



PACIFIC HEALTHCARE HOLDINGS LTD.

(Incorporated in the Republic of Singapore)
Company Registration Number: 200100544H
(the "Company")

PROPOSED INVESTMENT IN THE COMPANY BY AFFLUENT HEALTHCARE HOLDINGS PTE. LTD.

1. INTRODUCTION

The Board of Directors of Pacific Healthcare Holdings Ltd. (the "**Directors**") is pleased to announce that the Company has on 8 September 2010 entered into a share subscription agreement (the "**Agreement**") with Affluent Healthcare Holdings Pte Ltd (the "**Subscriber**").

Subject to and upon the terms of the Agreement, the Subscriber shall subscribe for 61,951,563 shares in the share capital of the Company (the "**Shares**") representing approximately 14.9% of the share capital of the Company on an enlarged basis (the "**Subscription Shares**") to be allotted and issued by the Company (the "**Subscription**").

DMG & Partners Securities Pte Ltd acted as the financial advisor to the Company in the Subscription.

2. TERMS OF THE SUBSCRIPTION

2.1. The Subscription – Issue Price

The Subscription Shares shall be allotted and issued at an issue price of S\$0.11 per Subscription Share (the "**Issue Price**"). The Issue Price represents a discount of approximately 8.33% to the weighted average price of S\$0.12 for trades done on the Shares on the SGX-ST on 8 September 2010 (being the full market day on which the Agreement was signed).

The Issue Price was arrived at following arm's length negotiations between the Company and the Subscriber.

The Subscription Shares will only be issued to the Subscriber (or its nominee) and will not be issued to any of the persons listed in Rule 812(1)(a) to (d) of the Listing Manual and will be in compliance with Rule 812.

The Subscription Shares, when allotted and issued, shall rank *pari passu* in all respects with the existing Shares except that they will not rank for any dividend, right, allotment or other distributions, the record date for which falls on or before the completion of the Subscription.

2.2. Additional Listing Application

The Subscription will be undertaken by way of a private placement in accordance with Section 272B of the Securities and Futures Act. As such, no prospectus or offer information statement will be lodged with the Monetary Authority of Singapore in connection with the issuance of the Subscription Shares.

The Company will be making an application to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing and quotation of the Subscription Shares on the Official List of the SGX-ST.

2.3. Conditions for the Subscription

The Subscription is subject to certain conditions precedent set out in the Agreement, including but not limited to:

- a) the in-principle approval being obtained from the SGX-ST for the listing and quotation of the Subscription Shares on the Official List of the SGX-ST and the receipt of other applicable approvals required by the parties;
- b) no material adverse change arising or occurring between the date of the Agreement and the completion date; and
- c) the representations, warranties, undertakings and covenants given by the Company being true and correct up to and as at completion of the Subscription ("**Completion**").

2.4. Completion of the Subscription

Completion is scheduled to take place no later than three (3) Business Days after the last of the conditions precedent set out in the Agreement are satisfied or waived.

2.5. Moratorium Undertakings and Restriction on Changes of Capital

The Subscriber has undertaken not to sell, realise, transfer or otherwise dispose of any of the Shares acquired pursuant to the Agreement for a period of 12 months commencing from the date of Completion (the "**Moratorium Period**").

Separately, the Company has also undertaken to the Subscriber not to allot and issue any new Shares or otherwise increase its share capital during the Moratorium Period, except as otherwise provided for in the Agreement.

2.6. Board Representation

With effect from Completion, the Subscriber shall be entitled to nominate up to two (2) directors for appointment to the Board of Directors of the Company in accordance with the terms and subject to the conditions of the Agreement.

2.7. Letter Agreement

In conjunction with the Subscription, the Company and Al-Faiz Fund I Limited ("**AFF**") has entered into a letter agreement dated the same date hereof addressed to the Subscriber, pursuant to which:

