics carried on by the Vendors under the name of Klinik Aman at (a) No. 11, Jalan Sultan Azlan Shah, 11700 Gelugor, Pulau Pinang; (b) No. 603, Jalan Datuk Keramat, 10460 Pulau Pinang; and (c) No. 5, Lorong Mayang Pasir 5, Taman Sri Tunas, 11950 Bayan Baru, Pulau Pinang (collectively the “Business”), including goodwill and all other assets and rights of the Vendors used in the conduct of the Business, which includes the benefits of a contract for the running of an in-house clinic in Penang, for a total consideration of RM2,900,002 to be satisfied fully by cash on the terms and conditions set out therein.
- (ae) Pursuant to the sale of business agreement dated 1 June 2008 entered into between Datin Dr Harinder Kaur a/p Gurcharan Singh and Dr Jaspal Singh Gill a/l Inder Singh and Yantra Holdings Sdn Bhd as set out in paragraph (ad) above, a sale and purchase agreement dated 1 June 2008 entered into between Datin Dr Harinder Kaur A/P Gurcharan Singh and Dr Jaspal Singh Gill a/l Inder Singh (collectively the “Vendors”) and QMG for the purchase of the property known as Lot No. 2904, Bandar Gelugor, Daerah Timor Laut held under Geran No. Pendaftaran 43406, Penang together with premises bearing assessment address No. 11, Jalan Sultan Azlan Shah 11700 Gelugor Penang by QMG from the Vendors for a purchase price of RM1,800,000 on the terms and conditions set out therein. As of the LPD, the purchase of the said property has not been completed.
- (af) Pursuant to the sale of business agreement dated 1 June 2008 entered into between Datin Dr Harinder Kaur a/p Gurcharan Singh and Dr Jaspal Singh Gill a/l Inder Singh and Yantra Holdings Sdn. Bhd as set out in paragraph (ad) above, a sale and purchase agreement



dated 1 June 2008 entered into between Dato' Lakhbir Singh a/l Sadu Singh and Dr. Jaspal Singh Gill a/l Inder Singh (collectively the "Vendors") and QMG for the purchase of the property known as Lot No. 1009, Bandar Georgetown, Seksyen 3, Daerah Timor Laut held under Geran No. Pendaftaran 21534, Penang together with premises bearing assessment address No. 603, Jalan Dato Keramat, 10460 Penang by QMG from the Vendors for a purchase price of RM650,000 on the terms and conditions set out therein. As of the LPD, the purchase of the said property has not been completed.

- (ag) Agreement by way of deed dated 19 June 2008 between Sin Keng Choo @ Ng Nyet Chin ("Vendor"), our Company and QHI pursuant to which our Company agreed to allot and issue, and the Vendor agreed to accept, 166,848 Shares, as full and final settlement of all liabilities, duties and obligation owed by QHI under the Share Allotment Agreement as set out in paragraph (l) above.

## LITIGATION

19. Save as disclosed below, neither our Company nor any of our subsidiaries is engaged in any legal or arbitration proceedings as plaintiff or defendant including those which are pending or known to be contemplated which may have or have had in the last twelve (12) months before the date of lodgment of this Offer Document, a material effect on the financial position or the profitability of our Company or any of our subsidiaries:-

- (a) Our subsidiary, New West Management Sdn Bhd, is the plaintiff in a civil suit Summons No. S7-52-27285-07 filed by it on 30 August 2007 in the Kuala Lumpur Sessions Court against Hope Holdings Sdn Bhd ("Defendants"), who previously leased a property at 345 & 347 Jalan Pudu, 55100 Kuala Lumpur to us for use as a clinic. The claim was for the refund of rental and utilities deposits amounting to RM59,200 by the Defendant. On 22 November 2007, our Company obtained Judgment in Default of appearance against the Defendant. The Defendant has applied to set aside the judgment but no hearing date for the application has been fixed by the court.
- (b) Our subsidiaries, Qualitas Medical Group Sdn Bhd and New West Management Sdn Bhd are co-plaintiffs in the civil suit No.D5-22-1090-2007 filed on 9 August 2007 in the Kuala Lumpur High Court against Ng Ah Kow and Lee Siew Vin ("Defendants") for passing-off and breach of contract in relation to the use of the tradename "Klinik Ng dan Lee". Ng Ah Kow and Lee Siew Vin were ex-doctors of our Group who were the previous shareholders of New West Management Sdn Bhd. QMG had acquired the proprietary rights to the tradename of the clinic, "Klinik Ng dan Lee" along with the acquisition of the business from Ng Ah Kow and Lee Siew Vin in 2000. Both of them divested their entire shareholding interests in New West Management Sdn Bhd by 30 September 2005, which included the proprietary rights to the trade name of the clinic, "Klinik Ng dan Lee". This action followed after they left the employ of the Group and established a competing business using a name and style confusingly and deceptively similar to that which the Group to that of "Klinik Ng dan Lee". Qualitas Medical Group Sdn Bhd and New West Management Sdn Bhd have obtained an interlocutory injunction order on 9 January 2008 against the Defendants.

The Defendants have counterclaimed that they have the rights to the name "Klinik Ng dan Lee" and they have claimed for damages to be assessed.

Our solicitors handling the matter for us attended the court on 29 May 2009 for the pre-trial case management. The court has directed the parties to file the respective bundles of documents within three (3) months. The court has further fixed 29 August 2008 as a further mention date for the above matter.

- (c) On 14 November 2005, our subsidiary, Poliklinik Puteri Dan Surgeri Sdn Bhd received a letter of demand from one Teoh Ka Hooi ("Claimant") claiming a sum of RM80,000 for alleged medical negligence. Poliklinik Puteri Dan Surgeri Sdn Bhd has informed their insurer QBE Insurance (Malaysia) Bhd. of the potential claim and a firm of solicitors has been appointed to act for Poliklinik Puteri Dan Surgeri Sdn Bhd. Since 2005, Poliklinik Puteri Dan

Surgeri Sdn Bhd has not received any notice of any action filed against them. We believe that we are adequately insured against the potential claim and we have made no provision against it.

- (d) Our subsidiary in India, Doctorslab Medical Services Private Limited, is a defendant in Original Suit No. 6 of 2008 on the file of the Additional District Judge in Karimnagar in India filed by G Veeralakshmi, G Sunandha and Dr G. Balakrishna (together the "Plaintiffs") to cancel two (2) sale deeds, namely (a) the sale deed bearing Document Registration No. 12691 of 2007 dated 19 November 2007 executed by G Veeralakshmi, G Sunandha and Dr G. Balakrishna in favour of Doctorslab Medical Services Private Limited in respect of the immovable property admeasuring an extent of 50.0% undivided share of 471.06 square yards, in House No. 6-6-533, in Sakethnagar, Karim Nagar Town along with 8750 square feet of built-up area on the ground and first floors; and (b) the sale deed bearing Document Registration No. 12692 of 2007 dated 19 November 2007 executed by G Veeralakshmi, G Sunandha and Dr G. Balakrishna in favour of Doctorslab Medical Services Private Limited in respect of the immovable property admeasuring an extent of 50.0% undivided share of 471.06 square yards, in House No. 6-6-533, in Sakethnagar, Karim Nagar Town along with 8,750 square feet of built-up area on the second and third floors.

Namrata Diagnostic Centre Private Limited operates out of the aforesaid premises and has filed a suit, namely, Original Suit No. 7 of 2008 on the file of the Additional District Judge, Karimnagar, against Dr G. Balakrishna to restrain him from interfering with the business operations of Namrata Diagnostic Centre Private Limited being carried out at the aforesaid premises. The litigation is at a preliminary stage with both parties having been granted time to complete their pleadings.

#### **SPONSORSHIP, UNDERWRITING AND PLACEMENT ARRANGEMENTS**

20. Pursuant to the Sponsorship and Underwriting Agreement dated 21 August 2008 (the "Sponsorship and Underwriting Agreement") entered into between our Company and UOB as the Sponsor and the Underwriter, our Company appointed UOB to sponsor and manage the Invitation and to subscribe or procure subscribers for any Offer Shares not subscribed for pursuant to the Invitation and to pay or procure payment to our Company for such Offer Shares. UOB will receive a sponsorship management fee from our Company for its services rendered in connection with the Invitation.

Pursuant to the Sponsorship and Underwriting Agreement, UOB has agreed to underwrite the Offer Shares for a commission of 2.75% of the Issue Price for total number of Offer Share payable by our Company pursuant to the Invitation. UOB may, at its liberty, sub-underwrite its underwriting obligations on terms and conditions it deems fit.

21. Pursuant to the Placement Agreement dated 21 August 2008 (the "Placement Agreement") entered into between our Company and UOB as the Placement Agent, UOB has agreed to subscribe or procure subscribers for the Placement Shares for a placement commission of 2.00% of the Issue Price for the total number of Placement Share, to be paid by our Company. UOB may, at its absolute discretion, appoint one or more sub-placement agents for the Placement Shares.
22. Brokerage will be paid by our Company at the rate of 0.25% of the Issue Price for each Offer Share and 1.00% of the Issue Price for each Placement Share. In respect of the Offer Shares, the brokerage will be paid to members of the SGX-ST, merchant banks and members of the Association of Banks in Singapore in respect of successful applications made on Application Forms bearing their respective stamps, or to Participating Banks in respect of successful applications made through Electronic Applications at their respective ATMs or their IB websites. In addition, DBS Bank levies a brokerage at the rate of 0.5% of the Issue Price or minimum brokerage fee of S\$5,000 that will be borne by our Company. In respect of the Placement Shares, the brokerage will be paid to the placement agents in accordance to the Placement Agreement. Subscribers of the Placement Shares may be required to pay brokerage of up to 1.00% of the Issue Price, as well as stamp duties, goods and services tax and any similar charges, where applicable, to the Placement Agent or its sub-placement agents.

23. The Sponsorship and Underwriting Agreement may be terminated by UOB by notice in writing to our Company at any time on or before 12.00 noon on the date of the close of the Application List (or such other date as our Company and the Sponsor, Underwriter and Placement Agent may agree), on the occurrence of certain events including, *inter alia*:-

- (a) there shall come to the knowledge of UOB any breach of the warranties or undertakings in the Sponsorship and Underwriting Agreement or that any of the warranties in the Sponsorship and Underwriting Agreement is untrue or incorrect; or
- (b) any event or circumstances occurring on or after the date of Sponsorship and Underwriting Agreement and prior to 12.00 noon on the date of the close of the Application List (or such other date as our Company and the UOB may agree) which, if it had occurred before the date of the Sponsorship and Underwriting Agreement, would have rendered any of the warranties or representations in the Sponsorship and Underwriting Agreement untrue or incorrect in any material respect; or
- (c) if there shall have been, since the date of the Sponsorship and Underwriting Agreement:-
  - (i) any material adverse change, or any development involving a prospective adverse change, in the condition (financial or otherwise), performance or general affairs of our Company or its subsidiaries;
  - (ii) any introduction or prospective introduction of or any change or prospective change in any legislation, regulation, policy, rule, guideline or directive (whether or not having the force of law and including, without limitation, any directive or request issued by the Authority, the Securities Industry Council of Singapore or the SGX-ST) or in the interpretation or application thereof by any court, government body, regulatory authority or other competent authority;
  - (iii) any change, or any development involving a prospective change, in local, national, regional or international financial (including stock market, foreign exchange market, inter-bank market or interest rates or money market), political, industrial, economic, legal or monetary conditions, taxation or exchange controls (including but without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the SGX-ST due to exceptional financial circumstances or otherwise);
  - (iv) any imminent threat or occurrence of any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict (whether or not involving financial markets);
  - (v) any other occurrence of any nature whatsoever,

which event or events shall in the reasonable opinion of the Sponsor (A) result or be likely to result in a material adverse fluctuation or adverse conditions in the stock market in Singapore or overseas or (B) be likely to materially prejudice the success of the subscription or offer of the New Shares (whether in the primary market or in respect of dealings in the secondary market) or (C) make it impracticable, inadvisable inexpedient or uncommercial to proceed with any of the transactions contemplated in this Agreement or (D) be likely to have a material adverse effect on the business, trading position, operations or prospects of the Company or of the Group as a whole or (E) be such that no reasonable underwriter would have entered into this Agreement or (F) result or be likely to result in the refusal or delay of an admission of the Company to Catalist under Rule 432 of the Catalist Rules or otherwise, or (G) make it uncommercial or otherwise contrary to or outside the usual commercial practices of underwriters in Singapore for UOB to observe or perform or be obliged to observe or perform the terms of this Agreement; or

(d) without limiting the generality of the foregoing, if there comes to the notice of UOB (i) any statement contained in this Offer Document or the Application Form which in the reasonable opinion of UOB has become untrue, incorrect or misleading in any material respect or (ii) circumstances or matters have arisen or have been discovered, which would, if this Offer Document was to be issued at that time, constitute in the sole and absolute opinion of UOB, a material omission of such information, and our Company fails to lodge a supplementary or replacement Offer Document or document within a reasonable time after being notified of such a material misrepresentation or omission or fails to promptly take such steps as UOB may reasonably require to inform investors of the lodgment of such supplementary Offer Document or document. In such an event, UOB reserves the right, at its absolute discretion to cancel the Invitation and any application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to the applicants for the New Shares by ordinary post or telegraphic transfer at the applicant's own risk within fourteen (14) days of the termination of the Invitation.

24. The Placement Agreement is conditional upon the Sponsorship and Underwriting Agreement not having been determined or rescinded pursuant to the provisions of the Sponsorship and Underwriting Agreement. In the event that the Sponsorship and Underwriting Agreement is terminated, our Company reserves the right, at the absolute discretion of our Directors, to cancel the Invitation.

#### **MISCELLANEOUS**

25. The nature of the business of our Company has been stated earlier in this Offer Document. The corporations which by virtue of Section 6 of the Companies Act are deemed to be related to our Company are set out in the section entitled "Group Structure" of this Offer Document.

26. Save for subscriber shares issued upon incorporation of our Company on 28 September 2007 and Shares issued pursuant to the Restructuring Exercise and 166,848 Shares issued to Sin Keng Choo @ Ng Nyet Chin, there has been no previous issue of Shares by our Company or offer for sale of our Shares to the public within the two (2) years preceding the date of this Offer Document.

27. There have been no public takeover offers by third parties in respect of our Shares or by us in respect of other companies' shares which have occurred between the beginning of FY2007 and the LPD.

28. No amount of cash or securities or benefit has been paid or given to any promoter within the two (2) years preceding the LPD or is proposed or intended to be paid or given to any promoter at any time.

29. Save as disclosed in the section on "Sponsorship, Underwriting and Placement Agreements" of this Offer Document, no commission, discount or brokerage has been paid or other special terms granted within the two (2) years preceding the LPD or is payable to any Director, promoter, expert, proposed Director or any other person for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in, or debentures of, our Company or any of our subsidiaries.

30. Application monies received by our Company in respect of successful applications (including successful applications which are subsequently rejected) will be placed in a separate non-interest bearing account with UOB (the "Receiving Bank"). In the ordinary course of business, the Receiving Bank will deploy these monies in the inter-bank money market. All profits derived from the deployment of such monies will accrue to the Receiving Bank. Any refund of all or part of the application monies to unsuccessful or partially successful applicants will be made without any interest or any share of revenue or any other benefit arising therefrom.

31. Save as disclosed in this Offer Document, our Directors are not aware of any relevant material information including trading factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Company and our subsidiaries.

32. Save as disclosed in this Offer Document, the financial condition and operations of our Group are not likely to be affected by any of the following:-
- (a) known trends or demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group's liquidity increasing or decreasing in any material way;
  - (b) material commitments for capital expenditure;
  - (c) unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from operations; and
  - (d) known trends or uncertainties that have had or that we reasonably expect will have a material favourable or unfavourable impact on revenues or operating income.
33. Details, including the name, address and professional qualifications (including membership in a professional body) of the auditors of our Group for the financial years ended 31 December 2005, 2006 and 2007 are as follows:-

| <b>Name, membership and address</b>   | <b>Professional body</b>                                     | <b>Partner-in-charge/<br/>Professional qualification</b>                       |
|---|--|--|
| KPMG<br>Public Accountants and<br>Certified Public Accountants<br><br>16 Raffles Quay<br>#22-00 Hong Leong Building<br>Singapore 048581   | Institute of Certified<br>Public Accountants<br>of Singapore | Adeline Lee Tuck Ngor<br>(Certified Public Accountant)                         |
| KPMG<br>Chartered Accountants<br><br>Level 10 KPMG Tower<br>8 First Avenue<br>Bandar Utama<br>47800 Petaling Jaya<br>Selangor<br>Malaysia | Malaysian Institute of<br>Accountants                        | Adrian Lee Lye Wang<br>(A member of the Malaysian<br>Institute of Accountants) |
| T Udaya Raj & Associates<br>Chartered Accountants<br><br>33 Noorveersamy Street<br>Nungambakkam Chennai<br>India                          | Institute of Chartered<br>Accountants of India               | M Thiruvengadam<br>Chartered Accountant  |

We currently have no intention of changing our auditors after the listing of our Company on the Official List.

34. Save as disclosed in this Offer Document, our Directors are not aware of any event which has occurred since the LPD which may have a material effect on the financial information provided in the Audited Consolidated Financial Statements of QHC and its subsidiaries for the financial years ended 31 December 2005, 2006 and 2007 and the Unaudited Proforma Consolidated Financial Statements of the Group for the Financial Year ended 31 December 2007 as set out in Appendix I and Appendix II, respectively, of this Offer Document.

## **CONSENTS**

35. The Reporting Accountants and Auditors have given and have not withdrawn their written consent to the issue of this Offer Document with the inclusion herein of the Reporting Accountants and Auditors' Report on the Audited Consolidated Financial Statements of QHC and its subsidiaries for the Financial Years ended 31 December 2005, 2006 and 2007 and the Unaudited Proforma Consolidated Financial Statements of our Group for the Financial Year ended 31 December 2007 in the form and context in which they are respectively included and references to their name in the form and context in which they appear in this Offer Document and to act in such capacity in relation to this Offer Document.
36. The Sponsor, Underwriter and Placement Agent, has given and has not withdrawn their written consents to the issue of this Offer Document with the inclusion herein of their names and references thereto in the form and context in which they respectively appear in this Offer Document and to act in such respective capacities in relation to this Offer Document.
37. Ali Budiardjo, Nugroho, Reksodiputro, the legal adviser to our Company as to Indonesian law, has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of its opinion in the section entitled "Risk Factors – We may not be able to retain, renew or obtain licences and permits necessary for the operation of our business" and the section entitled "Business" in the form and context in which it appears in this Offer Document and to act in such capacity in relation to this Offer Document.

## **RESPONSIBILITY STATEMENT BY OUR DIRECTORS**

38. This Offer Document has been seen and approved by our Directors and they individually and collectively accept full responsibility for the accuracy of the information given herein and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed herein are fair and accurate in all material respects as of the date hereof and there are no material facts the omission of which would make any statements in this Offer Document misleading and that this Offer Document constitutes full and true disclosure of all material facts about the Invitation and our Group.

## **RESPONSIBILITY STATEMENT BY OUR SPONSOR**

39. Our Sponsor is of the reasonable opinion that the working capital available to our Group as at the date of this Offer Document is sufficient for the present requirements and for at least twelve (12) months after the Listing Date.

## **DOCUMENTS AVAILABLE FOR INSPECTION**

40. The following documents or copies thereof may be inspected at our registered office at 138 Robinson Road, #17-00, The Corporate Office, Singapore 068906, during normal business hours for a period of six (6) months from the date of Final Lodgment Notice by the SGX-ST in respect of this Offer Document:-
  - (a) the Memorandum and Articles of Association of our Company;
  - (b) the Audited Consolidated Financial Statements of QHC and its subsidiaries for the Financial Years ended 31 December 2005, 2006 and 2007 set out in Appendix I of this Offer Document;
  - (c) the Unaudited Proforma Consolidated Financial Statements of the Group for the Financial Year ended 31 December 2007 set out in Appendix II of this Offer Document;
  - (d) the material contracts referred to in this Offer Document;
  - (e) the letters of consent referred to in this Offer Document; and
  - (f) the Service Agreements referred to in this Offer Document.

**REPORT FROM THE REPORTING ACCOUNTANTS AND AUDITORS ON THE  
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF QUALITAS  
HEALTHCARE CORPORATION SDN BHD AND ITS SUBSIDIARIES FOR THE  
FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007**

**Independent Accountants' Report**

25 June 2008

The Board of Directors  
Qualitas Healthcare Corporation Sdn. Bhd.  
Unit 301, Level 3, Menara PJ, Amcorp Trade Centre  
18, Persiaran Barat  
46050 Petaling Jaya  
Selangor Darul Ehsan, Malaysia

Dear Sirs

We have audited the accompanying financial statements of Qualitas Healthcare Corporation Sdn. Bhd. (QHC) and its subsidiaries (the QHC Group), which comprise the consolidated balance sheets as at 31 December 2005, 2006 and 2007, the consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements for the financial years ended 31 December 2005, 2006 and 2007, and a summary of significant accounting policies and other explanatory notes, as set out on pages I-3 to I-38.

*Management's responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards.

Management has acknowledged that its responsibility includes:

- (a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

*Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements of the Group, present fairly, in all material respects, the financial position of the Group as at 31 December 2005, 2006 and 2007, and of the Group's results of operations, changes in equity and cash flows for the years ended 31 December 2005, 2006 and 2007, in accordance with Singapore Financial Reporting Standards.

This report has been prepared for inclusion in the Offer Document of Qualitas Medical Group Limited in connection with its initial public offering of the shares on Catalist, a newly established SGX-ST-regulated and sponsor-supervised market of SGX-ST.

Yours faithfully

**KPMG**  
*Public Accountants and  
Certified Public Accountants*

**KPMG**  
*Chartered Accountants*

**Singapore**  
Adeline Lee Tuck Ngor  
Partner

**Malaysia**  
Adrian Lee Lye Wang  
Partner



**Consolidated Balance Sheets**  
**As at 31 December 2005, 2006, 2007**

|   | Note | 2005<br>RM  | 2006<br>RM  | 2007<br>RM |
|---|------|-------------|-------------|------------|
| <b>Non-current assets</b>                                       |      |             |             |            |
| Property, plant and equipment                                   | 3    | 5,301,314   | 4,704,562   | 10,908,535 |
| Intangible assets   | 4    | 17,614,053  | 19,684,626  | 21,357,637 |
| Deferred tax assets   | 5    | –           | 67,588      | 26,842     |
|   |      | 22,915,367  | 24,456,776  | 32,293,014 |
| <b>Current assets</b>   |      |             |             |            |
| Pharmaceutical inventories, at cost                             |      | 2,886,910   | 3,106,051   | 3,415,580  |
| Trade and other receivables                                     | 6    | 11,584,526  | 13,005,678  | 12,785,046 |
| Tax recoverables  |      | 432,640     | 557,883     | 806,440    |
| Cash at bank and in hand  | 7    | 9,571,426   | 12,186,723  | 13,502,329 |
|   |      | 24,475,502  | 28,856,335  | 30,509,395 |
| <b>Total assets</b>   |      | 47,390,869  | 53,313,111  | 62,802,409 |
| <b>Equity attributable to equity holders of the parent</b>      |      |             |             |            |
| Share capital   | 8    | 29,730,559  | 29,730,559  | 31,230,559 |
| Reserves  | 9    | (5,450,950) | (3,220,991) | 680,680    |
| <b>Total equity attributable to shareholders of the Company</b> |      | 24,279,609  | 26,509,568  | 31,911,239 |
| Minority interests  |      | 16,269,696  | 17,802,535  | 19,719,858 |
| <b>Total equity</b>   |      | 40,549,305  | 44,312,103  | 51,631,097 |
| <b>Non-current liabilities</b>                                  |      |             |             |            |
| Deferred tax liabilities  | 5    | 283,396     | 332,839     | 261,006    |
| Financial liabilities   | 10   | 86,105      | 244,947     | 2,558,555  |
|   |      | 369,501     | 577,786     | 2,819,561  |
| <b>Current liabilities</b>                                      |      |             |             |            |
| Trade and other payables  | 11   | 5,732,720   | 7,973,709   | 7,625,776  |
| Financial liabilities   | 10   | 409,627     | 96,337      | 515,972    |
| Current tax liabilities   |      | 329,716     | 353,176     | 210,003    |
|   |      | 6,472,063   | 8,423,222   | 8,351,751  |
| <b>Total liabilities</b>  |      | 6,841,564   | 9,001,008   | 11,171,312 |
| <b>Total equity and liabilities</b>                             |      | 47,390,869  | 53,313,111  | 62,802,409 |

The accompanying notes form an integral part of these financial statements.

**Consolidated Income Statements**  
**Years ended 31 December 2005, 2006, 2007**

|                                      | Note | 2005<br>RM   | 2006<br>RM   | 2007<br>RM   |
|--------------------------------------|------|--------------|--------------|--------------|
| <b>Revenue</b>                       | 12   | 51,908,017   | 52,471,332   | 57,675,943   |
| Cost of sales                        |      | (25,476,576) | (25,692,405) | (27,565,166) |
| <b>Gross profit</b>                  |      | 26,431,441   | 26,778,927   | 30,110,777   |
| Other income                         |      | 412,255      | 581,231      | 445,827      |
| Administrative expenses              |      | (16,954,632) | (17,648,781) | (20,236,632) |
| Other expenses                       |      | (1,230,445)  | (1,366,623)  | (2,155,619)  |
| <b>Operating profit</b>              |      | 8,658,619    | 8,344,754    | 8,164,353    |
| Interest income                      |      | 147,481      | 124,101      | 191,915      |
| Finance costs                        |      | (160,295)    | (48,298)     | (66,417)     |
| Impairment loss on goodwill          |      | (141,000)    | -            | -            |
| <b>Profit before income tax</b>      | 13   | 8,504,805    | 8,420,557    | 8,289,851    |
| Income tax expense                   | 14   | (1,766,413)  | (2,179,300)  | (1,968,525)  |
| <b>Profit for the year</b>           |      | 6,738,392    | 6,241,257    | 6,321,326    |
| <b>Attributable to:</b>              |      |              |              |              |
| Equity holders of the Company        |      | 2,661,802    | 2,262,014    | 2,329,186    |
| Minority interests                   |      | 4,076,590    | 3,979,243    | 3,992,140    |
| <b>Profit for the year</b>           |      | 6,738,392    | 6,241,257    | 6,321,326    |
| <b>Earnings per share (in cents)</b> | 15   |              |              |              |
| Basic                                |      | 8.95         | 7.61         | 7.52         |
| Diluted                              |      | 8.95         | 7.61         | 7.52         |

The accompanying notes form an integral part of these financial statements.

**Consolidated Statement of Changes in Equity**  
**Years ended 31 December 2005, 2006, 2007**

|  | Share capital<br>RM | Currency translation<br>reserve<br>RM | Accumulated<br>profits/<br>(losses)<br>RM | Total<br>RM | Minority<br>interests<br>RM | Total<br>equity<br>RM |
|--|---------------------|---------------------------------------|---|-------------|-----------------------------|-----------------------|
| <b>2005</b>  |                     |                                       |   |             |                             |                       |
| At 1 January 2005  | 29,730,559          | 2,222                                 | (8,328,186)                               | 21,404,595  | 15,217,555                  | 36,622,150            |
| Effect of adopting FRS 103<br>(Note 21)  | –                   | –                                     | 194,000                                   | 194,000     | –                           | 194,000               |
| At 1 January 2005, restated  | 29,730,559          | 2,222                                 | (8,134,186)                               | 21,598,595  | 15,217,555                  | 36,816,150            |
| Translation differences<br>relating to financial<br>statements of foreign<br>subsidiaries / Net gain<br>recognised directly<br>in equity | –                   | 19,212                                | –   | 19,212      | –                           | 19,212                |
| Profit for the year  | –                   | –                                     | 2,661,802                                 | 2,661,802   | 4,076,590                   | 6,738,392             |
| Total recognised income<br>and expense for the year  | –                   | 19,212                                | 2,661,802                                 | 2,681,014   | 4,076,590                   | 6,757,604             |
| Acquisition of minority<br>interests   | –                   | –                                     | –   | –           | (736,930)                   | (736,930)             |
| Minority interest arising from<br>acquisition of new<br>subsidiaries   | –                   | –                                     | –   | –           | 102,410                     | 102,410               |
| Issue of shares in<br>subsidiaries<br>to minority shareholders   | –                   | –                                     | –   | –           | 242,038                     | 242,038               |
| Dividends paid to minority<br>shareholders   | –                   | –                                     | –   | –           | (2,631,967)                 | (2,631,967)           |
| At 31 December 2005  | 29,730,559          | 21,434                                | (5,472,384)                               | 24,279,609  | 16,269,696                  | 40,549,305            |
| <b>2006</b>  |                     |                                       |   |             |                             |                       |
| At 1 January 2006  | 29,730,559          | 21,434                                | (5,472,384)                               | 24,279,609  | 16,269,696                  | 40,549,305            |
| Translation differences<br>relating to financial<br>statements of foreign<br>subsidiaries / Net loss<br>recognised directly<br>in equity | –                   | (32,055)                              | –   | (32,055)    | –                           | (32,055)              |
| Profit for the year  | –                   | –                                     | 2,262,014                                 | 2,262,014   | 3,979,243                   | 6,241,257             |
| Total recognised income<br>and expense for the year  | –                   | (32,055)                              | 2,262,014                                 | 2,229,959   | 3,979,243                   | 6,209,202             |
| Acquisition of minority<br>interests   | –                   | –                                     | –   | –           | (470,000)                   | (470,000)             |
| Minority interest arising<br>from acquisition of new<br>subsidiaries   | –                   | –                                     | –   | –           | 131,808                     | 131,808               |
| Issue of shares in<br>subsidiaries to minority<br>shareholders   | –                   | –                                     | –   | –           | 291,539                     | 291,539               |
| Dividends paid to minority<br>shareholders   | –                   | –                                     | –   | –           | (2,399,751)                 | (2,399,751)           |
| At 31 December 2006  | 29,730,559          | (10,621)                              | (3,210,370)                               | 26,509,568  | 17,802,535                  | 44,312,103            |

The accompanying notes form an integral part of these financial statements.

**Consolidated Statement of Changes in Equity**  
**Years ended 31 December 2005, 2006, 2007**

|   | Share<br>capital<br>RM | Currency<br>translation<br>reserve<br>RM | Capital<br>reserve<br>RM | Accumulated<br>profits/<br>(losses)<br>RM | Total<br>RM | Minority<br>interests<br>RM | Total<br>equity<br>RM |
|---|------------------------|--|--------------------------|---|-------------|-----------------------------|-----------------------|
| <b>2007</b>   |                        |  |                          |   |             |                             |                       |
| At 1 January 2007   | 29,730,559             | (10,621)                                 | –                        | (3,210,370)                               | 26,509,568  | 17,802,535                  | 44,312,103            |
| Translation differences relating to financial statements of foreign subsidiaries / Net loss recognised directly in equity | –                      | (33,555)                                 | –                        | –   | (33,555)    | –                           | (33,555)              |
| Profit for the year   | –                      | –  | –                        | 2,329,186                                 | 2,329,186   | 3,992,140                   | 6,321,326             |
| Total recognised income and expense for the year  | –                      | (33,555)                                 | –                        | 2,329,186                                 | 2,295,631   | 3,992,140                   | 6,287,771             |
| Acquisition of minority interests   | –                      | –  | –                        | –   | –           | (41,450)                    | (41,450)              |
| Minority interest arising from acquisition of new subsidiaries  | –                      | –  | –                        | –   | –           | 195,658                     | 195,658               |
| Issue of shares in subsidiaries to minority shareholders  | –                      | –  | –                        | –   | –           | 137,007                     | 137,007               |
| Issue of shares during the year   | 1,500,000              | –  | –                        | –   | 1,500,000   | –                           | 1,500,000             |
| Dilution of equity interest in a subsidiary from issue of shares to minority shareholders                                 | –                      | –  | 1,606,040                | –   | 1,606,040   | 518,522                     | 2,124,562             |
| Dividends paid to minority shareholders   | –                      | –  | –                        | –   | –           | (2,884,554)                 | (2,884,554)           |
| At 31 December 2007   | 31,230,559             | (44,176)                                 | 1,606,040                | (881,184)                                 | 31,911,239  | 19,719,858                  | 51,631,097            |

The accompanying notes form an integral part of these financial statements.

**Consolidated Cash Flow Statements**  
**Years ended 31 December 2005, 2006, 2007**

|  | Note  | 2005<br>RM         | 2006<br>RM         | 2007<br>RM         |
|--|-------|--------------------|--------------------|--------------------|
| <b>Operating activities</b>  |       |                    |                    |                    |
| Profit before income tax   |       | 8,504,805          | 8,420,557          | 8,289,851          |
| Adjustments for:   |       |                    |                    |                    |
| Amortisation of software   |       | –                  | –                  | 80,000             |
| Depreciation of property, plant and equipment                                      |       | 1,144,413          | 1,229,137          | 1,579,932          |
| Finance costs  |       | 160,295            | 48,298             | 66,417             |
| Interest income  |       | (147,481)          | (124,101)          | (191,915)          |
| Loss/(gain) on disposal of property, plant and equipment                           |       | 1,313              | (150,511)          | (10,323)           |
| Impairment loss on goodwill  |       | 141,000            | –                  | –                  |
| Negative goodwill  |       | –                  | –                  | (163,238)          |
| Property, plant and equipment written off  |       | 60,861             | 81,556             | 118,292            |
|  |       | 9,865,206          | 9,504,936          | 9,769,016          |
| Changes in working capital:  |       |                    |                    |                    |
| Pharmaceutical inventories   |       | (494,861)          | (104,411)          | (187,300)          |
| Trade and other receivables  |       | (1,639,675)        | (1,421,152)        | 1,182,301          |
| Trade and other payables   |       | (2,511,282)        | 2,141,500          | (1,945,870)        |
| Cash generated from operations   |       | 5,219,388          | 10,120,873         | 8,818,147          |
| Interest paid  |       | (160,295)          | (48,298)           | (66,417)           |
| Income taxes paid  |       | (1,982,583)        | (2,299,228)        | (2,149,037)        |
| <b>Cash flows from operating activities</b>  |       | <b>3,076,510</b>   | <b>7,773,347</b>   | <b>6,602,693</b>   |
| <b>Investing activities</b>  |       |                    |                    |                    |
| Acquisition of property, plant and equipment                                       | (i)   | (1,031,628)        | (1,018,618)        | (6,941,451)        |
| Acquisition of computer software   |       | –                  | (147,035)          | –                  |
| Acquisition of subsidiaries, net of cash acquired                                  | (ii)  | (412,305)          | (684,045)          | (1,179,077)        |
| Acquisition of a clinic via a subsidiary   | (iii) | –                  | –                  | (533,307)          |
| Acquisition of minority interests  |       | (1,189,677)        | (1,282,260)        | (551,005)          |
| Payment of final consideration for acquisition of equity interests in subsidiaries |       | –                  | (184,760)          | (30,789)           |
| Interest received  |       | 147,481            | 124,101            | 191,915            |
| Proceeds from disposal of property, plant and equipment                            |       | 700                | 589,282            | 179,924            |
| Proceeds from disposal of unquoted investment                                      |       | 51,000             | –                  | –                  |
| <b>Cash flows from investing activities</b>  |       | <b>(2,434,429)</b> | <b>(2,603,335)</b> | <b>(8,863,790)</b> |
| <b>Financing activities</b>  |       |                    |                    |                    |
| Repayment of hire purchase liabilities   |       | (114,127)          | (111,835)          | (96,336)           |
| (Repayment)/drawdown of term loan  |       | (30,304)           | (302,613)          | 2,829,579          |
| Proceeds from issue of shares in subsidiaries to minority shareholders             |       | 242,038            | 291,539            | 2,261,569          |
| Deposits pledged   |       | –                  | (1,000,000)        | –                  |
| Proceeds from issue of shares  |       | –                  | –                  | 1,500,000          |
| Dividends paid to minority shareholders  |       | (2,631,967)        | (2,399,751)        | (2,884,554)        |
| <b>Cash flows from financing activities</b>  |       | <b>(2,534,360)</b> | <b>(3,522,660)</b> | <b>3,610,258</b>   |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                        |       | <b>(1,892,279)</b> | <b>1,647,352</b>   | <b>1,349,161</b>   |
| Cash and cash equivalents at beginning of year                                     |       | 11,444,493         | 9,571,426          | 11,186,723         |
| Effect of exchange rate changes on balances held in foreign currencies             |       | 19,212             | (32,055)           | (33,555)           |
| <b>Cash and cash equivalents at end of year</b>                                    | 7     | <b>9,571,426</b>   | <b>11,186,723</b>  | <b>12,502,329</b>  |

The accompanying notes form an integral part of these financial statements.

i) *Acquisition of property, plant and equipment*

|                               | <b>2005<br/>RM</b> | <b>2006<br/>RM</b> | <b>2007<br/>RM</b> |
|-------------------------------|--------------------|--------------------|--------------------|
| Acquisitions during the year  | 1,164,628          | 1,278,618          | 6,941,451          |
| Acquired under hire purchases | (133,000)          | (260,000)          | –                  |
| Acquired in cash              | <u>1,031,628</u>   | <u>1,018,618</u>   | <u>6,941,451</u>   |

ii) *Acquisition of subsidiaries*

The Group acquired several subsidiaries during the financial year as disclosed in Note 1. The fair values of assets and liabilities assumed were as follows:

|  | <b>Note</b> | <b>2005<br/>RM</b> | <b>2006<br/>RM</b> | <b>2007<br/>RM</b> |
|--|-------------|--------------------|--------------------|--------------------|
| Property, plant and equipment                  | 3           | 138,505            | 154,270            | 1,068,491          |
| Inventories                                    |             | 70,495             | 114,730            | 102,229            |
| Trade and other receivables                    |             | –                  | –                  | 961,669            |
| Cash and cash equivalents                      |             | –                  | –                  | 1,479,241          |
| Trade and other payables                       |             | –                  | –                  | (776,767)          |
| Deferred tax liabilities                       |             | –                  | –                  | (122,366)          |
| Net assets                                     |             | 209,000            | 269,000            | 2,712,497          |
| Minority interest                              |             | (102,410)          | (131,808)          | (195,658)          |
| Goodwill on acquisition                        | 4           | 509,318            | 858,313            | 571,589            |
| Negative goodwill                              |             | –                  | –                  | (163,238)          |
| Purchase consideration                         |             | 615,908            | 995,505            | 2,925,190          |
| Balance of purchase consideration payable      |             | (203,603)          | (311,460)          | (266,872)          |
| Cash and cash equivalents acquired             |             | –                  | –                  | (1,479,241)        |
| Cash flow on acquisition, net of cash acquired |             | <u>412,305</u>     | <u>684,045</u>     | <u>1,179,077</u>   |

iii) *Acquisition of a clinic via a subsidiary*

The Group acquired a clinic via a subsidiary during the financial year as disclosed in Note 1. The fair values of assets and liabilities assumed were as follows:

|   | <b>Note</b> | <b>2005<br/>RM</b> | <b>2006<br/>RM</b> | <b>2007<br/>RM</b> |
|---|-------------|--------------------|--------------------|--------------------|
| Plant and equipment                           | 3           | –                  | –                  | 70,000             |
| Inventories                                   |             | –                  | –                  | 20,000             |
| Net assets                                    |             | –                  | –                  | 90,000             |
| Goodwill on acquisition                       | 4           | –                  | –                  | 671,867            |
| Total purchase consideration                  |             | –                  | –                  | 761,867            |
| Balance of purchase consideration payable     |             | –                  | –                  | (228,560)          |
| Cash flow on acquisition net of cash acquired |             | <u>–</u>           | <u>–</u>           | <u>533,307</u>     |

The accompanying notes form an integral part of these financial statements.

## Notes to the Consolidated Financial Statements

These notes form an integral part of the consolidated financial statements.

These consolidated financial statements were authorised for issue by the Directors on 25 June 2008 and have been prepared for inclusion in the Offer Document of Qualitas Medical Group Limited (QMGL) to be issued.

### 1 Corporate Information

#### 1.1 Domicile and Activities

The Company was incorporated in Malaysia on 23 June 1997 as a limited liability company.

The principal activities of the Company are those relating to investment holding and the provision of management services. Its registered office is at Unit 301, Level 3, Menara PJ, Amcorp Trade Centre, 18 Persiaran Barat, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

#### 1.2 Acquisitions and Disposals

##### Acquisition of equity interest in subsidiaries

In 2005, the Group completed the following acquisitions:

- (i) On 1 January 2005, a 51% equity interest in Apex Support Sdn. Bhd. was acquired for a conditional consideration of RM304,808 satisfied by RM203,205 in cash with the balance of RM101,603 by issuance of 72,573 ordinary shares of RM1 each at an issue price of RM1.40 per share in Qualitas Medical Group Sdn. Bhd. (QMG);
- (ii) On 1 August 2005, an additional 1% equity interest in each of Kumpulan Medic (K.L.) Sdn. Bhd. and Kumpulan Medic (Selangor) Sdn. Bhd. were acquired respectively for a total cash consideration of RM65,000;
- (iii) On 16 August 2005, a 51% equity interest in Klinik Qualitas Sdn. Bhd. was acquired for a cash consideration of RM5,100;
- (iv) On 1 September 2005, a 51% equity interest in Klinik Pantai Sdn. Bhd. was acquired for a conditional consideration of RM306,000 satisfied by RM204,000 in cash with the balance of RM102,000 by issuance of 72,857 ordinary shares of RM1 each at an issue price of RM1.40 per share in QMG; and
- (v) On 30 September 2005, an additional 40.4% equity interest in New-West Management Sdn. Bhd. was acquired for a cash consideration of RM1,369,627.

In 2006, the Group completed the following acquisitions:

- (i) On 27 January 2006, a 51% equity interest in Q-Medical Care Sdn. Bhd. was acquired for a conditional consideration of RM384,244 satisfied by RM256,163 in cash with the balance of RM128,081 by issuance of 85,387 ordinary shares of RM1 each at an issue price of RM1.50 per share in QMG;
- (ii) On 30 June 2006, a 51% equity interest in Klinik Port Dickson Sdn. Bhd. was acquired for a conditional consideration of RM485,975 satisfied by RM340,181 in cash with the balance of RM145,794 by issuance of 97,196 ordinary shares of RM1 each at an issue price of RM1.50 per share in QMG; and
- (iii) On 25 July 2006, a 51% equity interest in Klinik Dr. Nur Ainita Sdn. Bhd. was acquired for a conditional consideration of RM125,284 satisfied by RM87,699 in cash with the balance of RM37,585 by issuance of 25,057 ordinary shares of RM1 each at an issue price of RM1.50 per share in QMG.

In 2007, the Group completed the following acquisitions:

- (i) On 1 January 2007, a 100% equity interest in Osler Diagnostics Services Private Limited in India was acquired for a conditional consideration of RM1,876,576 satisfied in cash;
- (ii) On 1 January 2007, a 100% equity interest in Doctorslab Medical Services Private Limited in India was acquired for a conditional consideration of RM8,547 satisfied in cash;
- (iii) On 15 January 2007, a 85% equity interest in PT Qualitas Healthcare Indonesia was acquired for a conditional consideration of RM308,040 satisfied in cash;
- (iv) On 25 June 2007, a 100% equity interest in First Rewards Sdn. Bhd. was acquired for a conditional consideration of RM560,431 satisfied by RM293,559 in cash with balance of RM266,873 satisfied in cash;
- (v) On 1 November 2007, a 65% equity interest in Namrata Diagnostic Centre Private Limited was acquired for a conditional consideration of RM8,547 satisfied in cash; and
- (vi) On 18 November 2007, a 60% equity interest in Qualitas Medical Group (Cambodia) Co Ltd was acquired for a conditional consideration of RM163,047 satisfied in cash.

### Effect of acquisition

The acquisition of the above subsidiaries had the following effect on the Group's operating results for the financial years ended 31 December 2005, 2006 and 2007:

|   | 2005<br>RM  | 2006<br>RM  | 2007<br>RM  |
|---|-------------|-------------|-------------|
| <b>Income statement</b>                       |             |             |             |
| Revenue                                       | 1,297,666   | 1,747,253   | 1,868,158   |
| Operating costs                               | (1,087,911) | (1,438,121) | (2,377,227) |
| Profit/(loss) before taxation                 | 209,755     | 309,132     | (509,069)   |
| Tax expense                                   | (48,373)    | (65,450)    | (30,048)    |
| Profit/(loss) after taxation                  | 161,382     | 243,682     | (539,117)   |
| Less: Minority interest                       | (88,164)    | (119,404)   | 107,622     |
| Increase/(decrease) in the Group's net profit | 73,218      | 124,278     | (431,495)   |

### Acquisition of minority interests

In 2006, the Group via its subsidiary, Qualitas Medical Group Sdn. Bhd. subscribed for additional 99,998 shares issued by its wholly-owned subsidiary Yantra Holdings Sdn. Bhd. for a cash consideration of RM786,723 to finance its acquisition of two new branches in Kuantan and Kota Kinabalu. The Group via its subsidiary, Qualitas Medical Group Sdn. Bhd. also acquired the remaining 4,900 shares issued by Klinik Qualitas Sdn. Bhd. for a cash consideration of RM1.

The Company also acquired the remaining 470,001 shares of RM1 each representing the remaining 40% equity interest in Qualitas Healthcare International Sdn. Bhd. ("QHI") for a cash consideration of RM507,600. As a result, QHI became a wholly-owned subsidiary of the Company.

In 2007, the Group via its subsidiary, Qualitas Medical Group Sdn. Bhd. subscribed for additional 41,366 shares issued by its subsidiary Klinik Catterall, Khoo and Raja Malek Sdn. Bhd. for a cash consideration of RM174,949.



### **Adjustments to purchase consideration**

In 2005, pursuant to the terms and conditions of the Sale and Purchase of Shares Agreements entered into in 2004 for the acquisition of interest in subsidiaries, the Group paid an additional RM244,950 for its acquisition of Vertical Score Sdn. Bhd., Lambaian Adiwarna Sdn. Bhd., Klinik Catterall, Khoo and Raja Malek Sdn. Bhd., Poliklinik Simpang Pulai Sdn. Bhd. and Klinik Syed Alwi dan Chandran (Penang) Sdn. Bhd.

In 2006, pursuant to the terms and conditions of the Sale and Purchase of Shares Agreements entered into in 2005 for the acquisition of interest in subsidiaries, the Group paid additional cash consideration of RM87,936 for its investments in Klinik Pantai Sdn. Bhd. and Apex Support Sdn. Bhd.

In 2007, pursuant to the terms and conditions of the Sale and Purchase of Shares Agreements entered into in 2006 for the acquisition of interest in subsidiaries, the Group incurred additional net cost of investment of RM22,002 in relation to the acquisition of Q-Medical Care Sdn. Bhd. and Klinik Port Dickson Sdn. Bhd. The Group also increased its cost of investment in Yantra Holdings Sdn. Bhd. by RM393,361.

### **Disposal of equity interest in subsidiaries**

In 2007, the Group completed the following disposals:

- (i) On 1 January 2007, a 4% equity interest in Daya X-Ray Centre Sdn. Bhd. was disposed of for a cash consideration of RM1;
- (ii) On 19 January 2007, the Group's equity interest in Qualitas Medical Group Private Limited in India was diluted from 100% to 76% with the issuance of 31,579 shares for a cash consideration of RM2,124,562. The gain on dilution arising from issue of shares by the subsidiary to a third party amounted to RM1,606,040 and was recognised in the capital reserve;
- (iii) On 1 July 2007, a 2% equity interest in Klinik Catterall, Khoo and Raja Malek Sdn. Bhd. was disposed of for a cash consideration of RM39,325; and
- (iv) On 19 November 2007, a 49% equity interest in Doctorslab Medical Services Private Limited in India was disposed of for a cash consideration of RM4,200.

The effect of the disposals of equity interest in the above entities is immaterial to the Group.

As at 31 December 2005, 2006 and 2007, the Group comprises of the following subsidiaries:

| Name of subsidiary                                  | Principal activities                                    | Place of incorporation / conduct of business | Effective equity interest held by the Group |        |        |
|---|---|--|---|--------|--------|
|   |   |  | 2005 %                                      | 2006 % | 2007 % |
| QMM Services Sdn. Bhd.                              | Provision of medical services                           | Malaysia                                     | 100   | 100    | 100    |
| Qualitas Healthcare International Sdn. Bhd.         | Investment holding and provision of management services | Malaysia                                     | 60  | 100    | 100    |
| Qualitas Medical Group Sdn. Bhd.                    | Investment holding and provision of management services | Malaysia                                     | 75  | 74     | 74     |
| Held by Qualitas Healthcare International Sdn. Bhd. |   |  |   |        |        |
| Qualitas Medical Group Private Limited              | Provision of medical services                           | India  | 100   | 100    | 76     |
| PT Qualitas Healthcare Indonesia                    | Provision of medical services                           | Indonesia                                    | –   | –      | 85     |
| Qualitas Medical Group (Cambodia) Co Ltd            | Provision of medical services                           | Cambodia                                     | –   | –      | 60     |
| Held by Qualitas Medical Group Private Limited      |   |  |   |        |        |
| Osler Diagnostics Private Limited                   | Provision of medical services                           | India  | –   | –      | 76     |
| Doctorslab Medical Services Private Limited         | Provision of medical services                           | India  | –   | –      | 38     |
| Held by Doctorslab Medical Services Private Limited |   |  |   |        |        |
| Namrata Diagnostic Centre Private Limited           | Provision of medical services                           | India  | –   | –      | 25     |
| Held by Qualitas Medical Group Sdn. Bhd.            |   |  |   |        |        |
| Kumpulan Medic (K.L.) Sdn. Bhd.                     | Provision of medical services                           | Malaysia                                     | 39  | 38     | 38     |
| Kumpulan Medic (Selangor) Sdn. Bhd.                 | Provision of medical services                           | Malaysia                                     | 39  | 38     | 38     |
| Klinik Anis Sdn. Bhd.                               | Provision of medical services                           | Malaysia                                     | 38  | 38     | 38     |
| Qualitas Pharma Sdn. Bhd.                           | Supply of medical drugs                                 | Malaysia                                     | 75  | 74     | 74     |
| Klinik Salak Sdn. Bhd.                              | Provision of medical services                           | Malaysia                                     | 38  | 38     | 38     |

| Name of subsidiary                              | Principal activities           | Place of incorporation / conduct of business | Effective equity interest held by the Group |        |        |
|---|--------------------------------|--|---|--------|--------|
|   |                                |  | 2005 %                                      | 2006 % | 2007 % |
| Yantra Holdings Sdn. Bhd.                       | Provision of medical services  | Malaysia                                     | 75  | 74     | 74     |
| Daya X-Ray Centre Sdn. Bhd.                     | Provision of x-ray consultancy | Malaysia                                     | 44  | 44     | 41     |
| Reddy Clinic Sdn. Bhd.                          | Provision of medical services  | Malaysia                                     | 38  | 38     | 38     |
| New West Management Sdn. Bhd.                   | Provision of medical services  | Malaysia                                     | 75  | 74     | 74     |
| Kelinik Genting Kelang Sdn. Bhd.                | Provision of medical services  | Malaysia                                     | 38  | 38     | 38     |
| Klinik Ludher Sdn. Bhd.                         | Provision of medical services  | Malaysia                                     | 38  | 38     | 38     |
| Poliklinik Central & Surgeri Sdn. Bhd.          | Provision of medical services  | Malaysia                                     | 38  | 38     | 38     |
| Lambaian Adiwarna Sdn. Bhd.                     | Provision of medical services  | Malaysia                                     | 38  | 38     | 38     |
| Vertical Score Sdn. Bhd.                        | Provision of medical services  | Malaysia                                     | 38  | 38     | 38     |
| Towards Growth Sdn. Bhd.                        | Provision of medical services  | Malaysia                                     | 38  | 38     | 38     |
| Klinik JJ (Johor) Sdn. Bhd.                     | Provision of medical services  | Malaysia                                     | 38  | 38     | 38     |
| Klinik Thomas Sdn. Bhd.                         | Provision of medical services  | Malaysia                                     | 38  | 38     | 38     |
| Poliklinik Puteri dan Surgeri Sdn. Bhd.         | Provision of medical services  | Malaysia                                     | 38  | 38     | 38     |
| Klinik Dhas Sdn. Bhd.                           | Provision of medical services  | Malaysia                                     | 38  | 38     | 38     |
| Klinik Lee Medik Sdn. Bhd.                      | Provision of medical services  | Malaysia                                     | 38  | 38     | 38     |
| Klinik Daiman Sdn. Bhd.                         | Provision of medical services  | Malaysia                                     | 38  | 38     | 38     |
| Surplus Mode Sdn. Bhd.                          | Provision of medical services  | Malaysia                                     | 38  | 38     | 38     |
| Klinik Catterall, Khoo and Raja Malek Sdn. Bhd. | Provision of medical services  | Malaysia                                     | 39  | 39     | 45     |
| Poliklinik Simpang Pulai Sdn. Bhd.              | Provision of medical services  | Malaysia                                     | 38  | 38     | 38     |

| Name of subsidiary                               | Principal activities          | Place of incorporation /<br>conduct of business | Effective equity interest held by the Group |           |           |
|--|-------------------------------|---|---|-----------|-----------|
|  |                               |   | 2005<br>%                                   | 2006<br>% | 2007<br>% |
| Klinik Syed Alwi dan Chandran (Penang) Sdn. Bhd. | Provision of medical services | Malaysia  | 38  | 38        | 38        |
| Apex Support Sdn. Bhd.                           | Provision of medical services | Malaysia  | 38  | 38        | 38        |
| Klinik Qualitas Sdn. Bhd.                        | Provision of medical services | Malaysia  | 38  | 74        | 74        |
| Klinik Pantai Sdn. Bhd.                          | Provision of medical services | Malaysia  | 38  | 38        | 38        |
| Q-Medical Care Sdn. Bhd.                         | Provision of medical services | Malaysia  | –   | 38        | 38        |
| Klinik Port Dickson Sdn. Bhd.                    | Provision of medical services | Malaysia  | –   | 38        | 38        |
| Klinik Dr Nur Ainita Sdn. Bhd.                   | Provision of medical services | Malaysia  | –   | 38        | 38        |
| First Rewards Sdn. Bhd.                          | Provision of medical services | Malaysia  | –   | –         | 52        |
| Held by Klinik Salak Sdn. Bhd.                   |                               |   |   |           |           |
| Klinik Salak (Selangor) Sdn. Bhd.                | Provision of medical services | Malaysia  | 25  | 25        | 25        |
| Held by Vertical Score Sdn. Bhd.                 |                               |   |   |           |           |
| Galaxy Corner Sdn. Bhd.                          | Provision of medical services | Malaysia  | 38  | 38        | 38        |
| Held by Poliklinik Puteri dan Surgeri Sdn. Bhd.  |                               |   |   |           |           |
| Generous Rewards Sdn. Bhd.                       | Provision of medical services | Malaysia  | 38  | 38        | 38        |

### 1.3 Auditors

The statutory financial statements of the companies in the Group as of and for the three financial years ended 31 December 2005, 2006 and 2007 covered by this report were audited by KPMG Malaysia with the exception of Qualitas Medical Group Private Limited, Osler Diagnostics Services Private Limited, Doctorslab Medical Services Private Limited and Namrata Diagnostics Services Private Limited which were audited by T Udaya Raj. KPMG Malaysia is a member firm of KPMG International.

The audited statutory financial statements of the companies within the Group for the years ended 31 December 2005, 2006 and 2007 were not subject to any qualifications, modifications or disclaimers.

## 2. Significant Accounting Policies

### 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Singapore Financial Reporting Standards.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities which are measured at fair value.

The consolidated financial statements are presented in Ringgit Malaysia (RM) which is the Company's functional currency.

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In July 2004, the Council on Corporate Disclosure and Governance (CCDG) issued FRS 103 Business Combinations, revised FRS 36 Impairment of Assets and FRS 38 Intangible Assets to be effective for annual financial periods beginning on or after 1 July 2004. In accordance with the transitional provisions set out in the respective standards, the above accounting standards have been applied prospectively from the effective date of 1 January 2005. Details of the effect of adopting the standard are given in Note 21.

The accounting policies set out below have been applied consistently by the Group to all periods presented in these consolidated financial statements.

### 2.2 Consolidation

#### ***Business combinations***

Business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, representing negative goodwill, is credited to the income statement in the period of the acquisition. The excess of the Group's cost of acquisition over its net fair value of the identifiable assets, liabilities and contingent liabilities is accounted for as goodwill (Note 2.5).

#### ***Subsidiaries***

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### ***Changes in Group composition***

Where a subsidiary issues new equity shares to minority interests for cash consideration and the issue price has been established at fair value, the reduction in the Group's interest in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in equity.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against the Group reserves.

### ***Transactions eliminated on consolidation***

Intra-group balances and any unrealised income or expenses arising from intra-group transactions are eliminated in preparing consolidated financial statements.

## 2.3 Foreign currencies

### ***Foreign currency transactions***

Transactions in foreign currencies are translated to the respective functional currencies of the companies in the Group at the exchange rate at the date of the transaction. The functional currencies in the Group are principally Ringgit Malaysia and Indian Rupees. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the respective functional currency at the exchange rate at the date on which the fair value was determined.

Foreign exchange differences arising on retranslation are recognised in the income statement.

### ***Foreign operations***

The assets and liabilities of foreign operations are translated to Ringgit Malaysia at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Ringgit Malaysia at exchange rates prevailing at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the closing rate. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in the currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the currency translation reserve is transferred to the income statement.

## 2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Freehold land and capital work in progress are not depreciated. Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis over the estimated useful lives (or lease term, if shorter) of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

|  |   |  |
|--|---|--|
| Leasehold land and buildings             | - | 50 years                                 |
| Furniture, fittings and office equipment | - | 5 – 12½ years                            |
| Medical equipment                        | - | 6 <sup>2</sup> / <sub>3</sub> – 10 years |
| Renovations                              | - | 10 – 12½ years                           |
| Motor vehicles                           | - | 5 years                                  |
| Computers                                | - | 3 – 5 years                              |

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

## 2.5 Intangible assets

### *Goodwill*

Goodwill and negative goodwill arise on the acquisition of subsidiaries. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets and liabilities of the acquiree.

Goodwill arising on the acquisition of subsidiaries is presented in intangible assets.

### *Acquisitions prior to 1 January 2005*

Goodwill was stated at cost from the date of initial recognition and amortised over its estimated useful life of 25 years. On 1 January 2005, the Group discontinued amortisation of this goodwill. This remaining goodwill balance is subject to testing for impairment, as described in Note 2.8.

Negative goodwill was derecognised by crediting accumulated profit on 1 January 2005.

### *Acquisitions on or after 1 January 2005*

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment as described in Note 2.8. Negative goodwill is recognised immediately in the income statement.

### *Acquisitions of minority interest*

Goodwill arising on the acquisition of minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

### ***Other intangible assets***

Other intangible assets, which represent customised computer software that is not integral to the functionality of the related equipment, are measured at cost less accumulated amortisation and impairment losses. Intangible assets are amortised in the income statement on a straight-line basis over their estimated useful life of 5 years, from the date on which they are available for use.

## 2.6 Financial instruments

### ***Non-derivative financial instruments***

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, financial liabilities, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and bank deposits.

### ***Share capital***

#### ***Ordinary share capital***

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

#### ***Preference share capital***

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary. Dividends thereon are recognised in the income statement as interest expense.

Preference share capital is classified as equity if it is non-redeemable or is redeemable but only at the option of the Company and the dividend payments are discretionary. Dividends thereon are recognised as distributions within equity.

Dividends on redeemable preference shares are recognised as liability and expressed on an accrual basis. Other dividends are recognised as liability in the period in which they are declared.

## 2.7 Leases

### ***When entities within the Group are lessees of a finance lease***

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, plant and equipment acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

### ***When entities within the Group are lessees of an operating lease***

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made.

## 2.8 Impairment

### ***Non-financial assets***

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill, recoverable amount is estimated at each reporting date, and as and when indicators of impairment are identified.



An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### *Financial assets*

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the income statement.

## 2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in first-out cost formula and comprises all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business.

## 2.10 Employee benefits

### ***Defined contribution plans***

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

### ***Employee leave entitlement***

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

### ***Short-term benefits***

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### 2.11 Revenue recognition

Revenue is recognised upon consultation services being rendered and drugs being supplied, based on invoiced amounts.

#### 2.12 Finance income and expenses

Finance income comprises interest income which is recognised as it accrues, using the effective interest method.

Finance expense comprises interest expense on borrowings. All borrowing costs are recognised in the income statement. Interest expense on finance leases are recognised in the income statement using the effective interest method.

#### 2.13 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 3 Property, Plant and Equipment

| Cost                                     | Freehold land RM | Leasehold land and buildings RM | Furniture fittings and office equipment RM | Medical equipment RM | Renovations RM | Motor vehicles RM | Computers RM | Capital work in progress RM | Total RM    |
|--|------------------|---------------------------------|--|----------------------|----------------|-------------------|--------------|-----------------------------|-------------|
| At 1 January 2005                        | -                | 606,902                         | 2,188,352                                  | 3,215,849            | 2,182,371      | 286,500           | 1,557,610    | -                           | 10,037,584  |
| Acquisition of subsidiaries              | -                | -                               | 47,345                                     | 91,160               | -              | -                 | -            | -                           | 138,505     |
| Additions                                | -                | -                               | 298,789                                    | 181,208              | 52,259         | -                 | 379,407      | 252,965                     | 1,164,628   |
| Disposals                                | -                | -                               | (5,465)                                    | -                    | -              | -                 | -            | -                           | (5,465)     |
| Write-offs                               | -                | -                               | (97,370)                                   | -                    | (6,000)        | -                 | (830)        | -                           | (104,200)   |
| Translation differences on consolidation | -                | -                               | (10,803)                                   | (6,299)              | (10,422)       | -                 | (3,789)      | -                           | (31,313)    |
| At 31 December 2005                      | -                | 606,902                         | 2,420,848                                  | 3,481,918            | 2,218,208      | 286,500           | 1,932,398    | 252,965                     | 11,199,739  |
| Acquisition of subsidiaries              | -                | -                               | 61,470                                     | 44,380               | 45,820         | -                 | 2,600        | -                           | 154,270     |
| Additions                                | -                | -                               | 170,068                                    | 170,774              | 256,183        | 400,318           | 281,275      | -                           | 1,278,618   |
| Disposals                                | -                | (409,000)                       | (38,359)                                   | (12,748)             | (58,626)       | (270,000)         | (10,248)     | -                           | (798,981)   |
| Write-offs                               | -                | -                               | (69,090)                                   | (23,451)             | (87,656)       | -                 | (157,399)    | -                           | (337,596)   |
| Transfer to intangible assets (Note 4)   | -                | -                               | -  | -                    | -              | -                 | -            | (252,965)                   | (252,965)   |
| Translation differences on consolidation | -                | -                               | (15,000)                                   | (8,510)              | (13,744)       | -                 | (5,850)      | -                           | (43,104)    |
| At 31 December 2006                      | -                | 197,902                         | 2,529,937                                  | 3,652,363            | 2,360,185      | 416,818           | 2,042,776    | -                           | 11,199,981  |
| Acquisition of subsidiaries              | -                | 1,473                           | 87,382                                     | 853,233              | 39,000         | 32,868            | 54,535       | -                           | 1,068,491   |
| Acquisition of a clinic via a subsidiary | -                | -                               | 23,408                                     | 5,225                | 35,438         | -                 | 5,929        | -                           | 70,000      |
| Additions                                | 265,107          | 3,424,878                       | 669,056                                    | 1,411,107            | 829,083        | 33,949            | 308,271      | -                           | 6,941,451   |
| Disposals                                | -                | -                               | (280,865)                                  | (527,210)            | (283,935)      | (16,500)          | (12,710)     | -                           | (1,121,220) |
| Write-offs                               | -                | -                               | (130,927)                                  | (13,075)             | (169,928)      | -                 | (4,767)      | -                           | (318,697)   |
| Translation differences on consolidation | -                | -                               | (6,440)                                    | (3,997)              | (6,070)        | -                 | (2,485)      | -                           | (18,992)    |
| At 31 December 2007                      | 265,107          | 3,624,253                       | 2,891,551                                  | 5,377,646            | 2,803,773      | 467,135           | 2,391,549    | -                           | 17,821,014  |

|  | Freehold land RM | Leasehold land and buildings RM | Furniture fittings and office equipment RM | Medical equipment RM | Renovations RM | Motor vehicles RM | Computers RM | Capital work in progress RM | Total RM   |
|--|------------------|---------------------------------|--|----------------------|----------------|-------------------|--------------|-----------------------------|------------|
| <b>Accumulated depreciation</b>          |                  |                                 |  |                      |                |                   |              |                             |            |
| At 1 January 2005                        | -                | 30,721                          | 999,007                                    | 1,448,778            | 1,138,018      | 160,700           | 1,035,478    | -                           | 4,812,702  |
| Charge for the year                      | -                | 12,506                          | 240,234                                    | 405,331              | 216,910        | 55,649            | 213,783      | -                           | 1,144,413  |
| Disposals                                | -                | -                               | (3,452)                                    | -                    | -              | -                 | -            | -                           | (3,452)    |
| Write-offs                               | -                | -                               | (43,316)                                   | -                    | -              | -                 | (23)         | -                           | (43,339)   |
| Translation differences on consolidation | -                | -                               | (971)                                      | (226)                | (10,422)       | -                 | (280)        | -                           | (11,899)   |
| At 31 December 2005                      | -                | 43,227                          | 1,191,502                                  | 1,853,883            | 1,344,506      | 216,349           | 1,248,958    | -                           | 5,898,425  |
| Charge for the year                      | -                | 7,756                           | 220,986                                    | 414,551              | 213,849        | 57,822            | 314,173      | -                           | 1,229,137  |
| Disposals                                | -                | (8,448)                         | (30,430)                                   | (11,504)             | (44,886)       | (256,500)         | (8,442)      | -                           | (360,210)  |
| Write-offs                               | -                | -                               | (42,045)                                   | (18,417)             | (44,820)       | -                 | (150,758)    | -                           | (256,040)  |
| Translation differences on consolidation | -                | -                               | (2,327)                                    | (1,154)              | (10,672)       | -                 | (1,740)      | -                           | (15,893)   |
| At 31 December 2006                      | -                | 42,535                          | 1,337,686                                  | 2,237,359            | 1,457,977      | 17,671            | 1,402,191    | -                           | 6,495,419  |
| Charge for the year                      | -                | 94,125                          | 245,902                                    | 585,476              | 255,927        | 89,332            | 309,170      | -                           | 1,579,932  |
| Disposals                                | -                | -                               | (281,077)                                  | (487,702)            | (161,550)      | (11,962)          | (9,328)      | -                           | (951,619)  |
| Write-offs                               | -                | -                               | (61,847)                                   | (8,989)              | (127,343)      | -                 | (2,226)      | -                           | (200,405)  |
| Translation differences on consolidation | -                | -                               | (2,533)                                    | (783)                | (7,055)        | -                 | (477)        | -                           | (10,848)   |
| At 31 December 2007                      | -                | 136,660                         | 1,238,131                                  | 2,325,361            | 1,417,956      | 95,041            | 1,699,330    | -                           | 6,912,479  |
| <b>Carrying amount</b>                   |                  |                                 |  |                      |                |                   |              |                             |            |
| At 1 January 2005                        | -                | 576,181                         | 1,189,345                                  | 1,767,071            | 1,044,353      | 125,800           | 522,132      | -                           | 5,224,882  |
| At 31 December 2005                      | -                | 563,675                         | 1,229,346                                  | 1,628,035            | 873,702        | 70,151            | 683,440      | 252,965                     | 5,301,314  |
| At 31 December 2006                      | -                | 155,367                         | 1,192,251                                  | 1,415,004            | 902,208        | 399,147           | 640,585      | -                           | 4,704,562  |
| At 31 December 2007                      | 265,107          | 3,487,593                       | 1,653,420                                  | 3,052,285            | 1,385,817      | 372,094           | 692,219      | -                           | 10,908,535 |

Included in the carrying amount of property, plant and equipment of the Group at 31 December are the following:

|                                       | 2005<br>RM     | 2006<br>RM     | 2007<br>RM     |
|---------------------------------------|----------------|----------------|----------------|
| Acquisitions under hire purchases:-   |                |                |                |
| Computers                             | 121,918        | 81,284         | 36,956         |
| Medical equipment                     | 175,302        | –              | –              |
| Motor vehicles                        | 63,000         | 393,646        | 313,582        |
|                                       | <u>360,220</u> | <u>474,930</u> | <u>350,538</u> |
| Assets pledged as security:-          |                |                |                |
| Leasehold land and building (Note 10) | 401,608        | –              | 1,863,346      |

#### 4 Intangible Assets

|   | Goodwill<br>RM    | Negative<br>goodwill<br>RM | Software<br>RM | Total<br>RM       |
|---|-------------------|----------------------------|----------------|-------------------|
| <b>Cost</b>   |                   |                            |                |                   |
| At 1 January 2005   | 19,245,904        | (194,000)                  | –              | 19,051,904        |
| Effect of adopting FRS 103  | (2,452,916)       | 194,000                    | –              | (2,258,916)       |
| At 1 January 2005, restated   | 16,792,988        | –                          | –              | 16,792,988        |
| Acquisition of subsidiaries   | 509,318           | –                          | –              | 509,318           |
| Acquisition of minority interests   | 697,697           | –                          | –              | 697,697           |
| Net decrease arising from final determination of consideration paid for the acquisition of subsidiaries | (244,950)         | –                          | –              | (244,950)         |
| At 31 December 2005   | <u>17,755,053</u> | <u>–</u>                   | <u>–</u>       | <u>17,755,053</u> |
| At 1 January 2006   | 17,755,053        | –                          | –              | 17,755,053        |
| Acquisition of subsidiaries   | 858,313           | –                          | –              | 858,313           |
| Transfer from capital work in progress (Note 3)   | –                 | –                          | 252,965        | 252,965           |
| Acquisition of software   | –                 | –                          | 147,035        | 147,035           |
| Acquisition of minority interests   | 724,324           | –                          | –              | 724,324           |
| Net increase arising from final determination of consideration paid for the acquisition of subsidiaries | 87,936            | –                          | –              | 87,936            |
| At 31 December 2006   | <u>19,425,626</u> | <u>–</u>                   | <u>400,000</u> | <u>19,825,626</u> |
| At 1 January 2007   | 19,425,626        | –                          | 400,000        | 19,825,626        |
| Acquisition of subsidiaries   | 571,589           | –                          | –              | 571,589           |
| Acquisition of a clinic via a subsidiary  | 671,867           | –                          | –              | 671,867           |
| Acquisition of minority interests   | 94,194            | –                          | –              | 94,194            |
| Net increase arising from final determination of consideration paid for the acquisition of subsidiaries | 415,361           | –                          | –              | 415,361           |
| At 31 December 2007   | <u>21,178,637</u> | <u>–</u>                   | <u>400,000</u> | <u>21,578,637</u> |

|   | Goodwill<br>RM | Negative<br>goodwill<br>RM | Software<br>RM | Total<br>RM |
|---|----------------|----------------------------|----------------|-------------|
| <b>Accumulated amortisation and impairment loss</b> |                |                            |                |             |
| At 1 January 2005                                   | 2,452,916      | –                          | –              | 2,452,916   |
| Effect of adopting FRS 103                          | (2,452,916)    | –                          | –              | (2,452,916) |
| At 1 January 2005, restated                         | –              | –                          | –              | –           |
| Impairment losses                                   | 141,000        | –                          | –              | 141,000     |
| At 31 December 2005 and at 31<br>December 2006      | 141,000        | –                          | –              | 141,000     |
| Amortisation charge for the year                    | –              | –                          | 80,000         | 80,000      |
| At 31 December 2007:                                |                |                            |                |             |
| Impairment losses                                   | 141,000        | –                          | –              | 141,000     |
| Accumulated amortisation                            | –              | –                          | 80,000         | 80,000      |
|   | 141,000        | –                          | 80,000         | 221,000     |
| <b>Carrying amounts</b>                             |                |                            |                |             |
| At 1 January 2005                                   | 16,792,988     | –                          | –              | 16,792,988  |
| At 31 December 2005                                 | 17,614,053     | –                          | –              | 17,614,053  |
| At 31 December 2006                                 | 19,284,626     | –                          | 400,000        | 19,684,626  |
| At 31 December 2007                                 | 21,037,637     | –                          | 320,000        | 21,357,637  |

## 5 Deferred Tax

Movements in deferred tax assets and liabilities of the Group are as follows:

|                                  | At<br>1/1/2005<br>RM | Charged<br>to income<br>statement<br>RM | At<br>31/12/2005<br>RM | Charged<br>to income<br>statement<br>RM | At<br>31/12/2006<br>RM | Charged<br>to income<br>statement<br>RM | At<br>31/12/2007<br>RM |
|----------------------------------|----------------------|---|------------------------|---|------------------------|---|------------------------|
| <b>Deferred tax liabilities</b>  |                      |   |                        |   |                        |   |                        |
| Property, plant and<br>equipment | (262,634)            | (20,762)                                | (283,396)              | (49,443)                                | (332,839)              | 71,833                                  | (261,006)              |
| <b>Deferred tax assets</b>       |                      |   |                        |   |                        |   |                        |
| Unutilised tax losses            | –                    | –                                       | –                      | 67,588                                  | 67,588                 | (40,746)                                | 26,842                 |

Deferred tax assets have not been recognised in respect of the following items:

|                                  | 2005<br>RM   | 2006<br>RM   | 2007<br>RM   |
|----------------------------------|--------------|--------------|--------------|
| Other temporary differences      | 183,000      | 68,000       | –            |
| Deductible temporary differences | –            | 195,000      | –            |
| Unabsorbed capital allowances    | (1,303,000)  | (1,048,000)  | (976,000)    |
| Unutilised tax losses            | (11,970,000) | (12,055,000) | (11,524,000) |
|                                  | (13,090,000) | (12,840,000) | (12,500,000) |

The deductible temporary differences do not expire under current tax legislation. The capital allowances and tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which the subsidiaries operate. Deferred tax assets have not been recognised in respect of the above in accordance with the Group's accounting policy as set out in Note 2.13.

## 6 Trade and Other Receivables

|  | 2005<br>RM | 2006<br>RM | 2007<br>RM |
|--|------------|------------|------------|
| Trade receivables                        | 10,397,127 | 9,854,611  | 10,292,305 |
| Allowance for doubtful debts             | (55,534)   | (93,125)   | (455,546)  |
|  | 10,341,593 | 9,761,486  | 9,836,759  |
| Advances for acquisition of subsidiaries | –          | 1,885,143  | –          |
| Other receivables                        | 499,576    | 442,079    | 1,188,890  |
| Deposits                                 | 626,851    | 858,747    | 1,086,408  |
| Prepayments                              | 116,506    | 58,223     | 672,989    |
|  | 11,584,526 | 13,005,678 | 12,785,046 |

Included in trade receivables at 31 December 2007 are balances amounting to RM136,153 (2006: Nil; 2005: Nil) denominated in Indian Rupees. Included in other receivables at 31 December 2007 are balances amounting to RM916,974 (2006: RM193,012; 2005: RM205,460) denominated in Indian Rupees. Advances for acquisition of subsidiaries are denominated in Indian Rupees.

The maximum exposure to credit risk for trade receivables at the reporting date by (type of customer) is:

|                            | 2005<br>RM | 2006<br>RM | 2007<br>RM |
|----------------------------|------------|------------|------------|
| Corporate customers        | 8,196,123  | 8,020,708  | 7,783,090  |
| Managed Care Organisations | 2,145,470  | 1,740,778  | 2,053,669  |
|                            | 10,341,593 | 9,761,486  | 9,836,759  |

### *Impairment losses*

The aging of trade receivables at the reporting date is:

|                       | Gross<br>2005<br>RM | Impairment<br>losses<br>2005<br>RM | Gross<br>2006<br>RM | Impairment<br>losses<br>2006<br>RM | Gross<br>2007<br>RM | Impairment<br>losses<br>2007<br>RM |
|-----------------------|---------------------|------------------------------------|---------------------|------------------------------------|---------------------|------------------------------------|
| Not past due          | 2,898,546           | –                                  | 2,873,485           | –                                  | 3,005,195           | –                                  |
| Past due 1 – 30 days  | 2,421,148           | –                                  | 2,628,847           | –                                  | 2,643,170           | –                                  |
| Past due 31 – 60 days | 1,663,314           | –                                  | 1,405,299           | –                                  | 1,593,703           | –                                  |
| Past due 61 – 90 days | 1,154,756           | –                                  | 916,350             | –                                  | 835,847             | –                                  |
| More than 91 days     | 2,259,363           | (55,534)                           | 2,030,630           | (93,125)                           | 2,214,390           | (455,546)                          |
|                       | 10,397,127          | (55,534)                           | 9,854,611           | (93,125)                           | 10,292,305          | (455,546)                          |

The change in impairment losses in respect of trade receivables during the year is as follows:

|                              | 2005<br>RM | 2006<br>RM | 2007<br>RM |
|------------------------------|------------|------------|------------|
| At 1 January                 | 54,055     | 55,534     | 93,125     |
| Impairment losses recognised | 1,479      | 37,591     | 362,421    |
| At 31 December               | 55,534     | 93,125     | 455,546    |

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due. Trade receivables that are past due but not impaired pertain to customers that have a good payment record with the Group.

Impairment losses are recognised in other expenses in the income statement.

## 7 Cash at Bank and in Hand

|  | 2005<br>RM | 2006<br>RM  | 2007<br>RM  |
|--|------------|-------------|-------------|
| Fixed deposits                                       | 800,000    | 3,350,000   | 3,650,000   |
| Cash and bank balances                               | 8,771,426  | 8,836,723   | 9,852,329   |
| Cash at bank and in hand                             | 9,571,426  | 12,186,723  | 13,502,329  |
| Fixed deposits pledged                               | –          | (1,000,000) | (1,000,000) |
| Cash and cash equivalents in the cash flow statement | 9,571,426  | 11,186,723  | 12,502,329  |

## 8 Share Capital

|                                  | 2005          |            | 2006          |              | 2007          |            |
|----------------------------------|---------------|------------|---------------|--------------|---------------|------------|
|                                  | No. of shares | RM         | No. of shares | RM           | No. of shares | RM         |
| <i>Authorised:</i>               |               |            |               |              |               |            |
| Ordinary shares of RM1 each      | 10,000,000    | 10,000,000 | 30,700,000    | 30,700,000   | 50,000,000    | 50,000,000 |
| Preference shares of RM1 each    | 20,300,000    | 20,300,000 | 20,300,000    | 20,300,000   | 20,300,000    | 20,300,000 |
|                                  | 30,300,000    | 30,300,000 | 51,000,000    | 51,000,000   | 70,300,000    | 70,300,000 |
| <i>Issued and fully paid:</i>    |               |            |               |              |               |            |
| Ordinary shares of RM1 each      |               |            |               |              |               |            |
| At 1 January                     | 9,459,513     | 9,459,513  | 9,459,513     | 9,459,513    | 29,730,559    | 29,730,559 |
| Converted from preference shares | –             | –          | 20,271,046    | 20,271,046   | –             | –          |
| Issue of shares                  | –             | –          | –             | –            | 1,500,000     | 1,500,000  |
| At 31 December                   | 9,459,513     | 9,459,513  | 29,730,559    | 29,730,559   | 31,230,559    | 31,230,559 |
| Preference shares of RM1 each    |               |            |               |              |               |            |
| At 1 January                     | 20,271,046    | 20,271,046 | 20,271,046    | 20,271,046   | –             | –          |
| Conversion to ordinary shares    | –             | –          | (20,271,046)  | (20,271,046) | –             | –          |
| At 31 December                   | 20,271,046    | 20,271,046 | –             | –            | –             | –          |
| Total                            | 29,730,559    | 29,730,559 | 29,730,559    | 29,730,559   | 31,230,559    | 31,230,559 |



The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

### Convertible preference shares

The Convertible Preference Shares (CPS) had the following rights attached to them:

- (a) Each registered holder of any CPS will, in respect of each CPS registered in its name, have the right to receive dividends *pari passu* with the registered holders of ordinary shares.
- (b) Until all the CPS have been duly converted, no further shares may be created or issued by the Company ranking in any respect in priority to, or *pari passu* with, the CPS without the prior consent thereto of all the registered holders of CPS.
- (c) Each registered holder of any CPS will have the right to receive notices of, and attend in person or proxy or attorney at, and speak at any general meeting of the Company, but shall not be entitled to vote at such meeting unless the right to vote is conferred by law, in which event the registered holder of any CPS shall have one vote for each CPS registered in its name and the right to demand a poll in respect thereof.
- (d) No priority over the other shares or other classes of preference shares in relation to participation in the surplus profits and assets (including bonus issues or any other distribution) of the Company.
- (e) No priority over the other shares or other classes of preference shares in relation to the repayment of capital and dividend in the event of winding up.
- (f) Conversion shall occur in the ratio of 1 CPS for 1 ordinary share provided that the conversion ratio shall be proportionately adjusted in the event the ordinary share shall have a different *par value* by the reason of any consolidation or sub-division.

### Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

There were no changes in the Group's approach to capital management during the year. The Company and its subsidiaries are not subject to externally imposed capital requirements.

## 9 Reserves

|                              | 2005<br>RM  | 2006<br>RM  | 2007<br>RM |
|------------------------------|-------------|-------------|------------|
| Capital reserve              | –           | –           | 1,606,040  |
| Currency translation reserve | 21,434      | (10,621)    | (44,176)   |
| Accumulated losses           | (5,472,384) | (3,210,370) | (881,184)  |
|                              | (5,450,950) | (3,220,991) | 680,680    |

The capital reserve represents the gain arising from the dilution of the Group's interest in a subsidiary upon issuance of new equity shares by the subsidiary to minority interest.

The currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations, whose functional currencies are different from that of the Company.

## 10 Financial Liabilities

|                                | 2005<br>RM     | 2006<br>RM     | 2007<br>RM       |
|--------------------------------|----------------|----------------|------------------|
| <b>Non-current liabilities</b> |                |                |                  |
| Hire purchase liabilities      | 86,105         | 244,947        | 155,988          |
| Term loan – secured            | –              | –              | 2,402,567        |
|                                | <u>86,105</u>  | <u>244,947</u> | <u>2,558,555</u> |
| <b>Current liabilities</b>     |                |                |                  |
| Hire purchase liabilities      | 107,014        | 96,337         | 88,960           |
| Term loan – secured            | 302,613        | –              | 427,012          |
|                                | <u>409,627</u> | <u>96,337</u>  | <u>515,972</u>   |

### *Hire purchase liabilities*

At 31 December, the Group has obligations under hire purchases that are repayable as follows:

|                                 | Payments<br>RM | Interest<br>RM | Principal<br>RM |
|---------------------------------|----------------|----------------|-----------------|
| <b>2005</b>                     |                |                |                 |
| Within 1 year                   | 130,194        | 23,180         | 107,014         |
| After 1 year but within 5 years | 98,888         | 12,783         | 86,105          |
|                                 | <u>229,082</u> | <u>35,963</u>  | <u>193,119</u>  |
| <b>2006</b>                     |                |                |                 |
| Within 1 year                   | 109,056        | 12,719         | 96,337          |
| After 1 year but within 5 years | 275,442        | 30,495         | 244,947         |
|                                 | <u>384,498</u> | <u>43,214</u>  | <u>341,284</u>  |
| <b>2007</b>                     |                |                |                 |
| Within 1 year                   | 100,604        | 11,644         | 88,960          |
| After 1 year but within 5 years | 170,258        | 14,270         | 155,988         |
|                                 | <u>270,862</u> | <u>25,914</u>  | <u>244,948</u>  |

### *Term loans*

The Group's term loan in 2005 and 2007 are secured by way of a fixed charge over the Group's leasehold land and building (Note 3).

### Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

|                           | Nominal interest rate | Year of maturity | Face value RM | Carrying amount RM |
|---------------------------|-----------------------|------------------|---------------|--------------------|
| <b>2005</b>               |                       |                  |               |                    |
| Hire purchase liabilities | 3.90                  | 2008             | 193,119       | 193,119            |
| Term loan                 | 6.75                  | 2006             | 302,613       | 302,613            |
| <b>2006</b>               |                       |                  |               |                    |
| Hire purchase liabilities | 2.48 – 3.90           | 2011             | 341,284       | 341,284            |
| <b>2007</b>               |                       |                  |               |                    |
| Hire purchase liabilities | 2.48 – 3.90           | 2011             | 244,948       | 244,948            |
| Term loan                 | 5.95 – 11.50          | 2017             | 2,829,579     | 2,829,579          |

The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

|   | Carrying amount RM | Cash flows                |                    |                        |
|---|--------------------|---------------------------|--------------------|------------------------|
|   |                    | Contractual cash flows RM | Within 1 year RM   | Within 1 to 5 years RM |
| <b>2005</b>                                 |                    |                           |                    |                        |
| <b>Non-derivative financial liabilities</b> |                    |                           |                    |                        |
| Term loan                                   | 302,613            | (335,405)                 | (335,405)          | –                      |
| Hire purchase liabilities                   | 193,119            | (229,082)                 | (130,194)          | (98,888)               |
| Trade and other payables*                   | 4,416,673          | (4,416,673)               | (4,416,673)        | –                      |
|   | <u>4,912,405</u>   | <u>(4,981,160)</u>        | <u>(4,882,272)</u> | <u>(98,888)</u>        |
| <b>2006</b>                                 |                    |                           |                    |                        |
| <b>Non-derivative financial liabilities</b> |                    |                           |                    |                        |
| Hire purchase liabilities                   | 341,284            | (384,498)                 | (109,056)          | (275,442)              |
| Trade and other payables*                   | 6,605,097          | (6,605,097)               | (6,605,097)        | –                      |
|   | <u>6,946,381</u>   | <u>(6,989,595)</u>        | <u>(6,714,153)</u> | <u>(275,442)</u>       |
| <b>2007</b>                                 |                    |                           |                    |                        |
| <b>Non-derivative financial liabilities</b> |                    |                           |                    |                        |
| Term loans                                  | 2,829,579          | (3,594,516)               | (647,766)          | (2,946,750)            |
| Hire purchase liabilities                   | 244,948            | (270,862)                 | (100,604)          | (170,258)              |
| Trade and other payables*                   | 5,842,872          | (5,842,872)               | (5,842,872)        | –                      |
|   | <u>8,917,399</u>   | <u>(9,708,250)</u>        | <u>(6,591,242)</u> | <u>(3,117,008)</u>     |

\* Excludes accrued expenses

## 11 Trade and Other Payables

|   | 2005<br>RM       | 2006<br>RM       | 2007<br>RM       |
|---|------------------|------------------|------------------|
| Trade payables  | 2,609,200        | 2,695,010        | 2,781,976        |
| Other payables  | 1,628,193        | 1,477,069        | 3,023,096        |
| Accrued expenses  | 1,316,047        | 1,368,612        | 1,782,904        |
| Amounts due to directors                                      | 179,280          | 352,080          | 37,800           |
| Advances received for the issuance of shares<br>in subsidiary | –                | 2,080,938        | –                |
|   | <u>5,732,720</u> | <u>7,973,709</u> | <u>7,625,776</u> |

Included in other payables of the Group is an amount of RM888,793 (2006: RM311,460; 2005: RM286,949) being the balance of purchase considerations payable to various vendors for acquisitions of subsidiaries. These balances are expected to be satisfied by cash and by shares in the Qualitas Medical Group Sdn. Bhd.

Other payables denominated in currencies other than the functional currency comprise RM274,068 (2006: RM54,609; 2005: RM116,761) in Indian Rupees. Advances received for the issuance of shares in subsidiary are denominated in Indian Rupees.

## 12 Revenue

|                                     | 2005<br>RM        | 2006<br>RM        | 2007<br>RM        |
|-------------------------------------|-------------------|-------------------|-------------------|
| Consultation fees and sale of drugs | 51,836,378        | 52,065,836        | 57,512,611        |
| Others                              | 71,639            | 405,496           | 163,332           |
|                                     | <u>51,908,017</u> | <u>52,471,332</u> | <u>57,675,943</u> |

## 13 Profit before Income Tax

Profit before income tax is arrived at after including the following:

### 13.1 Other income

|   | 2005<br>RM | 2006<br>RM | 2007<br>RM |
|---|------------|------------|------------|
| Bad debts recovered                               | 1,771      | 2,738      | –          |
| Waiver of debts                                   | –          | 49,778     | –          |
| Interest income                                   | 147,481    | 124,101    | 191,915    |
| Negative goodwill                                 | –          | –          | 163,238    |
| Rental income                                     | 65,650     | 59,809     | 55,215     |
| Gain on disposal of property, plant and equipment | –          | 150,511    | 10,323     |

### 13.2 Staff costs

|   | <b>2005<br/>RM</b> | <b>2006<br/>RM</b> | <b>2007<br/>RM</b> |
|---|--------------------|--------------------|--------------------|
| Wages, salaries and others                  | 18,930,070         | 19,397,367         | 20,524,052         |
| Contributions to defined contribution plans | 1,381,554          | 1,434,154          | 1,585,275          |
|   | <u>20,311,624</u>  | <u>20,831,521</u>  | <u>22,109,327</u>  |
| Staff costs are included in:                |                    |                    |                    |
| - Cost of sales                             | 10,518,097         | 10,631,686         | 10,941,552         |
| - Administrative expenses                   | 9,793,527          | 10,199,835         | 11,167,775         |
|   | <u>20,311,624</u>  | <u>20,831,521</u>  | <u>22,109,327</u>  |

### 13.3 Administrative and other expenses

|   | <b>2005<br/>RM</b> | <b>2006<br/>RM</b> | <b>2007<br/>RM</b> |
|---|--------------------|--------------------|--------------------|
| Allowance for doubtful debts                      | 1,479              | 37,591             | 362,421            |
| Amortisation of software                          | -                  | -                  | 80,000             |
| Bad debts written off                             | 57,535             | 53,539             | 86,751             |
| Depreciation of property, plant and equipment     | 1,144,413          | 1,229,137          | 1,579,932          |
| Impairment loss on goodwill                       | 141,000            | -                  | -                  |
| Loss on disposal of property, plant and equipment | 1,313              | -                  | -                  |
| Property, plant and equipment written off         | 60,861             | 81,556             | 118,292            |
| Rental of equipment                               | 1,200              | 2,798              | 3,000              |
| Rental of medical equipment                       | 19,608             | 19,608             | 19,608             |
| Rental of premises                                | 2,851,979          | 2,814,135          | 3,115,749          |

### 13.4 Key management personnel remuneration

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The directors and executive officers are considered as key management personnel of the Group.

Key management personnel remuneration recognised in the consolidated income statement of the Group is as follows:

|                                | <b>2005<br/>RM</b> | <b>2006<br/>RM</b> | <b>2007<br/>RM</b> |
|--------------------------------|--------------------|--------------------|--------------------|
| Directors of the Company       |                    |                    |                    |
| - fees                         | 144,000            | 144,000            | 222,828            |
| - short-term employee benefits | 690,510            | 562,236            | 909,137            |
|                                | <u>834,510</u>     | <u>706,236</u>     | <u>1,131,965</u>   |
| Key management personnel       |                    |                    |                    |
| - short-term employee benefits | 293,504            | 396,179            | 445,603            |
|                                | <u>1,128,014</u>   | <u>1,102,415</u>   | <u>1,577,568</u>   |

## 14 Income Tax Expense

|   | 2005<br>RM | 2006<br>RM | 2007<br>RM |
|---|------------|------------|------------|
| <b>Current tax</b>  |            |            |            |
| Current tax   | 1,760,649  | 2,138,241  | 1,935,273  |
| (Over)/underprovision in prior years                            | (59,619)   | 37,375     | 46,234     |
| Tax charged arising from tax credit shortfall                   | 44,621     | 21,829     | 18,105     |
|   | 1,745,651  | 2,197,445  | 1,999,612  |
| <b>Deferred tax</b>   |            |            |            |
| Origination and reversal of temporary differences               | 11,223     | (19,555)   | (29,446)   |
| (Over)/underprovision in prior years                            | 9,539      | 1,410      | 1,377      |
| Effect of changes in tax rate                                   | –          | –          | (3,018)    |
|   | 20,762     | (18,145)   | (31,087)   |
| Total income tax expense in profit and loss account             | 1,766,413  | 2,179,300  | 1,968,525  |
| <i>Reconciliation of effective tax rate</i>                     |            |            |            |
| Profit from ordinary activities before taxation                 | 8,504,805  | 8,420,557  | 8,289,851  |
| Income tax using Malaysian tax rate of 27% (2005 and 2006: 28%) | 2,381,345  | 2,357,756  | 2,238,260  |
| Non-deductible expenses   | 98,039     | 263,868    | 199,596    |
| Effect of lower tax rate*                                       | (563,602)  | (603,888)  | (544,305)  |
| Effect of changes in tax rate**                                 | –          | –          | (3,018)    |
| Deferred tax assets not recognised                              | 84,538     | –          | –          |
| Utilisation of deferred tax assets not recognised previously    | –          | (67,500)   | (91,800)   |
| Non-taxable income  | (24,913)   | (36,207)   | –          |
| Other items   | (203,535)  | 204,657    | 104,076    |
| (Over)/underprovision in prior years                            | (50,080)   | 38,785     | 47,611     |
| Tax charge arising from tax credit shortfall                    | 44,621     | 21,829     | 18,105     |
|   | 1,766,413  | 2,179,300  | 1,968,525  |

\* With effect from year of assessment 2004, companies with paid-up capital of RM2.5 million and below at the beginning of the basis period for a year of assessment are subject to corporate tax at 20% on the first RM500,000 of chargeable income.

\*\* The corporate tax rates are 27% for the year of assessment 2007, 26% for the year of assessment 2008 and 25% for the subsequent years of assessment. Consequently, deferred tax assets and liabilities are measured using these tax rates.

## 15 Earnings Per Share

|  | 2005<br>RM | 2006<br>RM | 2007<br>RM |
|--|------------|------------|------------|
| Basic and diluted earnings per share is based on:                  |            |            |            |
| Net profit attributable to ordinary shareholders                   | 2,661,802  | 2,262,014  | 2,329,186  |
| Issued ordinary shares at beginning of the year                    | 9,459,513  | 9,459,513  | 29,730,559 |
| Conversion of preference shares to ordinary shares during the year | 20,271,046 | 20,271,046 | –          |
| Weighted average number of shares issued during the year           | –          | –          | 1,250,000  |
| Weighted average number of shares at the end of the year           | 29,730,559 | 29,730,559 | 30,980,559 |

The calculation of the earnings per share for each of the year ended 31 December 2005, 2006 and 2007 is based on the weighted average number of shares in issue.

For the purposes of earnings per share computation, the preference shares are assumed to have been converted to ordinary shares in 2005.

## 16 Segment Reporting

Segment information is presented in respect of the Group's geographical segments which is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly asset and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total costs incurred during the year to acquire segment assets that are expected to be used for more than one year.

### (i) Business segment

The activity of the Group is principally the provision of medical services and accordingly, no segmental information by business segments is presented.

### (ii) Geographical segments

The provision of medical services is managed on a worldwide basis, but operates in two principal geographical areas, Malaysia and Others.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

|                                   | Malaysia<br>RM | Others<br>RM | Total<br>RM |
|-----------------------------------|----------------|--------------|-------------|
| <b>Revenue and Expenses</b>       |                |              |             |
| <b>2005</b>                       |                |              |             |
| Segment revenue                   | 48,058,069     | 3,849,948    | 51,908,017  |
| Results from operating activities | 7,551,366      | 966,253      | 8,517,619   |
| Interest income                   | 104,188        | 43,293       | 147,481     |
| Finance costs                     | (112,005)      | (48,290)     | (160,295)   |
| Income tax expense                | (1,636,584)    | (129,829)    | (1,766,413) |
| Profit for the year               | 5,906,965      | 831,427      | 6,738,392   |
| <b>2006</b>                       |                |              |             |
| Segment revenue                   | 51,405,712     | 1,065,620    | 52,471,332  |
| Results from operating activities | 8,653,309      | (308,555)    | 8,344,754   |
| Interest income                   | 58,341         | 65,760       | 124,101     |
| Finance costs                     | (23,241)       | (25,057)     | (48,298)    |
| Income tax expense                | (2,074,658)    | (104,642)    | (2,179,300) |
| Profit/(loss) for the year        | 6,613,751      | (372,494)    | 6,241,257   |

|                                   | <b>Malaysia<br/>RM</b> | <b>Others<br/>RM</b> | <b>Total<br/>RM</b> |
|-----------------------------------|------------------------|----------------------|---------------------|
| <b>2007</b>                       |                        |                      |                     |
| Segment revenue                   | 55,360,477             | 2,315,466            | 57,675,943          |
| Results from operating activities | 8,708,791              | (544,438)            | 8,164,353           |
| Interest income                   | 131,185                | 60,730               | 191,915             |
| Finance costs                     | (66,417)               | –                    | (66,417)            |
| Income tax expense                | (2,074,629)            | 106,104              | (1,968,525)         |
| Profit/(loss) for the year        | 6,698,930              | (377,604)            | 6,321,326           |
| <b>Assets and Liabilities</b>     |                        |                      |                     |
| <b>2005</b>                       |                        |                      |                     |
| Segment assets                    | 45,112,883             | 1,845,346            | 46,958,229          |
| Tax recoverables                  |                        |                      | 432,640             |
| Total assets                      |                        |                      | 47,390,869          |
| Segment liabilities               | 5,944,648              | 283,804              | 6,228,452           |
| Current tax liabilities           |                        |                      | 329,716             |
| Deferred tax liabilities          |                        |                      | 283,396             |
| Total liabilities                 |                        |                      | 6,841,564           |
| <b>2006</b>                       |                        |                      |                     |
| Segment assets                    | 49,000,907             | 3,686,733            | 52,687,640          |
| Tax recoverables                  |                        |                      | 557,883             |
| Deferred tax assets               |                        |                      | 67,588              |
| Total assets                      |                        |                      | 53,313,111          |
| Segment liabilities               | 5,816,946              | 2,498,047            | 8,314,993           |
| Current tax liabilities           |                        |                      | 353,176             |
| Deferred tax liabilities          |                        |                      | 332,839             |
| Total liabilities                 |                        |                      | 9,001,008           |
| <b>2007</b>                       |                        |                      |                     |
| Segment assets                    | 55,485,054             | 6,484,073            | 61,969,127          |
| Tax recoverables                  |                        |                      | 806,440             |
| Deferred tax assets               |                        |                      | 26,842              |
| Total assets                      |                        |                      | 62,802,409          |
| Segment liabilities               | 8,150,319              | 2,549,984            | 10,700,303          |
| Current tax liabilities           |                        |                      | 210,003             |
| Deferred tax liabilities          |                        |                      | 261,006             |
| Total liabilities                 |                        |                      | 11,171,312          |



|                                      | <b>Malaysia<br/>RM</b> | <b>Others<br/>RM</b> | <b>Total<br/>RM</b> |
|--------------------------------------|------------------------|----------------------|---------------------|
| <b>Significant Non-Cash Items</b>    |                        |                      |                     |
| <b>Depreciation and amortisation</b> |                        |                      |                     |
| 2005                                 | 1,083,306              | 61,107               | 1,144,413           |
| 2006                                 | 1,169,323              | 59,814               | 1,229,137           |
| 2007                                 | 1,347,556              | 312,376              | 1,659,932           |
| <b>Capital expenditure</b>           |                        |                      |                     |
| 2005                                 | 1,100,528              | 64,100               | 1,164,628           |
| 2006                                 | 1,418,352              | 7,301                | 1,425,653           |
| 2007                                 | 3,623,520              | 3,317,931            | 6,941,451           |

## 17 Accounting Estimates and Judgement

Estimates and assumptions concerning the future and judgements, used in the preparation of the financial statements, are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under circumstances.

Management discussed with the Board of Directors the development, selection and disclosure of the Group's critical accounting policies and estimates, and the application of these policies and estimates.

### *Impairment testing for goodwill*

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

|   | <b>2005<br/>RM</b> | <b>2006<br/>RM</b> | <b>2007<br/>RM</b> |
|---|--------------------|--------------------|--------------------|
| Goodwill arising from acquisition of subsidiaries | 17,614,053         | 19,284,626         | 21,037,637         |

In 2005, the carrying amount of goodwill arising from a subsidiary was determined to be higher than its recoverable amount, and accordingly, an impairment loss of RM141,000 was recognised.

In 2006 and 2007, the recoverable amounts of the cash-generating units were based on their values-in-use. Based on the assessment of values-in-use, the carrying amounts of the units were determined to be lower than their recoverable amounts and accordingly, no impairment loss was recognised in 2006 and 2007.

Value-in-use was determined by discounting the future cash flows generated from the continuing use of the units and was based on the following key assumptions:

- Cash flows were projected for a five-year period based on actual cash generated from operations.
- Cash flows for a further 5 years were extrapolated based on a zero growth rate.
- The cash flow projections are discounted using the lending bank's base lending rate per annum.

The values assigned to the key assumptions represent management's assessment of future trends in the healthcare industry and are based on both external and internal sources (historical data).

#### *Allowances for doubtful trade receivables*

Management evaluates whether there is any objective evidence that trade receivables are impaired, and determines the amount of impairment loss as a result of the inability of the customers to make required payments. Management determines the estimates based on the aging of the trade receivables balance, credit-worthiness and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

## **18 Financial Risk Management**

### **Financial risk management objectives and policies**

Exposure to credit, interest rate, currency and liquidity risk arises in the normal course of the Group's business. The Board of Directors of the Company and subsidiaries review and agree policies for managing each of these risks and they are summarised below.

#### **Credit risk**

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Short term deposits are placed only with licenced banks.

At balance sheet date, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

#### **Interest rate risk**

The Group's exposure to interest rate is minimal. Interest earning financial assets are mainly fixed deposits placed with licenced banks that attract interest income. Variable-rate borrowings are exposed to a risk of change in cash flows due to change in interest rates. However, the fluctuation in interest rate, if any, is not expected to have a material impact on the results of the Group.

#### **Foreign currency risk**

The sales and purchases of the Group are denominated primarily in the respective functional currencies of the Group entities. As such, foreign currency exposure to the Group is minimal.

The Group does not hedge its foreign currency exposure and the management monitors these exposure on an ongoing basis.

#### **Liquidity risk**

The Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and to mitigate the effects of fluctuations in cash flows.

## Fair values

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings, approximate fair values due to the relatively short term nature of these financial instruments.

### 19 Capital Commitments

|   | 2005<br>RM | 2006<br>RM | 2007<br>RM |
|---|------------|------------|------------|
| <b>Expenditure commitments</b>                              |            |            |            |
| <b>Property, plant and equipment</b>                        |            |            |            |
| Contracted but not provided for and payable within one year | –          | 1,880,760  | –          |

### 20 Corporate Guarantees

|  | 2005<br>RM | 2006<br>RM | 2007<br>RM |
|--|------------|------------|------------|
| Corporate guarantees given by a subsidiary to a third party for trade credit lines granted to another subsidiary | 2,500,000  | 2,500,000  | 2,500,000  |

Apart from the above, the Group faces, in the course of its business, actions and claims instituted by third parties, and obtain insurance cover for such risks. The Directors are of the opinion that such actions and claims are adequately insured.

### 21 Changes in Accounting Policies

In 2005, the adoption of FRS 103, revised FRS 36 and revised FRS 38 resulted in changes in the Group's accounting for goodwill. The changes are summarised below:

- Goodwill is now stated at cost less any accumulated impairment losses and is no longer amortised. Instead, impairment is tested annually, or when circumstances change, indicating that goodwill might be impaired;
- Negative goodwill shall be recognised immediately in the income statement, instead of being systematically amortised over its useful life; and
- Goodwill and negative goodwill prior to 1 January 2001 that had been taken to reserves will no longer be taken to the income statement when the business is disposed of or discontinued or when impairment allowances are used.

### 22 Significant Related Party Transactions

Significant related party transactions, other than those disclosed elsewhere in the financial statements, are as follows:

|   | 2005<br>RM | 2006<br>RM | 2007<br>RM |
|---|------------|------------|------------|
| Management and service advisory fees payable to immediate holding company – Commerce Asset Ventures Sdn. Bhd. | –          | 230,000    | 36,000     |
| Interest payable to Maya Wilayah Sdn. Bhd. (holding company of the Group prior to 2006)                       | 118,145    | –          | –          |

The above transactions have been entered into in the normal course of business and have been established under negotiated terms.

## 23 Subsequent Events

Subsequent to 31 December 2007,

- i) Qualitas Medical Group Ltd acquired Qualitas Healthcare Corporation Sdn. Bhd. and its subsidiaries for the purpose of a proposed listing on Catalist, a newly established SGX-regulated and sponsor-supervised market of SGX;
- ii) a subsidiary in India, Doctorslab Medical Services Private Limited, is a defendant in a suit to cancel two sales deeds in respect of a property. The case is currently at a preliminary stage. The sale deeds were concluded in 2007 but the seller is now seeking to cancel the sales deeds; and
- iii) Qualitas Medical Group Sdn. Bhd. entered into two sale and purchase agreements to acquire two properties in Penang for a cash consideration of RM2.45 million.

## 24 New Accounting Standards and Interpretation Not Yet Adopted

The Group has not applied the following accounting standards (including its consequential amendments) and interpretations that have been issued as of 31 December 2007 but are not yet effective:

|               |  |
|---------------|--|
| ■ FRS 23      | <i>Borrowing Costs</i>                               |
| ■ FRS 108     | <i>Operating Segments</i>                            |
| ■ INT FRS 110 | <i>Interim Financial Reporting and Impairment</i>    |
| ■ INT FRS 111 | <i>FRS 102 Group and Treasury Share Transactions</i> |
| ■ INT FRS 112 | <i>Service Concession Arrangements</i>               |

FRS 23 will become effective for financial statements for the year ending 31 December 2009. FRS 23 removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition or construction of a qualifying assets as part of the cost of that asset. The Group's current policy is to expense all borrowing costs.

FRS 108 will become effective for financial statements for the year ending 31 December 2009. FRS 108, which replaces FRS 14 *Segment Reporting*, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information in respect of its geographical segments (see Note 16). Under FRS 108, there will not be any changes in the presentation of segment information.

The initial application of the above standards (and its consequential amendments) and interpretations is not expected to have any material impact on the Group's financial statements. The Group has not considered the impact of accounting standards issued after the balance sheet date.

**REPORT FROM THE REPORTING ACCOUNTANTS AND AUDITORS ON THE  
UNAUDITED PROFORMA CONSOLIDATED FINANCIAL STATEMENTS OF THE  
GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

**Independent Accountants' Report**

25 June 2008

The Board of Directors  
Qualitas Medical Group Limited  
Unit 301, Level 3, Menara PJ, Amcorp Trade Centre  
18, Persiaran Barat  
46050 Petaling Jaya  
Selangor Darul Ehsan, Malaysia

Dear Sirs

**Unaudited Proforma Consolidated Financial Statements**

We report on the unaudited proforma consolidated balance sheet at 31 December 2007 and unaudited proforma consolidated income statement, proforma consolidated statement of changes in equity and proforma consolidated cash flow statement for the year ended 31 December 2007 of Qualitas Medical Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") ("the unaudited proforma consolidated financial statements") set out on pages II-3 to II-9 of the Offer Document issued by the Company in connection with the proposed listing of the Company. The unaudited proforma consolidated financial statements have been prepared on the basis of the assumptions set out on pages II-8 and II-9 and after making certain adjustments to show what:

- (a) the financial position of the Group as at 31 December 2007 would have been if the acquisition of Qualitas Healthcare Corporation Sdn. Bhd. (QHC) and its subsidiaries (collectively referred to as QHC Group), and the issue of shares of the Company to acquire the minority interests of certain of QHC's subsidiaries as set out in Notes 2(a) and 2(b) respectively had occurred on 31 December 2007; and
- (b) the financial results, changes in equity and cash flows of the Group for the financial year ended 31 December 2007 would have been if the acquisition of the QHC Group and the issue of shares of the Company to acquire the minority interests of certain of QHC's subsidiaries as set out in Notes 2(a) and 2(b) respectively had occurred since 1 January 2007.

The unaudited proforma consolidated financial statements have been prepared for illustrative purposes only and based on the judgements and assumptions of the directors of the Company and because of their hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2007 or any future date; or the results of the Group for the year ended 31 December 2007 or any future period.

The preparation of the unaudited proforma consolidated financial statements are solely the responsibility of the directors of the Company. Our responsibility is to issue an opinion on the unaudited proforma consolidated financial statements based on our work.

We carried out procedures in accordance with Singapore Statement of Auditing Practice 24: “*Auditors and Public Offering Documents*”. Our work, which involved no independent examination of the unaudited proforma consolidated financial statements, consisted primarily of comparing the unaudited proforma consolidated financial statements to the audited consolidated financial statements of the QHC Group for the financial year ended 31 December 2007, considering the evidence supporting the adjustments and discussing the unaudited proforma consolidated financial statements with the directors of the Company.

In our opinion:

- (a) the unaudited proforma consolidated financial statements have been properly compiled on the basis of the assumptions set out on pages II-8 and II-9 after making the adjustments described on pages II-3 to II-6;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) each material adjustment made to the information used in the preparation of the unaudited proforma consolidated financial statements is appropriate for the purpose of preparing such financial statements and in accordance with Singapore Financial Reporting Standards.

This report has been prepared for inclusion in the Offer Document of the Company in connection with the initial public offering of the shares of the Company.

Yours faithfully

**KPMG**  
*Public Accountants and  
Certified Public Accountants*

**KPMG**  
*Chartered Accountants*

**Singapore**  
Adeline Lee Tuck Ngor  
Partner

**Malaysia**  
Adrian Lee Lye Wang  
Partner

**Unaudited Proforma Consolidated Balance Sheet  
As at 31 December 2007**

The unaudited proforma consolidated balance sheet of the Group as at 31 December 2007, assuming that the events set out in Note 2 had taken place at 31 December 2007, is set out below, with details of the proforma adjustments made to the audited consolidated balance sheet of the QHC Group as at 31 December 2007.

|   | The Company<br>Note 1<br>RM | Proforma adjustments<br>Note 2a<br>RM | Note 2b<br>RM | Unaudited<br>proforma<br>RM |
|---|-----------------------------|---------------------------------------|---------------|-----------------------------|
| <b>Non-current assets</b>                                       |                             |                                       |               |                             |
| Property, plant and equipment                                   | –                           | 10,908,535                            | –             | 10,908,535                  |
| Intangible assets   | –                           | 21,357,637                            | –             | 21,357,637                  |
| Deferred tax assets   | –                           | 26,842                                | –             | 26,842                      |
|   | –                           | 32,293,014                            | –             | 32,293,014                  |
| <b>Current assets</b>   |                             |                                       |               |                             |
| Pharmaceutical inventories, at cost                             | –                           | 3,415,580                             | –             | 3,415,580                   |
| Trade and other receivables                                     | –                           | 12,785,046                            | –             | 12,785,046                  |
| Tax recoverables  | –                           | 806,440                               | –             | 806,440                     |
| Cash at bank and in hand  | –                           | 13,502,329                            | –             | 13,502,329                  |
|   | –                           | 30,509,395                            | –             | 30,509,395                  |
| <b>Total assets</b>   | –                           | 62,802,409                            | –             | 62,802,409                  |
| <b>Equity attributable to equity holders of the parent</b>      |                             |                                       |               |                             |
| Share capital   | –                           | 31,230,559                            | 19,913,701    | 51,144,260                  |
| Reserves  | –                           | 680,680                               | (1,270,715)   | (590,035)                   |
| <b>Total equity attributable to shareholders of the Company</b> | –                           | 31,911,239                            | 18,642,986    | 50,554,225                  |
| Minority interests  | –                           | 19,719,858                            | (18,642,986)  | 1,076,872                   |
| <b>Total equity</b>   | –                           | 51,631,097                            | –             | 51,631,097                  |
| <b>Non-current liabilities</b>                                  |                             |                                       |               |                             |
| Deferred tax liabilities  | –                           | 261,006                               | –             | 261,006                     |
| Financial liabilities   | –                           | 2,558,555                             | –             | 2,558,555                   |
|   | –                           | 2,819,561                             | –             | 2,819,561                   |
| <b>Current liabilities</b>                                      |                             |                                       |               |                             |
| Trade and other payables  | –                           | 7,625,776                             | –             | 7,625,776                   |
| Financial liabilities   | –                           | 515,972                               | –             | 515,972                     |
| Current tax liabilities   | –                           | 210,003                               | –             | 210,003                     |
|   | –                           | 8,351,751                             | –             | 8,351,751                   |
| <b>Total liabilities</b>  | –                           | 11,171,312                            | –             | 11,171,312                  |
| <b>Total equity and liabilities</b>                             | –                           | 62,802,409                            | –             | 62,802,409                  |

**Notes on the proforma adjustments:-**

Net effect of the Restructuring Exercise is described in Note 2.

The accompanying notes form an integral part of these unaudited proforma consolidated financial statements.

**Unaudited Proforma Consolidated Income Statement**  
**Year ended 31 December 2007**

The unaudited proforma consolidated income statement of the Group for the year ended 31 December 2007, assuming that the events set out in Note 2 had taken place since 1 January 2007, is set out below with details of the proforma adjustments made to the audited consolidated income statement of the QHC Group for the year ended 31 December 2007.

|   | The Company<br>Note 1<br>RM | Proforma adjustments<br>Note 2a<br>RM | Note 2b<br>RM | Unaudited<br>proforma<br>RM |
|---|-----------------------------|---------------------------------------|---------------|-----------------------------|
| <b>Revenue</b>                                | –                           | 57,675,943                            | –             | 57,675,943                  |
| Cost of sales                                 | –                           | (27,565,166)                          | –             | (27,565,166)                |
| <b>Gross profit</b>                           | –                           | 30,110,777                            | –             | 30,110,777                  |
| Other income                                  | –                           | 445,827                               | –             | 445,827                     |
| Administrative expenses                       | –                           | (20,236,632)                          | –             | (20,236,632)                |
| Other expenses                                | –                           | (2,155,619)                           | –             | (2,155,619)                 |
| <b>Operating profit</b>                       | –                           | 8,164,353                             | –             | 8,164,353                   |
| Interest income                               | –                           | 191,915                               | –             | 191,915                     |
| Finance costs                                 | –                           | (66,417)                              | –             | (66,417)                    |
| <b>Profit before income tax</b>               | –                           | 8,289,851                             | –             | 8,289,851                   |
| Income tax expense                            | –                           | (1,968,525)                           | –             | (1,968,525)                 |
| <b>Profit for the year</b>                    | –                           | 6,321,326                             | –             | 6,321,326                   |
| <b>Attributable to:</b>                       |                             |                                       |               |                             |
| Equity holders of the Company                 | –                           | 2,329,186                             | 4,199,977     | 6,529,163                   |
| Minority interests                            | –                           | 3,992,140                             | (4,199,977)   | (207,837)                   |
| <b>Profit for the year</b>                    | –                           | 6,321,326                             | –             | 6,321,326                   |
| <b>Earnings per share (in cents) (Note 4)</b> |                             |                                       |               |                             |
| Basic   | –                           | 7.52                                  | –             | 12.77                       |
| Diluted                                       | –                           | 7.52                                  | –             | 12.77                       |

**Notes on the proforma adjustments:-**

Net effect of the Restructuring Exercise is described in Note 2.

The accompanying notes form an integral part of these unaudited proforma consolidated financial statements.



**Unaudited Proforma Consolidated Statement of Changes in Equity  
Year ended 31 December 2007**

The unaudited proforma consolidated statement of changes in equity of the Group for the year ended 31 December 2007, assuming that the events set out in Note 2 had taken place on 31 December 2007, is set out below with details of the proforma adjustments made to the audited consolidated statement of changes in equity of the QHC Group for the year ended 31 December 2007.

|                                   | Share<br>capital<br>RM | Currency<br>translation<br>reserve<br>RM | Capital<br>reserve<br>RM | Accumulated<br>profits/<br>(losses)<br>RM | Merger<br>deficit<br>(Note 5)<br>RM | Total<br>RM | Minority<br>interests<br>RM | Total<br>equity<br>RM |
|-----------------------------------|------------------------|--|--------------------------|---|-------------------------------------|-------------|-----------------------------|-----------------------|
| The Company (Note 1)              | -                      | -  | -                        | -   | -                                   | -           | -                           | -                     |
| Proforma adjustments<br>(Note 2a) | 31,230,559             | (44,176)                                 | 1,606,040                | (881,184)                                 | -                                   | 31,911,239  | 19,719,858                  | 51,631,097            |
| Proforma adjustments<br>(Note 2b) | 19,913,701             | -  | -                        | -   | (1,270,715)                         | 18,642,986  | (18,642,986)                | -                     |
| Unaudited proforma                | 51,144,260             | (44,176)                                 | 1,606,040                | (881,184)                                 | (1,270,715)                         | 50,554,225  | 1,076,872                   | 51,631,097            |

**Notes on the proforma adjustments:-**

Net effect of the Restructuring Exercise is described in Note 2.

The accompanying notes form an integral part of these unaudited proforma consolidated financial statements.

**Unaudited Proforma Consolidated Cash Flow Statement**  
**Year ended 31 December 2007**

The unaudited proforma consolidated cash flow statement of the Group for the year ended 31 December 2007, assuming that the events set out in Note 2 had taken place since 1 January 2007, is set out below with details of the proforma adjustments made to the audited consolidated cash flow statement of the QHC Group for the year ended 31 December 2007.

|  | The Company<br>Note 1<br>RM | Proforma adjustments<br>Note 2a<br>RM | Note 2b<br>RM | Unaudited<br>proforma<br>RM |
|--|-----------------------------|---------------------------------------|---------------|-----------------------------|
| <b>Operating activities</b>  |                             |                                       |               |                             |
| Profit before income tax   | –                           | 8,289,851                             | –             | 8,289,851                   |
| Adjustments for:   |                             |                                       |               |                             |
| Amortisation of software   | –                           | 80,000                                | –             | 80,000                      |
| Depreciation of property, plant and equipment                                      | –                           | 1,579,932                             | –             | 1,579,932                   |
| Finance costs  | –                           | 66,417                                | –             | 66,417                      |
| Interest income  | –                           | (191,915)                             | –             | (191,915)                   |
| Gain on disposal of property, plant and equipment                                  | –                           | (10,323)                              | –             | (10,323)                    |
| Negative goodwill  | –                           | (163,238)                             | –             | (163,238)                   |
| Property, plant and equipment written off  | –                           | 118,292                               | –             | 118,292                     |
|  | –                           | 9,769,016                             | –             | 9,769,016                   |
| Changes in working capital:  |                             |                                       |               |                             |
| Pharmaceutical inventories   | –                           | (187,300)                             | –             | (187,300)                   |
| Trade and other receivables  | –                           | 1,182,301                             | –             | 1,182,301                   |
| Trade and other payables   | –                           | (1,945,870)                           | –             | (1,945,870)                 |
| Cash generated from operations   | –                           | 8,818,147                             | –             | 8,818,147                   |
| Interest paid  | –                           | (66,417)                              | –             | (66,417)                    |
| Income taxes paid  | –                           | (2,149,037)                           | –             | (2,149,037)                 |
| <b>Cash flows from operating activities</b>  | –                           | 6,602,693                             | –             | 6,602,693                   |
| <b>Investing activities</b>  |                             |                                       |               |                             |
| Acquisition of property, plant and equipment                                       | –                           | (6,941,451)                           | –             | (6,941,451)                 |
| Acquisition of subsidiaries, net of cash acquired                                  | –                           | (1,179,077)                           | –             | (1,179,077)                 |
| Acquisition of branch  | –                           | (533,307)                             | –             | (533,307)                   |
| Acquisition of minority interest   | –                           | (551,005)                             | –             | (551,005)                   |
| Payment of final consideration for acquisition of equity interests in subsidiaries | –                           | (30,789)                              | –             | (30,789)                    |
| Interest received  | –                           | 191,915                               | –             | 191,915                     |
| Proceeds from disposal of property, plant and equipment                            | –                           | 179,924                               | –             | 179,924                     |
| <b>Cash flows from investing activities</b>  | –                           | (8,863,790)                           | –             | (8,863,790)                 |
| <b>Financing activities</b>  |                             |                                       |               |                             |
| Repayment of hire purchase liabilities   | –                           | (96,336)                              | –             | (96,336)                    |
| Drawdown of term loan  | –                           | 2,829,579                             | –             | 2,829,579                   |
| Proceeds from issue of shares in subsidiaries to minority shareholders             | –                           | 2,261,569                             | –             | 2,261,569                   |
| Proceeds from issue of shares  | –                           | 1,500,000                             | –             | 1,500,000                   |
| Dividends paid to minority shareholders  | –                           | (2,884,554)                           | –             | (2,884,554)                 |
| <b>Cash flows from financing activities</b>  | –                           | 3,610,258                             | –             | 3,610,258                   |
| <b>Net increase in cash and cash equivalents</b>                                   | –                           | 1,349,161                             | –             | 1,349,161                   |
| Cash and cash equivalents at beginning of year                                     | –                           | 11,186,723                            | –             | 11,186,723                  |
| Effect of exchange rate changes on balances held in foreign currencies             | –                           | (33,555)                              | –             | (33,555)                    |
| <b>Cash and cash equivalents at end of year</b>                                    | –                           | 12,502,329                            | –             | 12,502,329                  |

**Notes on the proforma adjustments:-**

Net effect of the Restructuring Exercise is described in Note 2.

The accompanying notes form an integral part of these unaudited proforma consolidated financial statements.

## Notes to the Unaudited Proforma Consolidated Financial Statements

These notes form an integral part of the unaudited proforma consolidated financial statements.

The unaudited proforma consolidated financial statements should be read in conjunction with the audited consolidated financial statements of Qualitas Healthcare Corporation Sdn. Bhd. (QHC) and its subsidiaries (collectively the QHC Group) for the financial year ended 31 December 2007.

### 1 Introduction

The unaudited proforma consolidated financial statements, comprising the unaudited proforma consolidated balance sheet as at 31 December 2007 and the unaudited proforma consolidated income statement, the unaudited proforma consolidated statement of changes in equity, the unaudited proforma consolidated cash flow statement for the year ended 31 December 2007, have been prepared for inclusion in the Offer Document in connection with the initial public offering of the shares of the Company.

The Company was incorporated in Singapore on 28 September 2007 as a private limited company under the name of Qualitas Medical Group Pte. Ltd. It was converted to a public limited company on 24 June 2008 and changed its name to Qualitas Medical Group Limited. The principal activities of the Company are those relating to investment holding. The Company has been inactive since incorporation and no audited financial statements have been prepared. For the purpose of these unaudited proforma consolidated financial statements, the management accounts for the year ended 31 December 2007 of the Company have been used.

### 2 The Restructuring Exercise

Prior to the Invitation, a restructuring exercise (the Restructuring Exercise) was carried out which resulted in the Company becoming the holding company of the Group. The following steps were taken in the Restructuring Exercise:

- (a) The shareholders of QHC transferred all their interests in QHC, representing the entire issued and paid up share capital of QHC, to the Company in return for allotment and issue of 31,230,559 ordinary shares in the share capital of the Company. As a result, QHC became a wholly-owned subsidiary of the Company.
- (b) Pursuant to the Restructuring Exercise, the following share swaps were effected so that the majority owned subsidiaries of the Group prior to the Restructuring Exercise became 99.9% owned subsidiaries of the Company:
  - (i) Pursuant to the Restructuring Exercise, Klinik Salak (Selangor) Sdn Bhd became a wholly-owned subsidiary of Klinik Salak Sdn Bhd when the minority shareholder holding 34,000 shares in the capital of Klinik Salak (Selangor) Sdn Bhd transferred all his interest to Klinik Salak Sdn Bhd in return for an allotment of 39,581 shares in the share capital of the Company;
  - (ii) Prior to the Restructuring Exercise, Qualitas Medical Group Sdn Bhd (QMG) was the majority shareholder in the subsidiaries listed below. Pursuant to the Restructuring Exercise, the minority shareholders transferred all their respective interests in those subsidiaries to QMG in return for an allotment of 13,997,519 shares in the Company; and
  - (iii) Prior to the Restructuring Exercise, QHC held approximately 74% of the entire issued and paid up capital in QMG. Pursuant to the Restructuring Exercise, the minority shareholders of QMG transferred all their interests in QMG amounting to 4,777,725 shares of RM1 each in the share capital of QHC in return for allotment and issue of 5,876,601 shares in the Company. As a result of the Restructuring Exercise, QMG became 99.9% owned by QHC.

Upon completion of the Restructuring Exercise referred to in Note 2 above, the following became wholly-owned subsidiaries of the Company:

1. Kumpulan Medic (KL) Sdn Bhd
2. Kumpulan Medic (Selangor) Sdn Bhd
3. Klinik Anis Sdn Bhd
4. Klinik Salak Sdn Bhd
5. Daya X-Ray Centre Sdn Bhd
6. Reddy Clinic Sdn Bhd
7. Klinik Ludher Sdn Bhd
8. Poliklinik Central & Surgeri Sdn Bhd
9. Lambaian Adiwarna Sdn Bhd
10. Vertical Score Sdn Bhd
11. Towards Growth Sdn Bhd
12. Klinik JJ (Johor) Sdn Bhd
13. Klinik Thomas Sdn Bhd
14. Poliklinik Puteri dan Surgeri Sdn Bhd
15. Klinik Dhas Sdn Bhd
16. Klinik Lee Medik Sdn Bhd
17. Klinik Daiman Sdn Bhd
18. Surplus Mode Sdn Bhd
19. Klinik Catterall, Khoo and Raja Malek Sdn Bhd
20. Poliklinik Simpang Pulai Sdn Bhd
21. Klinik Syed Alwi dan Chandran (Penang) Sdn Bhd
22. Apex Support Sdn Bhd
23. Klinik Pantai Sdn Bhd
24. Q-Medical Care Sdn Bhd
25. Klinik Port Dickson Sdn Bhd
26. Klinik Dr. Nur Ainita Sdn Bhd
27. First Rewards Sdn Bhd

### **3 Basis of Preparation of the Unaudited Proforma Consolidated Financial Statements**

- 3.1 The unaudited proforma consolidated financial statements have been prepared to illustrate what:
- (a) the financial position of the Group as at 31 December 2007 would have been if the group structure as of the date of registration of the Offer Document had been in place on 31 December 2007; and
  - (b) the financial results, cash flows and changes in equity of the Group for the year ended 31 December 2007 would have been if the group structure as of the date of registration of the Offer Document had been in place since 1 January 2007.
- 3.2 The unaudited proforma consolidated financial statements have been prepared based on the audited consolidated financial statements of the QHC Group for the year ended 31 December 2007, after giving effect to the proforma adjustments that are considered appropriate as set out in the unaudited proforma consolidated financial statements.
- 3.3 The unaudited proforma consolidated financial statements have been prepared for illustrative purposes only and, because of their nature, may not give a true picture of the actual financial position, results, changes in equity and cash flows of the Group.
- 3.4 The unaudited proforma consolidated financial statements have been prepared in accordance with the accounting policies of the Company and its subsidiaries as set out in the audited consolidated financial statements of the QHC Group.
- 3.5 The audited consolidated financial statements of the QHC Group for the financial year ended 31 December 2007 were prepared in accordance with Singapore Financial Reporting Standards (FRS).

The audited consolidated financial statements of the QHC Group were audited by KPMG in accordance with Singapore Standards on Auditing.

- 3.6 The audited consolidated financial statements of the QHC Group as of and for the year ended 31 December 2007 were not subject to any qualification, modification or disclaimer.

#### **4 Earnings Per Share**

Proforma earnings per share is computed based on the net proforma profit attributable to shareholders of RM6,529,163 and proforma number of shares of 51,144,260.

#### **5 Merger Deficit**

The merger deficit represents the difference between the value of shares issued by the Company and the value of the net assets of subsidiaries acquired under common control.

## SUMMARY OF THE CONSTITUTION OF OUR COMPANY

*The discussion below provides information about certain provisions of our Memorandum and Articles of Association and the laws of Singapore. This description is only a summary and is qualified by reference to Singapore law and our Articles.*

The instruments that constitute and define our Company are the Memorandum and Articles of Association of our Company.

Paragraph 3 of the Memorandum of Association sets out the objects for which our Company is formed. Its powers are also set out in Paragraph 3 of the Memorandum of Association.

1. The registration number with which our Company was incorporated is 200717959H. Our Memorandum of Association states that the liability of shareholders of our Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them.
2. The provisions in the Articles of Association of our Company relating to Director's voting powers, Directors' remuneration, Directors' borrowing powers, Directors' retirement, Directors' share qualification, rights pertaining to shares, convening of general meetings and alteration of capital are as follows:-

### **Directors' Voting Powers**

Powers of Directors to contract with Company

95. (1) No Director or intending Director shall be disqualified by his office from contracting or entering into any arrangement with the Company either as vendor, purchaser or otherwise nor shall such contract or arrangement or any contract or arrangement entered into by or on behalf of the Company in which any Director shall be in any way interested be avoided nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or of the fiduciary relation thereby established but every Director shall observe the provisions of Section 156 of the Act relating to the disclosure of the interests of the Directors in contracts or proposed contracts with the Company or of any office or property held by a Director which might create duties or interests in conflict with his duties or interests as a Director and any contract or arrangement to be entered into by or on behalf of the Company in which any Director shall be in any way interested shall be subject to any requirements that may be imposed by the Exchange. No Director shall vote in respect of any contract, arrangement or transaction in which he is so interested as aforesaid or in respect of any allotment of shares in or debentures of the Company to him and if he does so vote his vote shall not be counted.

Restriction on voting

(2) A Director, notwithstanding his interest, may be counted in the quorum present at any meeting where he or any other Director is appointed to hold any office or place of profit under the Company, or where the Directors resolve to exercise any of the rights of the Company (whether by the exercise of voting rights or

otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company, or where the Directors resolve to enter into or make any arrangements with him or on his behalf pursuant to these Articles or where the terms of any such appointment or arrangements as hereinbefore mentioned are considered, and he may vote on any such matter other than in respect of the appointment of or arrangements with himself or the fixing of the terms thereof. For the avoidance of doubt, a Director shall not vote in respect to any contract or arrangement or proposed contract or arrangement in which he has directly or indirectly a personal material interest.

Ratification by General Meeting (3) The provisions of this Article may at any time be suspended or relaxed to any extent and either generally or in respect of any particular contract, arrangement or transaction by the Company in General Meeting, and any particular contract, arrangement or transaction carried out in contravention of this Article may be ratified by Ordinary Resolution of the Company.

Holding of office in other companies 96. (1) A Director may hold any other office or place of profit under the Company (except that of Auditor) and he or any firm of which he is a member may act in a professional capacity for the Company in conjunction with his office of Director, and on such terms as to remuneration and otherwise as the Directors shall determine. A Director of the Company may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as vendor, purchaser, shareholder or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company unless the Company otherwise directs.

Exercise of voting power (2) The Directors may exercise the voting power conferred by the shares in any company held or owned by the Company in such manner and in all respects as the Directors think fit in the interests of the Company (including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors of such company or voting or providing for the payment of remuneration to the directors of such company) and any such Director of the Company may vote in favour of the exercise of such voting powers in the manner aforesaid notwithstanding that he may be or be about to be appointed a director of such other company.

***Remuneration of Directors***

Fees 91. (1) The fees of the Directors shall be determined from time to time by the Company in General Meetings and such fees shall not be increased except pursuant to an Ordinary Resolution passed at a General Meeting where notice of the proposed increase shall have

been given in the notice convening the Meeting. Such fees shall be divided among the Directors in such proportions and manner as they may agree and in default of agreement equally, except that in the latter event any Director who shall hold office for part only of the period in respect of which such fee is payable shall be entitled only to rank in such division for the proportion of fee related to the period during which he has held office.

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|--------------------------------------|---|
| Extra Remuneration                   | (2) Any Director who is appointed to any executive office or serves on any committee or who otherwise performs or renders services, which, in the opinion of the Directors, are outside his ordinary duties as a Director, may be paid such extra remuneration as the Directors may determine without the approval of the Members in General Meeting, subject however as is hereinafter provided in this Article.   |
| Remuneration of Director             | (3) Notwithstanding Article 91(2), the remuneration in the case of a Director other than an Executive Director shall be payable by a fixed sum and shall not at any time be by commission on or a percentage of the profits or turnover, and no Director whether an Executive Director or otherwise shall be remunerated by a commission on or percentage of turnover.  |
| Expenses                             | 92. The Directors shall be entitled to be repaid all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or General Meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.   |
| Pensions to Directors and Dependants | 93. Subject to the Act, the Directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any Director or former Director who had held any other salaried office or place of profit with the Company or to his widow or dependants or relations or connections and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.   |
| Benefits for employees               | 94. The Directors may procure the establishment and maintenance of or participate in or contribute to any non-contributory or contributory pension or superannuation fund or life assurance scheme or any other scheme whatsoever for the benefit of and pay, provide for or procure the grant of donations, gratuities, pensions, allowances, benefits or emoluments to any persons (including Directors and other officers) who are or shall have been at any time in the employment or service of the Company or of the predecessors in business of the Company or of any subsidiary company, and the wives, widows, families or dependants of any such persons. The Directors may also procure the establishment and subsidy of or subscription and support to any institutions, associations, clubs, funds or trusts calculated to be for the benefit of any such persons as aforesaid or otherwise to advance the interests and well- |



being of the Company or of any such other company as aforesaid or of its Members and payment for or towards the insurance of any such persons as aforesaid, and subscriptions or guarantees of money for charitable or benevolent objects or for any exhibition or for any public, general or useful object.

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|--------------------------------------|-----|---|
| Holding of office in other companies | 96. | (1) A Director may hold any other office or place of profit under the Company (except that of Auditor) and he or any firm of which he is a member may act in a professional capacity for the Company in conjunction with his office of Director, and on such terms as to remuneration and otherwise as the Directors shall determine. A Director of the Company may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as vendor, purchaser, shareholder or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company unless the Company otherwise directs. |
|--------------------------------------|-----|---|

***Borrowing Powers of Directors***

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|-----------------------------|------|--|
| Directors' borrowing powers | 123. | (1) The Directors may at their discretion and from time to time, as permitted by the Company's Memorandum of Association or as permitted by law, raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company or of any third party.  |
| Conditions for borrowing    | (2)  | The Directors may raise, borrow or secure the repayment of all such sum or sums in such manner and upon such terms and conditions in all respects as they think fit, and, in particular, by the issue of debentures or debenture stock of the Company, perpetual or otherwise, charged upon or by mortgage charge or lien of and on the undertaking or the whole or any part of the property of the Company (both present and future), including its uncalled capital for the time being, or by making, accepting, endorsing or executing any promissory notes or bills of exchange. |

***Retirement under Age Limit Requirement and Share Qualification***

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|----------------|-----|--|
| Qualifications | 90. | A Director need not be a Member and shall not be required to hold any share qualification in the Company and shall be entitled to attend and speak at General Meetings but subject to the provisions of the Act he shall not be of or over the age of 70 years at the date of his appointment. |
|----------------|-----|--|

***Retirement of Directors by Rotation***

- |                                     |      |  |
|-------------------------------------|------|--|
| Retirement of Directors by rotation | 103. | Subject to these Articles and to the Act, at each Annual General Meeting at least one third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation. Provided that all Directors shall retire from office at least once every three years but shall be eligible for re-election. |
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Selection of Directors to retire

104. The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who is due to retire at the meeting by reason of age or who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment or have been in office for three years since their last election. However as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election.

Deemed re-appointed

105. The Company at the Meeting at which a Director retires under any provision of these Articles may by Ordinary Resolution fill up the vacated office by electing a person thereto. In default the retiring Director shall be deemed to have been re-elected, unless:-

- (i) at such Meeting it is expressly resolved not to fill up such vacated office or a resolution for the re-election of such Director is put to the Meeting and lost; or
- (ii) such Director is disqualified under the Act from holding office as a Director or has given notice in writing to the Company that he is unwilling to be re-elected; or
- (iii) such Director has attained any retiring age applicable to him as a Director.

Notice of intention to appoint Director

106. No person, other than a Director retiring at the Meeting, shall, unless recommended by the Directors for re-election, be eligible for appointment as a Director at any General Meeting unless not less than eleven clear days before the day appointed for the Meeting there shall have been left at the Office notice in writing signed by some Member duly qualified to attend and vote at the Meeting for which such notice is given of his intention to propose such person for election and also notice in writing duly signed by the nominee giving his consent to the nomination and signifying his candidature for the office or the intention of such Member to propose him. Provided that in the case of a person recommended by the Directors for election nine clear days' notice only shall be necessary. Notice of each and every candidate for election shall be served on all Members at least seven clear days prior to the Meeting at which the election is to take place.

### **Shares**

Rights attached to Preference shares

8. (1) Preference shares may be issued subject to such limitation thereof as may be prescribed by any stock exchange upon which shares in the Company may be listed. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets and attending General Meetings of the Company. Preference shareholders shall also have the right to vote at any

meeting convened for the purpose of reducing the capital or winding up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrears.

- (2) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares from time to time already issued or about to be issued.

Treasury Shares

9. The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold and/or deal with its treasury shares in any manner authorised or prescribed by the Act.

Variation of rights

10. (1) If at any time the share capital is divided into different classes, the special rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of the Act, whether or not the Company is being wound up, only be made, varied or abrogated with the sanction of a Special Resolution passed at a separate General Meeting of the holders of shares of the class and to every such Special Resolution the provisions of Section 184 of the Act shall, with such adaptations as are necessary, apply. To every such separate General Meeting the provisions of these Articles relating to General Meetings shall *mutatis mutandis* apply; but so that the necessary quorum shall be two persons at least holding or representing by proxy or by attorney one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy or by attorney may demand a poll whereupon any holder of such shares, present in person or by proxy, shall be entitled to one vote for each share of the class in respect of which he is a holder of such shares. If at any adjourned meeting of such holders such quorum as aforesaid is not present, any two holders of such shares of the class who are personally present shall be a quorum. Provided always that where the necessary majority for the aforesaid Special Resolution is not obtained at the Meeting, consent in writing if obtained from the holders of three-fourths of the issued shares of the class concerned within two months of the Meeting shall be as valid and effectual as a Special Resolution carried at the Meeting. The directors shall comply with the provisions of Section 186 of the Act as to forwarding a copy of any such consent or resolution to the Accounting and Corporate Regulatory Authority. Where all the issued shares of the class are held by one person, the necessary quorum shall be one person.

- Form of transfer of shares
21. Subject to the restrictions of these Articles and any restrictions imposed by law or the Exchange or the Depository, any Member may transfer all or any of his shares, but every transfer by any Member must either be by means of:-
- (a) an instrument in the form approved by the Exchange, which must be left at the Office or such other place or places as the Directors may appoint from time to time for registration and accompanied by the certificates of the shares to be transferred, and such other evidence (if any) as the Directors may require to prove the title of the intending transferor or his right to transfer the shares (“a registered transfer”). Shares of different classes shall not be comprised in the same instrument of transfer; or
  - (b) book-entry in the Depository Register in accordance with the Act.
- Execution
22. The instrument of transfer of a share which is the subject of a registered transfer shall be signed by or on behalf of the transferor and the transferee and be witnessed and the transferor shall be deemed to remain the holder of the share concerned until the name of the transferee is entered in the Register of Members in respect thereof. The Depository may transfer any share in respect of which its name is entered in the Register of Members by means of a registered transfer. The Depository shall not be required as transferee to sign any form of transfer for the transfer of shares to it. The Directors may dispense with the execution of the instrument of transfer by the transferee and the requirement that the instrument of transfer be witnessed in any case in which they think fit in their discretion to do so. Shares of different classes shall not be comprised in the same instrument of transfer. This Article 22 shall not apply to any transfer of shares by way of book-entry in compliance with the Act.
- Person under disability
23. No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind but nothing herein contained shall be construed as imposing on the Company any liability in respect of the registration of such transfer if the Company has no actual knowledge of the same.
- Directors’ power to decline to register
24. (1) Subject to these Articles, the Act or as required by the Exchange, there shall be no restriction on the transfer of fully paid up shares (except where required by law or the rules, bye-laws or listing rules of the Exchange or of any other stock exchange upon which the shares in the Company may be listed) but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid up may refuse to register a transfer to a transferee of whom they do not approve. If the Directors shall decline to register any such transfer of shares, they shall give to both the transferor and the transferee written notice of their refusal to register as required by the Act.

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| Terms of registration of transfers  | <p>(2) The Directors may decline to register any instrument of transfer unless:-</p> <p>(i) in the case of registered transfers, such fee not exceeding S\$2 (or such other sum as may be prescribed or approved by the Exchange from time to time) as the Directors may from time to time require, is paid to the Company for the registration of each transfer (except that the Depository shall not be liable to pay any fee in respect of the registration of a transfer);</p> <p>(ii) the amount of proper duty (if any) with which each instrument of transfer is chargeable under any law for the time being in force relating to stamps is paid;</p> <p>(iii) the instrument of transfer, duly stamped in accordance with any law for the time being in force relating to stamp duty, is deposited at the Office or at such other place (if any) as the Directors appoint accompanied by the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and</p> <p>(iv) the instrument of transfer is in respect of only one class of shares.</p> |
| Closing of Register                 | <p>26. The Register of Members and the Depository Register may be closed at such times and for such period as the Directors may from time to time determine, provided always that the Registers shall not be closed for more than thirty days in the aggregate in any year. Provided Always that the Company shall give prior notice of such closure as may be required to the Exchange, stating the period and purpose or purposes for which the closure is made.</p>   |
| Renunciation of allotment           | <p>27. (1) Nothing in these Articles shall preclude the Directors from recognising a renunciation of the allotment of any share by the allottee in favour of some other person.</p>  |
| Indemnity against wrongful transfer | <p>(2) Neither the Company nor its Directors nor any of its Officers shall incur any liability for registering or acting upon a transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other Officers, be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that the Company may have notice</p>  |

that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred, or otherwise in defective manner. In every such case, the person registered as transferee, his executors, administrators and assigns, alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

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| Calls on shares        | 32. The Directors may from time to time make such calls as they think fit upon the Members in respect of any money unpaid on their shares and not by the terms of the issue thereof made payable at fixed times, and each Member shall (subject to receiving at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine.   |
| Time when made         | 33. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be made payable by instalments.   |
| Interest on calls      | 34. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum due from the day appointed for payment thereof to the time of actual payment at such rate not exceeding ten per cent per annum as the Directors may determine, and shall also pay all costs, charges and expenses which the Company may have incurred or become liable for in order to recover payment of or in consequence of non-payment of such call but the Directors shall be at liberty to waive payment of such interest, costs, charges and expenses wholly or in part. |
| Sum due to allotment   | 35. Any sum which by the terms of issue and allotment of a share becomes payable upon allotment or at any fixed date shall for all purposes of these Articles be deemed to be a call duly made and payable on the date on which, by the terms of issue, the same becomes payable, and in case of non-payment all the relevant provisions of the Articles as to payment of interest, costs, charges and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.  |
| Power to differentiate | 36. The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the times of payments.  |
| Payment of dividends   | 128. The Directors may, with the sanction of the Company, by Ordinary Resolution declare dividends but (without prejudice to the powers of the Company to pay interest on share capital as hereinbefore provided) no dividend shall be payable except out of the profits of the Company. No dividend shall exceed the amount recommended by the   |

Directors and a declaration by the Directors as to the amount of profits at any time available for dividends shall be conclusive.

- Apportionment of dividends      129. Subject to the rights of holders of shares with special rights as to dividend (if any) and except as otherwise permitted under the Act, all dividends in respect of shares shall be declared and paid in proportion to the number of shares held by a Member but where shares are partly paid, all dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid up shares. For the purposes of this Article only, no amount paid or credited as paid on a share in advance of calls shall be treated as paid on the share. All dividends shall be apportioned and paid pro rata according to the amount paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date such shares shall rank for dividend accordingly.
- Payment of preference and interim dividends      130. Notwithstanding Article 129, if, and so far as in the opinion of the Directors, the profits of the Company justify such payments, the Directors may pay fixed preferential dividends on any express class of shares carrying a fixed preferential dividend expressed to be payable on a fixed date on the half-yearly or other dates (if any) prescribed for the payment thereof by the terms of issue of the shares, and subject thereto may also from time to time pay to the holders of any other class of shares interim dividends thereon of such amounts and on such dates as they may think fit.
- Unclaimed dividends      135. The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend unclaimed after a period of six years from the date of declaration of such dividend may be forfeited and if so shall revert to the Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture. For the avoidance of doubt no Member shall be entitled to any interest, share of revenue or other benefit arising from any unclaimed dividends, howsoever and whatsoever.
- Payment of dividend *in specie*      136. The Company may, upon the recommendation of the Directors, by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets and in particular of paid up shares or debentures of the Company or of any other company or in any one or more of such ways, and the Directors shall give effect to such Resolution, and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates and fix the value for distribution of such specific assets or

any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.

Distribution of assets *in specie*

161. If the Company is wound up (whether the liquidation is voluntary, under supervision or by the Court) the Liquidator may, with the authority of a Special Resolution, divide among the Members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds and may for such purpose set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The Liquidator may, with the like authority, vest the whole or any part of the assets in trustees upon such trusts for the benefit of Members as the Liquidator with the like authority thinks fit, and the liquidation of the Company may be closed and the Company dissolved, but no Member shall be compelled to accept any shares or other securities in respect of which there is a liability.

### **General Meetings**

Annual General Meeting

59. (1) Subject to the provisions of the Act and Article 146, the Company shall in each year hold a General Meeting in addition to any other meetings in that year to be called the Annual General Meeting, and not more than fifteen months shall elapse between the date of one Annual General Meeting of the Company and that of the next. The Annual General Meeting shall be held at such time and place as the Directors shall appoint.

Extraordinary General Meetings

(2) All General Meetings other than Annual General Meetings shall be called Extraordinary General Meetings.

Calling of Extraordinary General Meetings

60. The Directors may, whenever they think fit, convene an Extraordinary General Meeting and Extraordinary General Meetings shall also be convened on such requisition or, in default, may be convened by such requisitionists as provided by Section 176 of the Act. If at any time there are not within Singapore sufficient Directors capable of acting to form a quorum at a meeting of Directors, any Director may convene an Extraordinary General Meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors.

Notice of meetings

61. (1) Subject to the provisions of the Act (including those regarding the calling of General Meetings at short notice) and the listing rules of the Exchange, any General Meeting at which it is proposed to pass a Special Resolution or a resolution of which special notice has been given to the Company, shall be called by twenty-one days' notice at least and any other General Meeting by fourteen days' notice at least (exclusive both of the day on which the notice is



served or deemed to be served and of the day for which the notice is given). Every notice calling a General Meeting shall specify the place and the day and the hour of the meeting and be given in a manner hereinafter mentioned to such persons (including the Auditors) as are under the provisions of these Articles and the Act entitled to receive such notices of General Meetings from the Company. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least fourteen days' notice of all General Meetings shall be given by advertisement in the daily press and in writing to the Exchange and to such other stock exchanges on which the Company is listed.

(2) The accidental omission to give notice to, the non-receipt by any person entitled thereto or the calling of a General Meeting at short notice, shall not invalidate the proceedings at any General Meeting.

Contents of notice 62. (1) Every notice calling a General Meeting shall specify the place and the day and hour of the Meeting and there shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and to vote instead of him and that a proxy need not be a Member of the Company.

Notice of Annual General Meeting (2) In the case of an Annual General Meeting, the notice shall also specify the Meeting as such.

Nature of special business to be specified (3) In the case of any General Meeting at which business other than routine business is to be transacted (special business), the notice shall specify the general nature of the special business, and if any resolution is to be proposed as a Special Resolution or as requiring special notice, the notice shall contain a statement to that effect.

Special business 63. All business shall be deemed special that is transacted at any Extraordinary General Meeting, and all that is transacted at an Annual General Meeting shall also be deemed special, with the exception of sanctioning a dividend, the consideration of the accounts and balance sheet and the reports of the Directors and Auditors, and any other documents required to be annexed to the balance sheet, electing Directors in place of those retiring by rotation or otherwise and the fixing of the Directors' remuneration and the appointment and fixing of the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business.

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| Quorum                            | 64. No business shall be transacted at any General Meeting unless a quorum is present at the time the meeting proceeds to business. Save as herein otherwise provided, two Members present in person shall form a quorum. For the purpose of this Article, "Member" includes a person attending by proxy or by attorney or as representing a corporation which is a Member but shall, as required by the Act, exclude the Company where it is a Member by reason of its holding of treasury shares. Provided that (i) a proxy representing more than one Member shall only count as one Member for the purpose of determining the quorum; and (ii) where a Member is represented by more than one proxy such proxies shall count as only one Member for the purpose of determining the quorum. |
| Adjournment if quorum not present | 65. If within half an hour from the time appointed for the holding of the Meeting a quorum is not present, the Meeting if convened on the requisition of Members shall be dissolved. In any other case it shall stand adjourned to the same day in the next week at the same time and place, or to such other day and at such other time and place as the Directors may determine, and if at such adjourned Meeting a quorum is not present within half an hour from the time appointed for holding the Meeting, the Meeting shall be dissolved.   |
| Resolutions in writing            | 66. Subject to the Act, a resolution in writing signed by every Member of the Company entitled to vote or being a corporation by its duly authorised representative shall have the same effect and validity as an Ordinary Resolution of the Company passed at a General Meeting duly convened, held and constituted, and may consist of several documents in the like form, each signed by one or more of such Members. For the purposes of this Article, "in writing" and "signed" include approval by telex or facsimile.   |
| Chairman                          | 67. The Chairman of the Directors or, in his absence, the Deputy Chairman (if any) shall preside as Chairman at every General Meeting. If there is no such Chairman or Deputy Chairman or if at any Meeting he is not present within fifteen minutes after the time appointed for holding the Meeting or is unwilling to act, the Members present shall choose some other Director to be Chairman of the Meeting or, if no Director is present or if all the Directors present decline to take the Chair, one of themselves to be Chairman of the Meeting.   |
| Adjournment                       | 68. The Chairman of the Meeting may, with the consent of any Meeting at which a quorum is present (and shall if so directed by the Meeting), adjourn the Meeting from time to time and from place to place, but no business shall be transacted at any adjourned Meeting except business which might lawfully have been transacted at the Meeting from which the adjournment took place. When a meeting is adjourned for fourteen days or more, at least three days' notice of the place and hour of such adjourned Meeting shall be given as in the case of the original Meeting. Save as   |

aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned Meeting.

Method of voting

69. At any General Meeting a resolution put to the vote of the Meeting shall be decided on a show of hands by the Members present in person or by proxy and entitled to vote, unless a poll is (before or on the declaration of the result of the show of hands) demanded:-
- (i) by the Chairman of the meeting; or
  - (ii) by at least two Members present in person or by proxy (where a Member has appointed more than one proxy, any one of such proxies may represent that member) or attorney or in the case of a corporation by a representative and entitled to vote thereat; or
  - (iii) by any Member or Members present in person or by proxy (where a Member has appointed more than one proxy, any one of such proxies may represent that Member) or attorney or in the case of a corporation by a representative or any number or combination of such Members, holding or representing not less than one-tenth of the total voting rights of all the Members having the right to vote at the Meeting; or
  - (iv) by a Member or Members present in person or by proxy (where a Member has appointed more than one proxy, any one of such proxies may represent that Member) or attorney or in the case of a corporation by a representative or any number or combination of such Members, holding or representing not less than one-tenth of the total number of paid up shares in the Company (excluding treasury shares) conferring a right to vote at the Meeting.

Provided always that no poll shall be demanded on the election of a Chairman of a Meeting (or any other Director as the Chairman may appoint to chair the Meeting from time to time) or on a question of adjournment. Unless a poll is so demanded (and the demand is not withdrawn) a declaration by the Chairman that a resolution has been carried or carried unanimously or by a particular majority or lost and an entry to that effect in the minute book shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution. A demand for a poll may be withdrawn.

Taking a poll

70. If a poll is duly demanded (and the demand is not withdrawn) it shall be taken in such manner (including the use of ballot, voting papers or tickets) as the Chairman may direct and the result of a poll shall be deemed to be the resolution of the Meeting at which the poll was demanded. The Chairman may, and if so requested shall, appoint scrutineers and may adjourn the Meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

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| Votes counted in error                          | 71. | If any votes are counted which ought not to have been counted or might have been rejected, the error shall not vitiate the result of the voting unless it is pointed out at the same Meeting or at any adjournment thereof, and unless in the opinion of the Chairman at the Meeting or at any adjournment thereof, as the case may be, it shall be of sufficient importance to vitiate the result of the voting. |
| Chairman's casting vote                         | 72. | Subject to the Act and the requirements of the Exchange, in the case of equality of votes, whether on a show of hands or on a poll, the Chairman of the Meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote in addition to the votes to which he may be entitled as a Member or as proxy of a Member.                                   |
| Time for taking a poll                          | 73. | A poll demanded on any question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the Meeting) and place as the Chairman may direct. No notice need to be given of a poll not taken immediately.   |
| Continuance of business after demand for a poll | 74. | The demand for a poll shall not prevent the continuance of a Meeting for the transaction of any business, other than the question on which the poll has been demanded.  |

***Alteration of Capital***

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| Rights and privileges of new shares | 50. | Subject to any special rights for the time being attached to any existing class of shares, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the General Meeting resolving upon the creation thereof shall direct and if no direction be given as the Directors shall determine; subject to the provisions of these Articles and in particular (but without prejudice to the generality of the foregoing) such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company or otherwise.  |
| Issue of new shares to Members      | 51. | (1) Subject to any direction to the contrary that may be given by the Company in General Meeting or except as permitted under the Exchange's listing rules, all new shares shall before issue be offered to the Members in proportion, as nearly as the circumstances admit, to the number of the existing shares to which they are entitled or hold. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article. |

- (2) Notwithstanding Article 51(1) above but subject to the Act, the Directors shall not be required to offer any new shares to members to whom by reason of foreign securities laws such offers may not be made without registration of the shares or a Offer Document or other document, but to sell the entitlements to the new shares on behalf of such Members in such manner as they think most beneficial to the Company.
- New shares otherwise subject to provisions of Articles
52. Except so far as otherwise provided by the conditions of issue or by these Articles, any capital raised by the creation of new shares shall be considered part of the original ordinary capital of the Company and shall be subject to the provisions of these Articles with reference to allotments, payment of calls, lien, transfer, transmission, forfeiture and otherwise.
- Power to consolidate, cancel and subdivide shares
53. (1) The Company may by Ordinary Resolution:
- (i) consolidate and/or divide all or any of its share capital;
- (ii) subdivide its shares or any of them (subject, nevertheless, to the provisions of the Act), provided always that in such subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; and
- (iii) subject to the provisions of these Articles and the Act, convert any class of shares into any other class of shares.
- Power to purchase or acquire its issued shares
- (2) Subject to and in accordance with the provisions of the Act, the listing rules of the Exchange, and other written law, the Company may purchase or otherwise acquire ordinary shares, stocks, preference shares, options, debentures, debenture stocks, bonds, obligations, securities, and all other equity, derivative, debt and financial instruments issued by it on such terms as the Company may think fit and in the manner prescribed by the Act. Any shares so purchased by the Company shall, unless held by the Company as treasury shares in accordance with the Act, be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold and/or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with, the Act.
- Power to reduce capital
54. The Company may by Special Resolution reduce its share capital or any other undistributable reserve in any manner and subject to any incident authorised and consent required by law. Without prejudice to the generality of the foregoing,

upon the cancellation of any share purchased or otherwise acquired by the Company pursuant to these Articles or the Act, the number of issued shares of the Company shall be diminished by the number of shares so cancelled, and where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly.

## DETAILS OF LEASED PROPERTY OF OUR GROUP

**Malaysia<sup>(1)</sup>**

| Tenant and Location   | Tenure                             | Use of Property  | Monthly rental | Lessor  |
|---|------------------------------------|--|----------------|---|
| <b>Qualitas Medical Group Sdn Bhd</b>   |                                    |  |                |   |
| No. 303-4-29 Krystal Point Jalan Sultan Azlan Shah 11900 Sg. Nibong Pulau Pinang Malaysia | 1 September 2007 to 31 August 2009 | Corporate office, Northern region of Malaysia                      | RM1,500        | Chan Kah May  |
| No. 30-01 Jalan Titiwangsa 4 Taman Tampoi Indah 81200 Johor Bahru Johor                   | 15 October 2005 to 14 October 2008 | Corporate office, Southern region of Malaysia                      | RM800          | Tan Tong Tek  |
| <b>Qualitas Pharma Sdn Bhd</b>  |                                    |  |                |   |
| No. 22 Jalan PJS 7/17 Bandar Sunway 46150 Petaling Jaya Selangor                          | 1 June 2006 to 31 May 2009         | Office and storage of medical supplies and pharmaceutical products | RM2,600        | Goh Tiau Eng  |
| No. 20 Jalan PJS 7/17 Bandar Sunway 46150 Petaling Jaya Selangor                          | 1 June 2006 to 31 May 2009         | Office and storage of medical supplies and pharmaceutical products | RM2,600        | Golmont Classic (M) Sdn Bhd                                       |
| <b>Kumpulan Medic (KL) Sdn Bhd</b>  |                                    |  |                |   |
| Ground Floor Ghee Hong Building No. 47 Jalan Ampang 50450 Kuala Lumpur                    | 7 December 2005 to 6 December 2008 | To operate a medical clinic  | RM4,700        | Ng Beng Ong and Ng Beng Thong as Trustees for Ghee Hong & Company |
| 2 <sup>nd</sup> Floor Ghee Hong Building No. 47 Jalan Ampang 50450 Kuala Lumpur           | 1 January 2006 to 31 December 2008 | To operate a medical clinic  | RM2,400        | Ng Beng Ong and Ng Beng Thong as Trustees for Ghee Hong & Company |
| Lot MZ. 05 Aras 1A Bangunan KWSP Jalan Raja Laut 50350 Kuala Lumpur                       | 1 March 2006 to 28 February 2009   | To operate a medical clinic  | RM7,360        | Lembaga Kumpulan Wang Simpanan Pekerja                            |
| 4 <sup>th</sup> Floor, Menara Boustead No. 69 Jalan Raja Chulan 50200 Kuala Lumpur        | 1 May 2008 to 30 April 2011        | To operate a medical clinic  | RM5,668        | Boustead Realty Sdn Bhd   |
| No. 78 Jalan SS 21/35 Damansara Utama 47400 Petaling Jaya Selangor                        | 1 April 2006 to 31 March 2009      | To operate a medical clinic  | RM6,000        | Poh Kok Kian and Gan Eng Bee                                      |
| Ground Floor No. 70 Jalan Mamanda 1 Ampang Point 68000 Ampang Selangor                    | 1 November 2007 to 31 October 2008 | To operate a medical clinic  | RM7,800        | Tan Kiam Kee @ Tan Ah Pia   |

| <b>Tenant and Location</b>   | <b>Tenure</b>  | <b>Use of Property</b>                                 | <b>Monthly rental</b> | <b>Lessor</b>   |
|--|--|--|-----------------------|---|
| No. 42-A 1 <sup>st</sup> Floor Jalan Sultan (52/4)<br>46200 Petaling Jaya<br>Selangor                | 1 March 2006 to<br>28 February 2009                                  | To operate a medical<br>clinic                         | RM3,650               | Lee Tze Seow  |
| No. 22 Jalan SS 15/4D<br>Subang Jaya 47500<br>Selangor   | 1 February 2008 to<br>31 January 2010                                | To operate a medical<br>clinic                         | RM3,500               | Chuh Ah Kau @<br>Chua Boon Hoo<br>and Saw Ann Nya @<br>Saw Cheng Siew |
| <b><u>Klinik Catterall, Khoo and Raja Malek Sdn Bhd</u></b>  |  |  |                       |   |
| No. 47 Jalan Othman<br>46000 Petaling Jaya<br>Selangor   | 1 December 2006 to<br>30 November 2009                               | To operate a medical<br>clinic                         | RM4,000               | Irene Chen Siong<br>Hoong   |
| Lobby Area "G"<br>Bangunan Ming<br>Jalan Bukit Nanas<br>50250 Kuala Lumpur                           | 1 January 2008 to<br>31 December 2010                                | To operate a medical<br>clinic                         | RM7,783               | Tian Ming Sdn Bhd   |
| Ground Floor<br>Wisma Damansara<br>Jalan Semantan<br>50490 Kuala Lumpur                              | Month to month<br>renewal basis with<br>effect from 15 March<br>2004 | To operate a medical<br>clinic                         | RM2,204               | Damansara<br>Developments Sdn<br>Bhd                                  |
| Suite 2.4 2 <sup>nd</sup> Floor<br>Wisma Sime Darby<br>Jalan Raja Laut<br>50350 Kuala Lumpur         | 1 August 2007 to<br>30 June 2008<br>eleven (11) months               | To operate a medical<br>clinic                         | RM3,285               | Wisma Sime Darby<br>Sdn Bhd <sup>(2)</sup>                            |
| Suite 3B-3-6 Level 3<br>Block 3B<br>Plaza Sentral<br>Jalan Stesen<br>Sentral 5<br>50470 Kuala Lumpur | 15 April 2006 to<br>14 April 2009                                    | To operate a medical<br>clinic                         | RM6,794               | Yew & Lim<br>Construction Sdn<br>Bhd                                  |
| <b><u>Vertical Score Sdn Bhd</u></b>   |  |  |                       |   |
| Ground Floor<br>No.18-B1<br>Jalan SS 6/3<br>Kelana Jaya<br>47301 Petaling Jaya<br>Selangor           | 1 November 2007 to<br>31 October 2010                                | To operate a medical<br>clinic – Klinik Rakan<br>Medik | RM7,900               | Kamal Ariffin Bin<br>Habib  |
| <b><u>Lambaian Adiwarna Sdn Bhd</u></b>  |  |  |                       |   |
| Ground Floor<br>No. 19 Jalan 4/11A<br>Seksyen 4 Tambahan<br>43650 Bandar Baru<br>Bangi<br>Selangor   | 1 June 2008 to<br>31 May 2010  | To operate a medical<br>clinic – Klinik Rakan<br>Medik | RM2,600               | Chin Keat Seng and<br>Chin Kok Leong                                  |
| <b><u>Poliklinik Puteri dan Surgeri Sdn Bhd</u></b>  |  |  |                       |   |
| No. 37 Jalan Besi 1<br>Taman Sri Putri Skudai<br>81300 Johor Bahru<br>Johor                          | 17 June 2008 to<br>16 June 2011                                      | To operate a medical<br>clinic                         | RM3,500               | Dr Mat Alewi Bin<br>Zakaria   |



| <b>Tenant and Location</b>  | <b>Tenure</b>                         | <b>Use of Property</b>  | <b>Monthly rental</b> | <b>Lessor</b>  |
|---|---------------------------------------|---|-----------------------|--|
| Ground Floor<br>SH-100<br>Jalan Sawah<br>Pekan Nanas<br>81500 Pontian<br>Johor                      | 1 May 2008 to<br>30 April 2011        | To operate a medical<br>clinic                                    | RM1,980               | Soo Bauti @ Soh<br>Siang Huat                            |
| Ground Floor No. 99<br>Jalan Cempedak<br>Taman Tiram Baru<br>81800 Ulu Tiram<br>Johor               | 1 June 2008 to<br>31 May 2011         | To operate a medical<br>clinic                                    | RM2,300               | Tan Yiap Peiow   |
| Ground Floor No. 3<br>Jalan Niaga 88<br>1900 Kota Tinggi<br>Johor                                   | 1 March 2008 to<br>28 February 2010   | To operate a medical<br>clinic                                    | RM3,300               | Rashid Bin Sihes   |
| <b><u>Generous Rewards Sdn Bhd</u></b>  |                                       |   |                       |  |
| No. 31 Medan Nusa<br>Perintis 6<br>Taman Nusa Perintis 2<br>Nusajaya<br>81550 Gelang Patah<br>Johor | 1 January 2008 to<br>31 December 2009 | To operate a medical<br>clinic – Poliklinik Puteri<br>dan Surgeri | RM2,000               | Kwek Nge Yong  |
| <b><u>Klinik Syed Alwi dan Chandran (Penang) Sdn Bhd</u></b>  |                                       |   |                       |  |
| 6466 Kampong<br>Gajah Road 12200<br>Butterworth<br>Penang   | 1 January 2008 to<br>31 December 2010 | To operate a medical<br>clinic                                    | RM2,700               | Drs Syed Alwi,<br>Chandran dan<br>Rakan-rakan Sdn<br>Bhd |
| Ground Floor<br>No. 3 Jalan Todak 5<br>Pusat Bandar Seberang<br>Jaya<br>13700 Butterworth<br>Penang | 1 August 2006 to<br>31 July 2009      | To operate a medical<br>clinic                                    | RM1,800               | Oriental Intertrade<br>Co                                |
| <b><u>Poliklinik Central &amp; Surgeri Sdn Bhd</u></b>  |                                       |   |                       |  |
| No. 103 Batu 4 ½<br>Jalan Gombak<br>53000 Kuala Lumpur  | Month to month<br>renewal             | To operate a medical<br>clinic                                    | RM2,000               | Soo Sing Koon  |
| <b><u>Klinik Lee Medik Sdn Bhd</u></b>  |                                       |   |                       |  |
| No. 97 Main Road<br>Masai<br>81750 Johor Bahru<br>Johor   | 1 March 2006 to<br>28 February 2009   | To operate a medical<br>clinic – Klinik Malaysia                  | RM3,200               | Ng Yeo Bak   |
| Ground Floor<br>No. 10 Jalan 10/2<br>Perjiranan 10<br>81700 Pasir Gudang<br>Johor                   | 1 January 2006 to<br>31 December 2008 | To operate a medical<br>clinic – Klinik Malaysia                  | RM2,000               | Koperasi Pelabuhan<br>Johor Berhad                       |
| <b><u>New West Management Sdn Bhd</u></b>   |                                       |   |                       |  |
| No. 462 & 464<br>Jalan Pudu<br>55100 Kuala Lumpur   | 15 March 2007 to<br>14 March 2010     | To operate a medical<br>clinic - Klinik Ng dan Lee                | RM23,000              | Xoki Mart (M) Sdn<br>Bhd                                 |

| <b>Tenant and Location</b>  | <b>Tenure</b>                          | <b>Use of Property</b>   | <b>Monthly rental</b>   | <b>Lessor</b>   |
|---|--|--|---|---|
| Ground Floor No. 265<br>Jalan Mahkota Taman<br>Maluri, Cheras 56100<br>Kuala Lumpur                         | 1 April 2007 to<br>31 March 2010       | To operate a medical<br>clinic – Klinik Ng dan Lee                         | RM2,350   | Wong Tin Sang   |
| No. 377 4 <sup>th</sup> Mile Jalan<br>50450 Ampang<br>Kuala Lumpur  | 1 November 2005 to<br>31 October 2008  | To operate a medical<br>clinic – Klinik Ng dan Lee                         | RM3,600   | Low Ah Kim  |
| No. 31 Jalan 19A (Jalan<br>Nelayan) Section 19<br>40300 Shah Alam<br>Selangor                               | 1 September 2007 to<br>31 August 2010  | Medical / consultation<br>centre, office and hostel<br>for nurse use       | RM7,200   | Agenda Cemerlang<br>Sdn Bhd   |
| No. 47 Jalan Metro<br>Perdana Barat 1 Taman<br>Usahawan Kepong<br>52100 Kuala Lumpur                        | 1 September 2009 to<br>31 August 2009  | To operate a medical<br>clinic - Klinik Ng dan Lee                         | RM4,300 (until<br>31 August<br>2008) RM4,500<br>(from<br>1 September<br>2008 to<br>31 August 2009)          | Chew Wai Leong  |
| <b><u>Q-Medical Care Sdn Bhd</u></b>  |  |  |   |   |
| Lot 7<br>Wisma MCIS Zurich<br>Annexe<br>Jalan Barat<br>46200 Petaling Jaya<br>Selangor                      | 1 October 2006 to<br>30 September 2009 | To operate a medical<br>clinic – Klinik Prime Care                         | RM3,540   | MCIS Zurich<br>Insurance Berhad   |
| No. 106, Block B-3<br>Pusat Dagangan<br>Setiajaya<br>No.9, Jalan PJS 8/9<br>46150 Petaling Jaya<br>Selangor | 1 February 2006 to<br>31 January 2009  | To operate a medical<br>clinic – Klinik Prime Care                         | RM2,500   | Dr Mohan a/<br>Mahatheva  |
| <b><u>Yantra Holdings Sdn Bhd</u></b>   |  |  |   |   |
| Lot 6A Level 2<br>Great Eastern Mall<br>No. 303 Jalan Ampang<br>50450 Kuala Lumpur                          | 1 January 2008 to<br>31 December 2010  | To operate a medical<br>clinic – Klinik Catterall,<br>Khoo, and Raja Malek | 1 <sup>st</sup> year -<br>RM6,156<br>2 <sup>nd</sup> year -<br>RM6,390<br>3 <sup>rd</sup> year -<br>RM6,500 | Great Eastern Life<br>Assurance<br>(Malaysia) Berhad  |
| Lot 5 Ground Floor<br>Mile 7 Putatan<br>88200 Kota Kinabalu<br>Sabah  | 1 December 2006 to<br>30 November 2009 | To operate a medical<br>clinic – Putatan Klinik<br>dan Surgeri             | RM3,000   | K. Surjit Kaur a/p<br>Gean Kartar Singh   |
| Ground Floor<br>A5 Jalan Stadium<br>25200 Kuantan<br>Pahang   | 1 December 2006 to<br>30 November 2009 | To operate a medical<br>clinic – Ananda Klinik                             | RM3,000   | Navani Ananda Nee<br>Guneretnam and<br>executors for benefit<br>of Shalini Ananda<br>(as co-owners) |
| Ground Floor No. 5<br>Lorong Mayang<br>Pasir 5<br>11950 Bayan Baru<br>Penang                                | 1 June 2008 to<br>31 May 2011          | To operate a medical<br>clinic – Klinik Aman                               | RM2,500   | Dato' Lakhbir Singh<br>a/l Sadu Singh   |

| <b>Tenant and Location</b>   | <b>Tenure</b>   | <b>Use of Property</b>           | <b>Monthly rental</b>                                       | <b>Lessor</b>  |
|--|---|----------------------------------|---|--|
| <b><u>Klinik Salak Sdn Bhd</u></b>   |   |                                  |   |  |
| No. 4703<br>Jalan T.S. 1/1<br>Taman Semarak<br>71800 Nilai<br>Negeri Sembilan                                      | 1 January 2008 to<br>31 December 2010                                 | To operate a medical<br>clinic   | RM3,000   | Dr. Kesavaraj a/l<br>A.Muthuvaloo  |
| <b><u>Klinik Salak (Selangor) Sdn Bhd</u></b>  |   |                                  |   |  |
| Lot No. 1 Pusat<br>Komersil Universiti<br>Tenaga Nasional KM 7<br>Jalan Kajang-Puchong<br>43009 Kajang<br>Selangor | Month to month<br>renewal basis with<br>effect from 1 January<br>2008 | To operate a medical<br>clinic   | RM1,833   | Universiti Tenaga<br>Nasional Sdn Bhd  |
| <b><u>Klinik Anis Sdn Bhd</u></b>  |   |                                  |   |  |
| Lot No. 1 Pusat<br>Komersil Universiti<br>Tenaga Nasional KM 7<br>Jalan Kajang-Puchong<br>43009 Kajang<br>Selangor | 1 April 2006 to<br>31 March 2009                                      | To operate a medical<br>clinic   | RM5,700   | Dr Muhammad<br>Gowdh Bin Jaffar,<br>Dr Keshab<br>Chandran Nair and<br>the administrator of<br>the estate of<br>Dr Anis Ahmad bin<br>Abdul Aziz |
| No. 19 Jalan Bunga<br>Melur 2/18<br>40000 Shah Alam<br>Selangor  | 1 April 2006 to<br>31 March 2009                                      | To operate a medical<br>clinic   | RM5,700   | Dr Muhammad<br>Gowdh Bin Jaffar,<br>Dr Keshab<br>Chandran Nair and<br>the administrator of<br>the estate of<br>Dr Anis Ahmad bin<br>Abdul Aziz |
| No. 1106 Persiaran Raja<br>Muda Musa 41400 Klang<br>Selangor   | 1 June 2006 to<br>31 May 2009   | To operation a medical<br>clinic | RM2,900 (until<br>31 May 2008)<br>and RM3,000<br>thereafter | Tan Thee Siong   |
| <b><u>Klinik Pantai Sdn Bhd</u></b>  |   |                                  |   |  |
| Ground Floor<br>No. 875<br>Taman Mewah<br>1 ½ Mile<br>Jalan Pantai<br>71000 Port Dickson<br>Negeri Sembilan        | 1 September 2005 to<br>31 August 2008                                 | To operate a medical<br>clinic   | RM1,200   | Dr M. Ravindran @<br>M Ravidran<br>and<br>Dr Narainin @<br>Narayanan <sup>(3)</sup>  |
| Lot 1307-A Jalan Besar<br>Bukit Pelandok<br>71960 Seremban<br>Negeri Sembilan                                      | 1 January 2008 to<br>31 December 2008                                 | To operate a medical<br>clinic   | RM400   | Mr Yap Kim Wat   |
| <b><u>Reddy Clinic Sdn Bhd</u></b>   |   |                                  |   |  |
| No. 121 Jalan Ipoh<br>51200 Kuala Lumpur   | 1 January 2008 to<br>31 December 2010                                 | To operate a medical<br>clinic   | RM4,235   | Dr Velayudham a/l<br>Lakshmanan and<br>Dr Soong Yin Leong  |

| <b>Tenant and Location</b>   | <b>Tenure</b>                                  | <b>Use of Property</b>                    | <b>Monthly rental</b> | <b>Lessor</b>  |
|--|--|---|-----------------------|--|
| <b><u>Daya X-Ray Centre Sdn Bhd</u></b>  |  |   |                       |  |
| Tingkat Bawah Wisma PKNS Jalan Raja Laut 50350 Kuala Lumpur  | Month to month basis commencing 1 January 1996 | Operation of X-ray centre                 | RM5,155               | Dewan Bandaraya Kuala Lumpur (DBKL)                                |
| Ground Floor No. 21 Lorong 8/1D46050 Petaling Jaya Selangor  | 1 June 2006 to 31 May 2009                     | Operation of X-ray centre                 | RM4,500               | Liong Pak Lum & Sons Sdn Bhd                                       |
| No. 67 Jalan Kepong 52100 Kuala Lumpur   | 1 November 2005 to 31 October 2008             | Operation of X-ray centre                 | RM2,800               | Dato' Dr Mohan Singh s/o Amar Singh & Amrit Kaur Cheema            |
| Ground Floor No. 25G Jalan Bandar Sepuluh Pusat Bandar Puchong 47100 Puchong Selangor                  | 1 January 2008 to 31 December 2010             | Operation of X-ray centre                 | RM2,700               | Dato' Dr Mohan Singh s/o Amar Singh and Datin Dr Amrit Kaur Cheema |
| <b><u>Klinik Ludher Sdn Bhd</u></b>  |  |   |                       |  |
| Ground Floor No. 72 Jalan Mega Mendung Kompleks Bandar Batu Lima Jalan Kelang Lama 58200 Kuala Lumpur  | 1 October 2003 to 30 September 2008            | To operate a medical clinic               | RM4,000               | Dr Inderjit Singh a/l K. Pritam Singh                              |
| <b><u>Klinik JJ (Johor) Sdn Bhd</u></b>  |  |   |                       |  |
| Permas Mall G-5 Block A No. 3 Jalan Permas Utara Bandar Baru Permas Jaya Masai 81750 Johor Bahru Johor | 1 December 2007 to 30 November 2010            | To operate a medical clinic –Klinik Johor | RM3,300               | Lim Chu Keong  |
| <b><u>Apex Support Sdn Bhd</u></b>   |  |   |                       |  |
| No. 02 – A1 Pusat Perdagangan Jalan Bandar 81700 Pasir Gudang Johor                                    | 1 January 2008 to 31 December 2010             | To operate a medical clinic –Klinik Johor | RM2,500               | Dr Indrani a/p Karupiah  |
| <b><u>Klinik Dhas Sdn Bhd</u></b>  |  |   |                       |  |
| 7-A Lorong 1 81400 Senai Johor   | 1 October 2005 to 30 September 2008            | To operate a medical clinic               | RM2,200               | Persatuan Keturunan Wong Johor Selatan                             |
| <b><u>Klinik Daiman Sdn Bhd</u></b>  |  |   |                       |  |
| No. 105 Jalan Keris Satu Taman Sri Tebrau 80050 Johor Bahru Johor                                      | 1 January 2006 to 31 December 2008             | To operate a medical clinic               | RM3,000               | Dr Koh Ah Seong and Dr Toh Cheng Keat                              |

| <b>Tenant and Location</b>   | <b>Tenure</b>  | <b>Use of Property</b>                                    | <b>Monthly rental</b> | <b>Lessor</b>  |
|--|--|---|-----------------------|--|
| <b><u>Klinik Thomas Sdn Bhd</u></b>  |  |   |                       |  |
| No. 58 Persiaran Silibin Utara<br>30020 Ipoh<br>Perak  | 15 April 2008 to<br>14 April 2011  | To operate a medical clinic                               | RM1,443               | Dr Thomas a/<br>T. Arulananthan  |
| <b><u>Surplus Mode Sdn Bhd</u></b>   |  |   |                       |  |
| No. 43 Jalan Bulai<br>31900 Kampar<br>Perak  | 15 September 2006<br>to 14 September<br>2009   | To operate a medical clinic – Klinik Rama                 | RM900                 | Leong Yin Kam  |
| <b><u>Poliklinik Simpang Pulai Sdn Bhd</u></b>   |  |   |                       |  |
| No. 63 & 63A<br>Persiaran Sengat<br>Baru Dua<br>Taman Bersatu<br>31300 Simpang Pulai<br>Perak                    | 1 February 2007 to<br>31 January 2010  | To operate a medical clinic                               | RM2,200               | Dr Alagaratnam<br>Sivarajah  |
| <b><u>Klinik Port Dickson Sdn Bhd</u></b>  |  |   |                       |  |
| No. 75B & 75C<br>Jalan Lama<br>71000 Port Dickson<br>Negeri Sembilan   | 1 July 2006 to<br>30 June 2009   | To operate a medical clinic                               | RM2,500               | Paneerselvam a/<br>Ramu and Rasiani<br>a/p Gopalan                         |
| <b><u>Klinik Dr Nur Ainita Sdn Bhd</u></b>   |  |   |                       |  |
| No. 12A-1<br>Jalan USJ 9/5Q<br>UEP Subang Jaya<br>47620 Selangor   | 1 March 2008 to<br>28 February 2010  | To operate a medical clinic                               | RM3,500               | Dunia Impian Sdn<br>Bhd  |
| <b><u>Towards Growth Sdn Bhd</u></b>   |  |   |                       |  |
| No. 25 Jalan 11<br>Taman Putra<br>68000 Ampang<br>Selangor   | 19 November 2007<br>to 18 November<br>2010   | To operate a medical clinic – Klinik Sentosa              | RM2,800               | Dr Ramakrishnan<br>a/l Murugapan   |
| <b><u>Klinik Kualitas Sdn Bhd</u></b>  |  |   |                       |  |
| Ground Floor<br>No. 1761 Rasah Utama<br>70300 Seremban<br>Negeri Sembilan  | 1 April 2007 to<br>30 June 2008<br>Renewed with effect<br>from 1 July 2008<br>until 30 June 2010 | To operate a medical clinic – Klinik Rasah dan<br>Surgeri | RM1,725               | Chin Chee Kong,<br>Chin Swee Kong,<br>Chin Meng Fatt and<br>Thong Yann New |
| <b><u>First Rewards Sdn Bhd</u></b>  |  |   |                       |  |
| Suite G-02<br>Ground Floor<br>Bangunan Timjaya<br>No. 127 Batu 4 ½<br>Jalan Skudai<br>81200 Johor Bahru<br>Johor | 1 March 2006 to<br>28 February 2009  | To operate a medical clinic – Poliklinik<br>Fernandez     | RM3,088               | Timjaya Hartanah<br>(M) Sdn Bhd  |
| Ground Floor & First<br>Floor of No. 140<br>Jalan Besar<br>81750 Masai<br>Johor                                  | 1 July 2007 to<br>30 June 2010   | To operate a medical clinic – Klinik Asia Masai           | RM4,500               | Fendez Holdings<br>Sdn Bhd   |

**Notes:-**

- (1) In Malaysia, a majority of our clinic leases provide our Group with (i) an option to renew for variable terms usually ranging between two (2) to three (3) years; and (ii) an upward revision of rentals to be mutually agreed upon subject to a cap of 10.0% increase on the existing rent.
- (2) The Group is in negotiations with the landlord for the renewal of the lease which expires on 30 June 2008.
- (3) The Group has an option to renew this lease for four (4) terms of three (3) years each subject to a rental increase of a maximum of 10% of the then existing rental.

**India**

| <b>Location</b>   | <b>Tenure</b>   | <b>Use of Property</b>  | <b>Monthly rental</b>  | <b>Lessor</b>                                   |
|---|---|---|--|---|
| <b><u>Qualitas Medical Group Private Limited, India</u></b>                                   |   |   |  |   |
| First Floor<br>New No. 165<br>Avvai Shanmugam<br>Salai, Royapettah<br>Chennai – 600 014 India | 1 December 2006 to<br>1 December 2012   | To operate a medical<br>clinic – Qualitas Family<br>Clinic & Screening Centre<br>Royapettah | INR100,000 per<br>month for 1 <sup>st</sup><br>3 years and<br>INR125,000 for<br>next 3 years   | S. Dhanalakshmi<br>Ammal                        |
| <b><u>Osler Diagnostics Private Limited</u></b>   |   |   |  |   |
| Ground and First Floor<br>of No. 2 Maloney Road<br>T. Nagar<br>Chennai – 600 017 India        | 1 February 2007 to<br>31 January 2013<br>(with option to<br>terminate granted to<br>the tenant after a<br>two-year lock-in<br>period) | To operate a medical<br>clinic – Qualitas Family<br>Clinic & Screening Centre<br>T. Nagar   | INR100,000 for<br>1 <sup>st</sup> year of<br>lease, thereafter<br>to be increased<br>by 5.0% for<br>each<br>succeeding<br>year on the<br>expiry of the 1 <sup>st</sup><br>year | S K Sundaramurthy<br>s/o Shri S<br>Krishnaswamy |

## HISTORY OF CHANGES IN SHARE CAPITAL OF THE COMPANY AND ITS SUBSIDIARIES

### SHARE CAPITAL

Save as disclosed herein and under the section on “Restructuring Exercise” and the section on “Share Capital” of this Offer Document, there were no changes in the issued and paid up share capital of our Company and subsidiaries within the three years preceding the LPD.

#### First Rewards Sdn Bhd

| Date of Allotment | Event  | Number of Shares Allotted | Consideration Per Share (RM) | Par Value per share (RM) | Resultant Issued Share Capital (RM) |
|-------------------|--|---------------------------|------------------------------|--------------------------|-------------------------------------|
| 5 June 2007       | Cash allotment upon incorporation                              | 2                         | 1                            | 1                        | 2                                   |
| 6 August 2007     | Capitalisation of advances made to the company by the allottee | 103,598                   | –                            | 1                        | 103,600                             |
| 6 August 2007     | Capitalisation of advances made to the company by the allottee | 44,400                    | –                            | 1                        | 148,000                             |

#### Klinik Dr Nur Ainita Sdn Bhd

| Date of Allotment | Event   | Number of Shares Allotted | Consideration Per Share (RM) | Par Value per share (RM) | Issued Share Capital (RM) |
|-------------------|---|---------------------------|------------------------------|--------------------------|---------------------------|
| 10 July 2006      | Cash allotment upon incorporation   | 2                         | 1                            | 1                        | 2                         |
| 24 July 2006      | Allotted pursuant to sale of business agreement entered into between the company and the allottee on 24 July 2006 | 49,998                    | 1                            | 1                        | 50,000                    |

#### Klinik Pantai Sdn Bhd

| Date of Allotment | Event  | Number of Shares Allotted | Consideration Per Share (RM) | Par Value per share (RM) | Issued Share Capital (RM) |
|-------------------|--|---------------------------|------------------------------|--------------------------|---------------------------|
| 12 August 2005    | Cash allotment - incorporation   | 2                         | 1                            | 1                        | 2                         |
| 29 August 2005    | Non-cash allotment pursuant to the sale of business agreement between the company and allottee on 29 August 2005 | 68,998                    | 1                            | 1                        | 69,000                    |

Klinik Port Dickson Sdn Bhd

| <b>Date of Allotment</b> | <b>Event</b>  | <b>Number of Shares Allotted</b> | <b>Consideration Per Share (RM)</b> | <b>Par Value per share (RM)</b> | <b>Issued Share Capital (RM)</b> |
|--------------------------|---|----------------------------------|-------------------------------------|---------------------------------|----------------------------------|
| 5 June 2006              | Cash allotment upon incorporation   | 2                                | 1                                   | 1                               | 2                                |
| 29 June 2006             | Non-cash Allotment pursuant to the sale of business agreement between the company and the allottees on 29 June 2006 | 92,000                           | 1                                   | 1                               | 92,002                           |

Klinik Qualitas Sdn Bhd

| <b>Date of Allotment</b> | <b>Event</b>  | <b>Number of Shares Allotted</b> | <b>Consideration Per Share (RM)</b> | <b>Par Value per share (RM)</b> | <b>Issued Share Capital (RM)</b> |
|--------------------------|---|----------------------------------|-------------------------------------|---------------------------------|----------------------------------|
| 28 July 2005             | Cash Allotment  | 2                                | 1                                   | 1                               | 2                                |
| 1 September 2005         | Capitalisation of RM9,998 advances made to the company by allottees | 9,998                            | 1                                   | 1                               | 10,000                           |
| 1 April 2007             | Cash  | 90,000                           | 1                                   | 1                               | 100,000                          |

Q-Medical Care Sdn Bhd

| <b>Date of Allotment</b> | <b>Event</b>   | <b>Number of Shares Allotted</b> | <b>Consideration Per Share (RM)</b> | <b>Par Value per share (RM)</b> | <b>Issued Share Capital (RM)</b> |
|--------------------------|--|----------------------------------|-------------------------------------|---------------------------------|----------------------------------|
| 6 Jan 2006               | Cash allotment   | 1                                | 1                                   | 1                               | 1                                |
| 6 Jan 2006               | Cash allotment   | 1                                | 1                                   | 1                               | 2                                |
| 26 Jan 2006              | Allotted pursuant to the sale of business agreement entered into between the company and the allottee on 26 January 2006 | 126,998                          | 1                                   | 1                               | 127,000                          |

Qualitas Healthcare Corporation Sdn Bhd

| <b>Date of Allotment</b> | <b>Event</b> | <b>Number of Shares Allotted</b> | <b>Consideration Per Share (RM)</b> | <b>Par Value per share (RM)</b> | <b>Issued Share Capital (RM)</b> |
|--------------------------|--------------|----------------------------------|-------------------------------------|---------------------------------|----------------------------------|
| 27 February 2007         | Cash         | 664,286                          | 1                                   | 1                               | 30,394,845                       |
| 27 February 2007         | Cash         | 428,571                          | 1                                   | 1                               | 30,823,416                       |
| 27 February 2007         | Cash         | 407,143                          | 1                                   | 1                               | 31,230,559                       |



Yantra Holdings Sdn Bhd

| <b>Date of Allotment</b> | <b>Event</b>   | <b>Number of Shares Allotted</b> | <b>Consideration Per Share (RM)</b> | <b>Par Value per share (RM)</b> | <b>Issued Share Capital (RM)</b> |
|--------------------------|--|----------------------------------|-------------------------------------|---------------------------------|----------------------------------|
| 31 December 2006         | Capitalisation of the advances made by the allottee to the company   | 99,998                           | 1                                   | 1                               | 100,000                          |
| 30 June 2008             | Allotted to QMG pursuant to the sale of business agreement entered into between the Company and various vendors on 1 June 2008 | 202,995                          | 1                                   | 1                               | 302,995                          |

Qualitas Medical Group Sdn Bhd

| <b>Date of Allotment</b> | <b>Event</b>  | <b>Number of Shares Allotted</b> | <b>Consideration Per Share (RM)</b> | <b>Par Value per share (RM)</b> | <b>Issued Share Capital (RM)</b> |
|--------------------------|---|----------------------------------|-------------------------------------|---------------------------------|----------------------------------|
| 10 January 2005          | Cash allotment to various allottees   | 63,870                           | 1                                   | 1                               | 17,651,217                       |
| 16 March 2005            | Allotted as consideration for the acquisition of 51.0% interest in Poliklinik Simpang Pulai Sdn Bhd pursuant to the sale & purchase of shares agreement dated 31 January 2004         | 35,093                           | 1                                   | 1                               | 17,686,310                       |
| 26 May 2005              | Allotted as consideration for acquisition of 51.0% interest in Klinik Syed Alwi dan Chandran (Penang) Sdn Bhd pursuant to the sale & purchase of shares agreement dated 20 March 2004 | 92,170                           | 1                                   | 1                               | 17,778,480                       |
| 17 February 2006         | Allotted as consideration for acquisition of 51.0% interest in Apex Support Sdn Bhd pursuant to the sale & purchase of shares agreement dated 30 December 2004                        | 204,544                          | 1                                   | 1                               | 17,983,024                       |
| 13 October 2006          | Allotted as consideration for acquisition of 51.0% interest in Klinik Pantai Sdn Bhd pursuant to the sale & purchase of shares agreement dated 30 August 2005                         | 3,698                            | 1                                   | 1                               | 17,986,722                       |

Qualitas Medical Group Sdn Bhd

| <b>Date of Allotment</b> | <b>Event</b>  | <b>Number of Shares Allotted</b> | <b>Consideration Per Share (RM)</b> | <b>Par Value per share (RM)</b> | <b>Issued Share Capital (RM)</b> |
|--------------------------|---|----------------------------------|-------------------------------------|---------------------------------|----------------------------------|
| 30 September 2007        | Allotted as consideration for acquisition of 51.0% interest in Brilliant Commitment Sdn Bhd (now known as Klinik Port Dickson Sdn Bhd) pursuant to the sale & purchase of shares agreement dated 30 June 2005 | 91,338                           | 1                                   | 1                               | 18,078,060                       |

Qualitas Medical Group Private Limited, India

| <b>Date of Allotment</b> | <b>Event</b>                    | <b>Number of Shares Allotted</b> | <b>Consideration Per Share (INR)</b>                           | <b>Par Value per share (INR)</b> | <b>Issued Share Capital (INR)</b> |
|--------------------------|---------------------------------|----------------------------------|--|----------------------------------|-----------------------------------|
| 19 January 2007          | Allotment for cash at a premium | 31,579                           | Premium of INR 786.13 paid per Share of face value of INR 10/- | 10                               | 1,315,790                         |

Doctorslab Medical Services Private Limited, India

| <b>Date of Allotment</b> | <b>Event</b>   | <b>Number of Shares Allotted</b> | <b>Consideration Per Share (INR)</b> | <b>Par Value per share (INR)</b> | <b>Issued Share Capital (INR)</b> |
|--------------------------|----------------|----------------------------------|--------------------------------------|----------------------------------|-----------------------------------|
| 13 July 2006             | Cash allotment | 9,998                            | 10                                   | 10                               | 99,980                            |
| 13 July 2006             | Cash allotment | 2                                | 10                                   | 10                               | 100,000                           |

Namrata Diagnostic Centre Private Limited, India

| <b>Date of Allotment</b> | <b>Event</b>   | <b>Number of Shares Allotted</b> | <b>Consideration Per Share (INR)</b> | <b>Par Value per share (INR)</b> | <b>Issued Share Capital (INR)</b> |
|--------------------------|----------------|----------------------------------|--------------------------------------|----------------------------------|-----------------------------------|
| 31 October 2007          | Cash allotment | 9,999                            | 10                                   | 10                               | 99,990                            |
| 31 October 2007          | Cash allotment | 1                                | 10                                   | 10                               | 100,000                           |

PT. Qualitas Healthcare Indonesia

| <b>Date of Allotment</b> | <b>Event</b>  | <b>Number of Shares Allotted</b> | <b>Consideration Per Share (IDR)</b> | <b>Par Value per share (IDR)</b> | <b>Issued Share Capital (IDR)</b> |
|--------------------------|---|----------------------------------|--------------------------------------|----------------------------------|-----------------------------------|
| 25 January 2007          | Cash allotment pursuant to incorporation of the company | 85,000                           | 9,060                                | 9,060                            | 770.1 million                     |
| 25 January 2007          | Cash allotment pursuant to incorporation of the company | 15,000                           | 9,060                                | 9,060                            | 906.0 million                     |

**TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**

You are invited to apply and subscribe for 22,000,000 New Shares at the Issue Price for each New Share subject to the following terms and conditions:-

1. **YOUR APPLICATION MUST BE MADE IN LOTS OF 1,000 NEW SHARES AND INTEGRAL MULTIPLES THEREOF. YOUR APPLICATION FOR ANY OTHER NUMBER OF SHARES WILL BE REJECTED.**
2. Your application for Offer Shares may be made by way of Offer Shares Application Forms or by way of Electronic Applications through ATMs of the Participating Banks (“ATM Electronic Applications”) or through IB websites of the relevant Participating Banks (“Internet Electronic Applications”). Your application for the Placement Shares may only be made by way of printed Placement Shares Application Forms. **YOU MAY NOT USE CPF FUNDS TO APPLY FOR THE SHARES.**
3. **You are allowed to submit only one (1) application in your own name for the Offer Shares or the Placement Shares.**

If you submit an application for Offer Shares by way of an Application Form, you **MAY NOT** submit another application for Offer Shares by way of an Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company, except in the case of applications by approved nominees companies, where each application is made on behalf of a different beneficiary.

If you submit an application for Offer Shares by way of an ATM Electronic Application, you **MAY NOT** submit another application for Offer Shares by way of an Internet Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company.

If you, being other than an approved nominee company, have submitted an application for Offer Shares in your own name, you should not submit any other application for Offer Shares, whether by way of an Application Form or by way of an Electronic Application, for any other person. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company.

You are allowed to submit only one (1) application in your own name for the Placement Shares. Any separate applications by you for the Placement Shares shall be deemed to be multiple applications and our Company has the discretion whether to accept or reject such multiple applications.

If you, being other than an approved nominee company, have submitted an application for Placement Shares in your own name, you should not submit any other application for Placement Shares for any other person. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company.

If you have made an application for Placement Shares, you should not make any application for Offer Shares either by way of an Application Form or by way of an Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company, except in the case of applications by approved nominees companies, where each application is made on behalf of a different beneficiary.

Conversely, if you have made an application for Offer Shares either by way of an Electronic Application or by way of an Application Form, you may not make any application for Placement Shares. Such separate applications shall be deemed to be a multiple application

and may be rejected at the discretion of our Company, except in the case of applications by approved nominee companies, where each application is made on behalf of a different beneficiary.

Joint applications shall be rejected. Multiple applications for New Shares, except in the case of applications by approved nominee companies, where each application is made on behalf of a different beneficiary, shall be liable to be rejected at the discretion of our Company. If you submit or procure submissions of multiple share applications for Offer Shares, Placement Shares or both Offer Shares and Placement Shares, you may be deemed to have committed an offence under the Penal Code (Chapter 224) of Singapore and the SFA, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications, except in the case of applications by approved nominees companies, where each application is made on behalf of a different beneficiary, may be rejected at the discretion of our Company.

4. Our Company will not accept applications from any person under the age of twenty-one (21) years, undischarged bankrupts, sole-proprietorships, partnerships, chops or non-corporate bodies, joint Securities Account holders and from applicants whose addresses (furnished in their Application Forms or, in the case of Electronic Applications, contained in the records of the relevant Participating Banks) bear post office box numbers. No person acting or purporting to act on behalf of a deceased person is allowed to apply using the deceased's Securities Account.
5. Our Company will not recognise the existence of a trust. An application by a trustee must therefore be made in his own name and without qualification.
6. **OUR COMPANY WILL ONLY ACCEPT APPLICATIONS FROM APPROVED NOMINEE COMPANIES.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by nominees other than approved nominee companies shall be rejected.
7. **IF YOU ARE NOT AN APPROVED NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of your application, your application will be rejected (if you apply by way of an Application Form), or you will not be able to complete your Electronic Application (if you apply by way of an Electronic Application). If you have an existing Securities Account but fail to provide your Securities Account number or provide an incorrect Securities Account number in Section B of the Application Form or in your Electronic Application, as the case may be, your application is liable to be rejected. Your application shall be rejected if your particulars such as name, NRIC/passport number, nationality and permanent residence status provided in your Application Form or in the records of the relevant Participating Bank at the time of your Electronic Application, as the case may be, differ from those particulars in your Securities Account as maintained with CDP. If you possess more than one (1) individual direct Securities Account, your application shall be rejected.
8. **Notwithstanding paragraph 7, if your address as stated in the Application Form or, in the case of an Electronic Application, contained in the records of the relevant Participating Bank, is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment and other correspondence from CDP will be sent to your address last registered with CDP.**
9. Our Company reserves the right to reject any application which does not conform strictly to the instructions set out in the Application Form and in this Offer Document or which does not comply with the instructions for Electronic Applications or with the terms and conditions of this Offer Document or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn remittance or improper form of remittance.

**Our Company further reserves the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in the Application Forms or the instructions for Electronic Applications or the terms and conditions of this Offer Document and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.**

10. Our Company reserves the right to reject or to accept, in whole or in part, or to scale down or to ballot any application, without assigning any reason therefor, and no enquiry and/or correspondence on the decision of our Company will be entertained. This right applies to applications made by way of Application Forms and by way of Electronic Applications. In deciding the basis of allotment which shall be at our discretion, due consideration will be given to the desirability of allotting the New Shares to a reasonable number of Applicants with a view to establishing an adequate market for the Shares.
11. Share certificates will be registered in the name of CDP and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within fifteen (15) Market Days after the close of the Application List, a statement of account stating that your Securities Account has been credited with the number of New Shares allotted to you, if your application is successful. This will be the only acknowledgement of application monies received and is not an acknowledgement by our Company. You irrevocably authorise CDP to complete and sign on your behalf, as transferee or renounee, any instrument of transfer and/or other documents required for the issue or transfer of the New Shares allotted to you. This authorisation applies to applications made by way of Application Forms and by way of Electronic Applications.
12. In the event of an under-subscription for Offer Shares as at the close of the Application List, that number of Offer Shares under-subscribed shall be made available to satisfy applications for Placement Shares to the extent that there is an over-subscription for Placement Shares as at the close of the Application List.

In the event of an under-subscription for Placement Shares as at the close of the Application List, that number of Placement Shares under-subscribed shall be made available to satisfy applications for Offer Shares to the extent that there is an over-subscription for Offer Shares as at the close of the Application List.

In the event of an over-subscription for Offer Shares as at the close of the Application List and Placement Shares are fully subscribed or over-subscribed as at the close of the Application List, the successful applications for Offer Shares will be determined by ballot or otherwise as determined by our Company and approved by the SGX-ST, if required.

In all the above instances, the basis of allotment of the New Shares as may be decided by our Directors in ensuring a reasonable spread of shareholders of our Company, shall be made public, as soon as practicable, via an announcement through the SGX-ST and by advertisement in a generally circulating daily press.

13. You consent to the disclosure of you name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, CPF Investment Account number (if applicable) and share application amount from your account with the relevant Participating Bank to the Registrar for the Invitation and Singapore Share Transfer Agent, SCCS, SGX-ST, CDP, the Company and the Sponsor. You irrevocably authorise CDP to disclose the outcome of your application, including the number of New Shares allotted to you pursuant to your application, to us, the Sponsor, the Underwriter, the Placement Agent and any other parties so authorised by the forgoing persons. **CDP shall not be liable for any delays, failures or inaccuracies in the recording, storage or transmission or delivery of data relating to Electronic Applications.**
14. Any reference to “you” or the “Applicant” in this section shall include an individual, a corporation, an approved nominee and trustee applying for the Offer Shares by way of an Application Form or by way of an Electronic Application or applying for the Placement Shares through the Placement Agents.

15. By completing and delivering an Application Form or by making and completing an Electronic Application by (in the case of an ATM Electronic Application) pressing the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key on the ATM (as the case may be) or by (in the case of an Internet Electronic Application) clicking “Submit” or “Continue” or “Yes” or “Confirm” or any other relevant button on the IB website screen (as the case may be) in accordance with the provisions of this Offer Document, you:
  - (a) irrevocably agree and undertake to to subscribe for the number of New Shares specified in your application (or such smaller number for which the application is accepted) at the Issue Price and agree that you will accept such New Shares as may be allotted to you, in each case subject to the conditions set out in this Offer Document and the Memorandum and Articles of Association of our Company. In the event that our Company decides to allocate a smaller number of New Shares or not to allocate any New Shares to you, you agree to accept such decision as final;
  - (b) agree that, in the event of any inconsistency between the terms and conditions set for application set out in this Offer Document and those set out in the ATMs or IB websites of the Participating Banks, the terms and conditions set out in this Offer Document shall prevail;
  - (c) agree that the aggregate Issue Price for the New Shares applied for is due and payable to our Company forthwith;
  - (d) warrant the truth and accuracy of the information provided in your application, and acknowledge and agree that such information, representations and declarations will be relied on by our Company in determining whether to accept your application and/or whether to allot any New Shares to you; and
  - (e) agree and warrant that, if the laws of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and none of our Company, the Sponsor, the Underwriter and/or the Placement Agent will infringe any such laws as a result of the acceptance of your application.
16. Our acceptance of applications will be conditional upon, *inter alia*, our Company being satisfied that:
  - (a) permission has been granted by the SGX-ST to deal in and for quotation for all our existing Shares and the New Shares on the Catalist board;
  - (b) the Sponsorship and Underwriting Agreement and the Placement Agreement referred to in the section entitled “General and Statutory Information” of this Offer Document have become unconditional and have not been terminated; and
  - (c) the SGX-ST has not refused or delayed admission of our Company to Catalist board pursuant to Rule 432 of the Catalist Rules or otherwise.
17. In the event of any changes in the closure of the Application List or the time period during which the Invitation is open, we will publicly announce the same through a SGXNET announcement to be posted on the Internet at the SGX-ST website <http://www.sgx.com> and through a paid advertisement in a local newspaper.
18. We will not allot shares on the basis of this Offer Document later than six months after the date of registration of this Offer Document.
19. We will not hold any application in reserve.
20. Additional terms and conditions for applications by way of Application Forms are set out in Appendix VI of this Offer Document.
21. Additional terms and conditions for applications by way of Electronic Applications are set out in Appendix VI of this Offer Document.

## **ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORMS**

Applications by way of an Application Form shall be made on, and subject to, the terms and conditions of this Offer Document including but not limited to the terms and conditions appearing below as well as those set out in Appendix VI on "TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE" of this Offer Document, as well as the Memorandum and Articles of Association of our Company.

1. Your application must be made using the **WHITE** Application Forms and **WHITE** official envelopes "A" and "B" for Offer Shares, the **BLUE** Application Forms for Placement Shares accompanying and forming part of this Offer Document. We draw your attention to the detailed instructions contained in the respective Application Forms and this Offer Document for the completion of the Application Forms which must be carefully followed.
2. Your Application Forms must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS**.
3. All spaces in the Application Forms except those under the heading "FOR OFFICIAL USE ONLY" must be completed and the words "NOT APPLICABLE" or "N.A." should be written in any space that is not applicable.
4. Individuals, corporations, approved nominee companies and trustees must give their names in full. If you are an individual, you must make your application using your full name as it appears in your identity card (if you have such an identification document) or in your passport and, in the case of a corporation, in your full name as registered with a competent authority. If you are not an individual, you must complete the Application Form under the hand of an official who must state his name and the capacity under which he signs the Application Form. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Memorandum and Articles of Association or equivalent constitutive documents. If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association or equivalent constitutive documents must be lodged with our Company's Share Registrar and Share Transfer Office. Our Company reserves the right to require you to produce documentary proof of identification for verification purposes.
5.
  - (a) You must complete Sections A and B and sign page 1 of the Application Form.
  - (b) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Form. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Forms with particulars of the beneficial owner(s).
  - (c) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Form, your application is liable to be rejected.
6. You (whether you are an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted) will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore having an interest in the aggregate of more than 50.0 per cent. of the issued share capital of or interests in such corporations. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate whether incorporated or unincorporated and wherever incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50.0 per cent. of the issued share capital of or interests in such corporation.
7. Your application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of New Shares applied for, in the form of a **BANKER'S DRAFT** or **CASHIER'S ORDER** drawn on a bank in Singapore, made out in favour of "**QUALITAS SHARE ISSUE ACCOUNT**" crossed "**A/C PAYEE ONLY**", and with your name and address written clearly

on the reverse side. Applications not accompanied by any payment or accompanied by ANY OTHER FORM OF PAYMENT WILL NOT BE ACCEPTED. We will reject remittances bearing "NOT TRANSFERABLE" or "NON TRANSFERABLE" crossings. No acknowledgement or receipt will be issued by our Company or the Sponsor for applications and application monies received.

8. Monies paid in respect of unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post within twenty-four (24) hours of balloting of applications at your own risk. Where your application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within fourteen (14) days after the close of the Application List. In the event that the Invitation is cancelled by us following the termination of the Management and Underwriting Agreement and/or the Placement Agreement, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post or telegraphic transfer at your own risk within five (5) Market Days of the termination of the Invitation. In the event that the SGX-ST refuses or delays admission of our Company to Catalist board pursuant to Rule 432 of the Catalist Rules or otherwise the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post or telegraphic transfer at your own risk within fourteen (14) days from our being notified of the refusal or delay by the SGX-ST directly or indirectly by the Sponsor.
9. Capitalised terms used in the Application Forms and defined in this Offer Document shall bear the meanings assigned to them in this Offer Document.
10. By completing and delivering the Application Form, you agree that:-
  - (a) in consideration of our Company having distributed the Application Form to you and agreeing to close the Application List at **12.00 noon on 28 August 2008** or such other time or date as our Company may, in consultation with the Sponsor, decide and by completing and delivering the Application Form:
    - (i) your application is irrevocable; and
    - (ii) your remittance will be honoured on first presentation and that any monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;
  - (b) all applications, acceptances and contracts resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
  - (c) in respect of the New Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of our Company;
  - (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application; and
  - (e) in making your application, reliance is placed solely on the information contained in this Offer Document and that none of our Company, the Sponsor, the Underwriter, the Placement Agents, the Primary Sub-Underwriters, the Primary Sub-Placement Agents or any other person involved in the Invitation shall have any liability for any information not so contained;

#### **Applications for Offer Shares**

1. Your application for Offer Shares **MUST** be made using the **WHITE** Offer Shares Application Forms and **WHITE** official envelopes "A" and "B". **ONLY ONE (1) APPLICATION** should be enclosed in each envelope.



2. You must:-
- (a) enclose the **WHITE** Offer Shares Application Form, duly completed and signed, together with the correct remittance in accordance with the terms and conditions of this Offer Document in the **WHITE** envelope "A" provided;
  - (b) in the appropriate spaces on **WHITE** official envelope "A":-
    - (i) write your name and address;
    - (ii) state the number of Offer Shares applied for;
    - (iii) tick the relevant box to indicate the form of payment; and
    - (iv) affix adequate Singapore postage;
  - (c) SEAL **WHITE** ENVELOPE "A";
  - (d) write, in the special box provided on the larger **WHITE** envelope "B" addressed to **UNITED OVERSEAS BANK LIMITED, 80 RAFFLES PLACE #03-03, UOB PLAZA 1, SINGAPORE 048624**, the number of Offer Shares you have applied for; and
  - (e) insert **WHITE** envelope "A" into **WHITE** envelope "B", seal **WHITE** envelope "B" and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND at your own risk to UNITED OVERSEAS BANK LIMITED, 80 RAFFLES PLACE #03-03, UOB PLAZA 1, SINGAPORE 048624** to arrive by **12.00 noon on 28 August 2008 or such other time as our Company may, in consultation with UOB, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.
3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittance or which are not honoured upon their first presentation are liable to be rejected.
4. **ONLY ONE (1) APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

#### **Applications for Placement Shares**

- 1. Your application for Placement Shares **MUST** be made using the **BLUE** Placement Shares Application Forms. **ONLY ONE (1) APPLICATION** should be enclosed in each envelope.
- 2. The completed **BLUE** Placement Shares Application Form and the correct remittance in full in respect of the number of Placement Shares applied for (in accordance with the terms and conditions of this Offer Document) with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. The sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND at your own risk to UNITED OVERSEAS BANK LIMITED, 80 RAFFLES PLACE #03-03, UOB PLAZA 1, SINGAPORE 048624** to arrive by **12.00 noon on 26 August 2008 or such other time as our Company may, in consultation with UOB, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.
- 3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittance or which are not honoured upon their first presentation are liable to be rejected.

## **ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC APPLICATIONS**

The procedures for Electronic Applications are set out on the ATM screens (in the case of ATM Electronic Applications) and the IB website screens (in the case of Internet Electronic Applications) of the relevant Participating Banks. Currently, UOB Group and DBS, are the only Participating Banks through which Internet Electronic Applications can be made. For illustration purposes, the procedures for Electronic Applications through ATMs and the IB website of UOB are set out respectively in the “Steps for Electronic Applications through ATMs of UOB” and the “Steps for Internet Electronic Applications through the IB website of UOB” (collectively, the “Steps”) set out in Appendix VI of this Offer Document. The Steps set out the actions that you must take at an ATM or the IB website of UOB to complete an Electronic Application. The actions that you must take at ATMs or the IB websites of other Participating Banks are set out on the ATM screens or the IB website screens of the relevant Participating Banks. **Please read carefully the terms of this Offer Document, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application.** Any reference to “you” in the “Additional Terms and Conditions for Electronic Applications” and the Steps shall refer to you making an application for Offer Shares through an ATM or the IB website of a relevant Participating Bank.

You must have an existing bank account with and be an ATM cardholder of one of the Participating Banks before you can make an Electronic Application at the ATMs. An ATM card issued by one Participating Bank cannot be used to apply for Offer Shares at an ATM belonging to other Participating Banks. For an Internet Electronic Application, you must have an existing bank account with and an IB User Identification (“User ID”) and a Personal Identification Number/Password (“PIN”) given by the relevant Participating Bank. Upon the completion of your ATM Electronic Application transaction, you will receive an ATM transaction slip (“Transaction Record”), confirming the details of your Electronic Application. Upon completion of your Internet Electronic Application through the IB website of UOB Group, there will be an on-screen confirmation (“Confirmation Screen”) of the application which can be printed for your record. The Transaction Record or your printed record of the Confirmation Screen is for your retention and should not be submitted with any Application Form.

**You must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. If you fail to use your own ATM card or if you do not key in your own Securities Account number, your application will be rejected. If you operate a joint bank account with any of the Participating Banks, you must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your ATM Electronic Application liable to be rejected.**

You must ensure, when making an Internet Electronic Application, that your mailing address for the account selected for the application is in Singapore and the application is being made in Singapore and you will be asked to declare accordingly. Otherwise your application is liable to be rejected.

You shall make an Electronic Application in accordance with and subject to the terms and conditions of this Offer Document including but not limited to the terms and conditions appearing below and those set out in Appendix VI on “TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE” set out in Appendix VI of this Offer Document as well as the Memorandum and Articles of Association of our Company.

1. In connection with your Electronic Application for Offer Shares, you are required to confirm statements to the following effect in the course of activating your Electronic Application:-
  - (a) **that you have received a copy of this Offer Document (in the case of an ATM Electronic Application only) and have read, understood and agreed to all the terms and conditions of application for Offer Shares and this Offer Document prior to effecting the Electronic Application and agree to be bound by the same;**
  - (b) **that you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent residence status, share application amount, CPF Investment Account number (if applicable) and CDP Securities Account number and application**

**details (the “Relevant Particulars”) with the relevant Participating Bank to the CDP, CPF, SCCS, SGX-ST, Share Registrar, our Company and the Sponsor or other authorised operators (the “Relevant Parties”); and**

- (c) that this is your only application for Offer Shares and it is made in your own name and at your own risk.**

Your application will not be successfully completed and cannot be recorded as a completed transaction in the ATM or on the IB website unless you press the “Enter” or “Confirm” or “Yes” or “OK” or any other relevant key in the ATM or click “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button on the IB website screen. By doing so, you shall be treated as signifying your confirmation of each of the above three statements. In respect of statement 1(b) above, such confirmation, shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore including Section 47(2) of the Banking Act (Chapter 19) of Singapore to the disclosure by the relevant Participating Bank of the Relevant Particulars to the Relevant Parties.

- 2. BY MAKING AN ELECTRONIC APPLICATION, YOU CONFIRM THAT YOU ARE NOT APPLYING FOR OFFER SHARES AS A NOMINEE OF ANY OTHER PERSON AND THAT ANY ELECTRONIC APPLICATION THAT YOU MAKE IS THE ONLY APPLICATION MADE BY YOU AS THE BENEFICIAL OWNER.**

**YOU SHOULD MAKE ONLY ONE ELECTRONIC APPLICATION FOR OFFER SHARES AND SHOULD NOT MAKE ANY OTHER APPLICATION FOR OFFER OR PLACEMENT SHARES, WHETHER AT THE ATMS OR THE IB WEBSITES (IF ANY) OF ANY PARTICIPATING BANK OR ON THE APPLICATION FORMS. IF YOU HAVE MADE AN APPLICATION FOR OFFER OR PLACEMENT SHARES ON AN APPLICATION FORM, YOU SHALL NOT MAKE AN ELECTRONIC APPLICATION FOR OFFER SHARES.**

- 3. You must have sufficient funds in your bank account with your Participating Bank at the time you make your Electronic Application, failing which your Electronic Application will not be completed or accepted. Any Electronic Application which does not conform strictly to the instructions set out in this Offer Document or on the screens of the ATM or the IB website of the relevant Participating Bank through which your Electronic Application is made shall be rejected.**

You may make an ATM Electronic Application at the ATM of any Participating Bank or an Internet Electronic Application at the IB website of the relevant Participating Bank for the Offer Shares using only cash by authorising such Participating Bank to deduct the full amount payable from your account with such Participating Bank.

- 4. You irrevocably agree and undertake to subscribe for and to accept the number of Offer Shares applied for as stated on the Transaction Record or the Confirmation Screen or any lesser number of Offer Shares that may be allotted to you in respect of your Electronic Application. In the event that our Company decide to allot any lesser number of such Offer Shares or not to allot any Offer Shares to you, you agree to accept such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the “Enter” or “Confirm” or “Yes” or “OK” or any other relevant key on the ATM or clicking “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button on the IB website screen) of the number of Offer Shares applied for shall signify and shall be treated as your acceptance of the number of Offer Shares that may be allotted to you and your agreement to be bound by the Memorandum and Articles of Association of our Company.**
- 5. Where your Electronic Application is unsuccessful, the full amount of the application monies will be refunded in Singapore currency (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within twenty-four (24) hours of balloting of the applications provided that the remittance in respect of such application which has been presented for payment or other processes have been honoured and the application monies have been received in the designated Share issue account.**

Where your Electronic Application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded in Singapore currency (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within fourteen (14) days after the close of the Application List provided that the remittance in respect of such application which has been presented for payment or other processes have been honoured and the application monies have been received in the designated Share issue account.

**Responsibility for timely refund of application monies from unsuccessful or partially successful Electronic Applications lies solely with the respective Participating Banks. Therefore, you are strongly advised to consult your Participating Bank as to the status of your Electronic Application and/or the refund of any monies to you from unsuccessful or partially successful Electronic Application, to determine the exact number of Offer Shares allotted to you before trading the Offer Shares on SGX-ST. You may also call CDP Phone at 6535 7511 to check the provisional results of your application by using your T-pin (issued by CDP upon your application for the service) and keying in the stock code (that will be made available together with the results of the allotment via an announcement through the SGX-ST and by advertisement in a generally circulating daily press). To sign up for the service, you may contact CDP customer service officers. Neither the SGX-ST, the CDP, the SCCS, the Participating Banks, our Company, nor the Sponsor assume any responsibility for any loss that may be incurred as a result of you having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.**

6. If your Electronic Application is unsuccessful, no notification will be sent by the Participating Banks.

If your Internet Electronic Application made through the IB websites of DBS Bank or UOB Group is unsuccessful, no notification will be sent by such Participating Bank.

If you make Electronic Applications through the ATMs of the following Participating Banks, you may check the results of your Electronic Applications as follows:

| Bank      | Telephone  | Available at ATM   | Operating hours | Service expected from        |
|-----------|--|--|-----------------|------------------------------|
| UOB Group | 1800 222 2121  | ATM (Other Transactions – “IPO Enquiry”) <sup>(1)</sup><br><br><a href="http://www.uobgroup.com">http://www.uobgroup.com</a> <sup>(1)(2)</sup> | 24 hours a day  | Evening of the balloting day |
| DBS       | 1 800 339 6666<br>(for POSB Account holders)<br><br>1800 111 1111<br>(for DBS Account holders) | Internet Banking (“IB”)<br><a href="http://www.dbs.com">http://www.dbs.com</a> <sup>(2)</sup>  |                 |                              |
| OCBC      | 1 800 363 3333   | ATM / Internet Banking /<br>Phone Banking <sup>(3)</sup><br><a href="http://www.ocbc.com">http://www.ocbc.com</a> <sup>(3)</sup>               |                 |                              |

**Notes:-**

- (1) If you make your Electronic Applications through the ATMs or IB website of UOB, you may check the results of your application through UOB Personal Internet Banking, UOB Group ATMs or UOB PhoneBanking Services.
- (2) If you make your Internet Electronic Application through the IB website of UOB Group or DBS, you may check the result of your application through the same channels listed in the table above in relation to ATM Electronic Application made at ATMs of UOB Group or DBS.
- (3) If you make an Electronic Application through the ATMs of OCBC Bank, you may check the results of your Electronic Application through OCBC Personal Internet Banking, OCBC ATMs or OCBC Phone Banking Services.

7. **You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God and other events beyond the control of the Participating Banks, our Company and the Sponsor and if, in any such event, our Company, the Sponsor and/or the relevant Participating Bank do not receive your Electronic Application, or data relating to your Electronic Application or the tape or any other devices containing such data is lost, corrupted or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against our Company, the Sponsor and/or the relevant Participating Bank for Offer Shares applied for or for any compensation, loss or damage.**
8. Electronic Applications shall close at **12.00 noon on 28 August 2008** or such other time as our Company may, in consultation with UOB, decide. Subject to the paragraph above, an Internet Electronic Application is deemed to be received only upon its completion, that is, when the Confirmation Screen appears.
9. You are deemed to have irrevocably requested and authorised our Company to:
  - (a) register the Offer Shares allotted to you in the name of CDP for deposit into your Securities Account;
  - (b) send the relevant Share certificate(s) to CDP;
  - (c) return or refund (without interest or any share of revenue earned or other benefit arising therefrom) the application monies, should your Electronic Application be unsuccessful, by automatically crediting your bank account with your Participating Bank with the relevant amount within twenty-four (24) hours of the balloting of applications; and
  - (d) return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application monies, should your Electronic Application be accepted in part only, by automatically crediting your bank account with your Participating Bank with the relevant amount within fourteen (14) days after the close of the Application List.
10. Our Company does not recognise the existence of a trust. Any Electronic Application by a trustee must be made in your own name and without qualification. We will reject any application by any person acting as nominee except those made by approved nominee companies only.
11. All your particulars in the records of your relevant Participating Bank at the time you make your Electronic Application shall be deemed to be true and correct and your relevant Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after the time of the making of your Electronic Application, you shall promptly notify your relevant Participating Bank.
12. **You should ensure that your personal particulars as recorded by both CDP and the relevant Participating Bank are correct and identical, otherwise, your Electronic Application is liable to be rejected.** You should promptly inform CDP of any change in address, failing which the notification letter on successful allotment will be sent to your address last registered with CDP.
13. By making and completing an Electronic Application, you are deemed to have agreed that:-
  - (a) in consideration of our Company making available the Electronic Application facility, through the Participating Banks as the agents of our Company, at the ATMs and IB websites (if any):-
    - (i) your Electronic Application is irrevocable; and
    - (ii) your Electronic Application, our acceptance and the contract resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;

- (b) **neither our Company, the Sponsor nor the Participating Banks shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your Electronic Application to our Company or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 7 above or to any cause beyond our respective controls;**
- (c) in respect of Offer Shares for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on behalf of our Company and not otherwise, notwithstanding any payment received by or on behalf of our Company;
- (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application; and
- (e) in making your application, reliance is placed solely on the information contained in this Offer Document and that none of our Company, the Sponsor, the Underwriter, the Placement Agent or any other person involved in the Invitation shall have any liability for any information not so contained.

### **Steps for Electronic Applications through ATMs and the IB website of UOB**

The instructions for Electronic Applications will appear on the ATM screens and the IB website screens of the respective Participating Banks. For illustrative purposes, the steps for making an Electronic Application through ATMs or through the IB website of UOB are shown below. Instructions for Electronic Applications appearing on the ATM screens and the IB website screens (if any) of the relevant Participating Banks (other than UOB Group) may differ from that represented below.

### **Steps for Electronic Application through ATMs of UOB**

Owing to space constraints on screens of the ATMs of UOB, the following terms will appear in abbreviated form:-

|                  |   |   |
|------------------|---|---|
| “&”              | : | and   |
| “A/C” and “A/CS” | : | ACCOUNT and ACCOUNTS, respectively                |
| “ADDR”           | : | ADDRESS   |
| “AMT”            | : | AMOUNT  |
| “APPLN”          | : | APPLICATION                                       |
| “CDP”            | : | THE CENTRAL DEPOSITORY (PTE) LIMITED              |
| “CPF”            | : | CENTRAL PROVIDENT FUND BOARD                      |
| “CPFINVT A/C”    | : | CPF INVESTMENT ACCOUNT                            |
| “ESA”            | : | ELECTRONIC SHARE APPLICATION                      |
| “IC/PSSPT”       | : | NRIC/PASSPORT NUMBER                              |
| “NO” or “NO.”    | : | NUMBER  |
| “PERSONAL NO”    | : | PERSONAL IDENTIFICATION NUMBER                    |
| “REGISTRARS”     | : | SHARE REGISTRARS                                  |
| “SCCS”           | : | SECURITIES CLEARING & COMPUTER SERVICES (PTE) LTD |
| “YR”             | : | YOUR  |

- Step 1 : Insert your personal Unicard, Uniplus card or UOB Visa/Master card and key in your personal identification number
- 2 : Select "CASHCARD/OTHER TRANSACTIONS"
- 3 : Select "SECURITIES APPLICATION"
- 4 : Select "ESA-FIXED"
- 5 : Select the share counter which you wish to apply for
- 6 : Read and understand the following statements which will appear on the screen:-
- THIS OFFER OF SECURITIES (OR UNITS OF SECURITIES) WILL BE MADE IN, OR ACCOMPANIED BY, A COPY OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENTS. ANYONE WISHING TO ACQUIRE THESE SECURITIES (OR UNITS OF SECURITIES) WILL NEED TO MAKE AN APPLICATION IN THE MANNER SET OUT IN THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT  
(Customer to press "ENTER" to continue)
  - PLEASE CALL 1800-22-22-121 IF YOU WOULD LIKE TO FIND OUT WHERE YOU CAN OBTAIN A COPY OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT
  - WHERE APPLICABLE, A COPY OF THE PROSPECTUS OR SUPPLEMENTARY DOCUMENT OR REPLACEMENT DOCUMENT HAS BEEN LODGED WITH AND REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE WHO ASSUMES NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS OR SUPPLEMENTARY DOCUMENT OR REPLACEMENT DOCUMENT  
(Customer to press "ENTER" key to confirm that you have read and understood the above statements)
- 7 : Read and understand the following terms which will appear on the screen:-
- YOU HAVE READ, UNDERSTOOD & AGREED TO ALL TERMS OF THE PROSPECTUS/SUPPLEMENTARY DOCUMENT/REPLACEMENT DOCUMENT (AS APPLICABLE) & THIS ELECTRONIC APPLICATION
  - YOU CONSENT TO DISCLOSE YR NAME, IC/PSSPT, NATIONALITY, ADDR, APPLN AMT, CPFINVT A/C NO & CDP A/C NO FROM YR A/CS TO CDP, CPF, SCCS, REGISTRARS, SGX-ST & ISSUER/VENDOR(S)
  - THIS IS YR ONLY FIXED PRICE APPLN & IS IN YR NAME & AT YR RISK  
(Customer to press "ENTER" to continue)
- 8 : Screen will display:-
- NRIC/Passport No. XXXXXXXXXXXXX**
- IF YOUR NRIC NO / PASSPORT NO IS INCORRECT, PLEASE CANCEL THE TRANSACTION AND NOTIFY THE BRANCH PERSONALLY.**  
(Customer to press "CANCEL" or "CONFIRM")
- 9 : Select mode of payment i.e. "CASH ONLY". You will be prompted to select Cash Account type to debit (i.e., "CURRENT ACCOUNT / I- ACCOUNT", "CAMPUS" OR "SAVINGS ACCOUNT / TX ACCOUNT"). Should you have a few accounts linked to your ATM card, a list of linked account numbers will be displayed for you to select

- 10: After you have selected the account, your CDP Securities Account number will be displayed for you to confirm or change (This screen with your CDP Securities Account number will be shown if your CDP Securities Account number is already stored in the ATM system of UOB). If this is the first time you are using an ATM of UOB to apply for Shares, your CDP Securities Account number will not be stored in the ATM system of UOB, and the following screen will be displayed for your input of your CDP Securities Account number
- 11: Read and understand the following terms which will appear on the screen:-
1. **YOU ARE REQUIRED TO ENTER YOUR CDP A/C NO. FOR YOUR FIRST IPO APPLICATION. THIS A/C NO. WOULD BE DISPLAYED FOR FUTURE APPLICATIONS**
  2. **DO NOT APPLY FOR JOINT A/C HOLDER OR THIRD PARTIES**
  3. **PLEASE USE YOUR OWN CDP A/C NO. (12 DIGITS) 1681-XXXX-XXXX**
  4. **PRESS ENTER KEY**  
(If you wish to terminate the transaction, please press "CANCEL")
- 12: Key in your CDP Securities Account number (12 digits) and press the "ENTER" key
- 13: Select your nationality status
- 14: Key in the number of Shares you wish to apply for and press the "ENTER" key
- 15: Check the details of your Electronic Application on the screen and press "ENTER" key to confirm your Electronic Application
- 16: Select "NO" if you do not wish to make any further transactions and remove the Transaction Record. You should keep the Transaction Record for your own reference only

#### **Steps for Internet Electronic Applications through the IB website of UOB**

Owing to space constraints on IB website screens of UOB, the following terms will appear in abbreviated form:

|                 |   |   |
|-----------------|---|---|
| "CDP"           | : | The Central Depository (Pte) Limited              |
| "CPF"           | : | The Central Provident Fund                        |
| "NRIC" or "I/C" | : | National Registration Identity Card               |
| "PR"            | : | Permanent Resident                                |
| "SGD" or "\$"   | : | Singapore Dollars                                 |
| "SCCS"          | : | Securities Clearing & Computer Services (Pte) Ltd |
| "SGX"           | : | Singapore Exchange Securities Trading Limited     |

#### **Steps for an Internet Electronic Application through the IB website of UOB**

- Step 1 : Connect to UOB website at <http://www.uobgroup.com>
- 2 : Locate the Login icon on the left hand side next to "Internet Banking"
- 3 : Click on "Login" and at drop down menu select "UOB Personal Internet Banking"
- 4 : Enter your Username and Password and click "Submit"



- 5 : Select "Investment Services" ("IPO" should be the default transaction that appears, select "Application")
- 6 : Read the IMPORTANT notice and complete the declarations found on the bottom of the page by answering Yes/No to the questions
- 7 : Click "Continue"
- 8 : Select your country of residence (you must be residing in Singapore to apply), and click "Continue"
- 9 : Select the IPO counter from the drop down menu (if there are concurrent IPOs) and click "Continue"
- 10: Check the share counter, select the mode of payment and account number to debit and click on "Continue"
- 11: Read the important instructions and click on "Continue" to confirm that:-
  1. **You have read, understood and agreed to all terms and conditions of the application and Prospectus/Document or Supplementary Document.**
  2. **You consent to disclose your name, I/C or passport number, address, nationality, CDP Securities Account number, CPF Investment Account number (if applicable), and application details to the share registrars, SGX, SCCS, CDP, CPF Board and issuer/vendor(s).**
  3. **This application is made in your own name and at your own risk.**
  4. **For FIXED/MAX price shares application, this is your only application. For TENDER price shares application, this is your only application at the selected tender price.**
  5. **For FOREIGN CURRENCY securities, subject to the terms of the issue, please note the following: The application monies will be debited from your bank account in \$, based on the Bank's prevailing board rates at the time of application. The different prevailing board rates at the time of the application and at the time of refund of applications monies may result in either a foreign exchange profit or loss, or application monies may be debited and refunds credited in \$ at the same exchange rate.**
  6. **For 1<sup>st</sup>-Come-1<sup>st</sup>-Serve securities, the number of securities applied for may be reduced, subject to the availability at the point of application.**
- 12: Check your personal details, details of the share counter you wish to apply for and account to debit
 

Select (a) Nationality;  
 Enter (b) your CDP securities account number; and  
 (c) the number of shares applied for  
 Click "Submit"
- 13: Check the details of your application, your NRIC/passport number, CDP securities account number and the number of shares applied for, share counter, payment mode and account to debit
- 14: Click "Confirm", "Edit" or "Cancel"
- 15: Print the Confirmation Screen (optional) for own your reference





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