- (a) the executive committee of the Company shall comprise 2 nominees of AFF, 2 nominees of AHH and 2 nominees of the senior management of the Company ("**Executive Committee**");
- (b) the Company shall not require any AFF consent prior to undertaking the key matters referred to in the subscription agreement dated 3 December 2009 made between the Company and AFF (as supplemented);
- (c) the chairman of the Executive Committee shall be elected by the majority members of the Executive Committee;
- (d) the chairman of the Executive Committee shall cease to have the final and casting vote in any deadlock;
- (e) no quorum of the Executive Committee will be deemed to be present unless a nominee from each of AFF and the Subscriber is present;
- (f) the Subscriber shall be entitled to appoint 2 nominees onto the Board of Directors of the Company, and subsequent to Completion, shall be entitled to appoint such number of nominees onto the Board of Directors of the Company as shall reflect the percentage of its shareholdings in the Company. Further, each of the Subscriber and AFF, respectively agrees that in the event that its shareholding in the Company should fall below 10.0% of the prevailing issued share capital of the Company, it shall not have any contractual right, nor the Company any contractual obligation, to appoint any of its nominees to the Board of Directors of the Company; and
- (g) it shall do or procure to be done all such acts and things as may be necessary to give the Subscriber the full benefit of the letter agreement.

3. SUBSCRIBER

The Subscriber is an investment holding company, and its shareholders have interests in several commercial businesses, including the healthcare sector. As of the date hereof, the Subscriber does not have any interests, direct or indirect, in the Company's issued share capital. The Subscriber and its shareholders are not related to any Directors or, to the best of knowledge of the Subscriber, the substantial shareholders of the Company.

4. FINANCIAL EFFECTS OF THE SUBSCRIPTION

The illustrative financial effects of the Subscription on the share capital, net asset value, earnings and net gearing of the Company based on the unaudited financial statements of the Company and its subsidiaries ("**Group**") for the period ended 30 June 2010 are set out below.

Share Capital

As at the date of this Announcement, the issued and paid-up share capital of the Company is S\$47.28 million divided into 353,830,738 Shares. Following Completion, the issued and paid-up share capital of the Company will increase to S\$53.92 million divided into 415,782,301 Shares.

Net Asset Value

Assuming the Subscription was completed on 30 June 2010, the net asset value per Share would decrease from 10.93 cents to 10.90 cents.

Earnings

Assuming the Subscription was completed on 30 June 2010 with all the Subscription Shares in issue during the first half of FY2010, the loss per share of the Group after adjusting for the Subscription Shares would decrease from 1.58 cents to 1.29 cents.

Gearing

Assuming the Subscription was completed on 30 June 2010, the gearing ratio of the Group would decrease from 0.07 to nil. Gearing is computed based on total borrowings less cash and cash equivalents divided by shareholders' funds.

Shareholders should note that the illustrative financial effects should not be construed to mean that the Group's actual results, performance or achievements will be as expected, expressed or implied in such financial effects after Completion.

5. RATIONALE FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The net proceeds of approximately S\$6.65 million, after deducting estimated expenses of approximately S\$0.17 million pertaining to the Subscription (the “**Net Proceeds**”) will be used to fund the future expansion of the Company. The Subscription will also strengthen the equity base of the Company and also reduce its gearing.

The actual apportionment of Net Proceeds for the aforementioned purposes will be subject to the relative timing of various requirements for funds, and the Company’s overall objective of achieving an optimal cost of capital to fund its growth initiatives. Pending utilization, the net proceeds from the Subscription may be deposited with banks and/or financial institutions or invested in short-term money markets and/or marketable securities, as the Directors may deem appropriate in the interests of the Company.

The Company will make periodic announcements on the utilisation of proceeds from the Subscription as and when such proceeds are materially disbursed.

6. AUTHORITY FOR THE ISSUANCE OF THE SUBSCRIPTION SHARES

The Subscription Shares are to be issued pursuant to the general share issue mandate approved by Shareholders at the Company’s annual general meeting held on 30 April 2010.

As at 30 April 2010, the Company had 280,818,046 Shares and 56,145,599 bonus warrants, each carrying the right to subscribe for one new Share, in issue. Accordingly, the relevant share base for the purpose of computation of thresholds under the General Mandate would be 336,963,645 Shares (the “**Share Base**”).

Between 30 April 2010 and the date of this Application, the Company had issued 73,012,692 new ordinary shares in the capital of the Company to AFF.

The Subscription Shares represent approximately 18.4 per cent. of the Share Base, and approximately 14.9% of the enlarged issued share capital, excluding the conversion of the outstanding bonus warrants of the Company.

7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in this announcement, none of the Directors and substantial shareholders of the Company have any interest, direct or indirect, in the Subscription (other than through their respective direct and indirect shareholdings in the Company).

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company, collectively and individually, accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed herein are fair and accurate in all material respects as at the date hereof, and that there are no material facts the omission of which would make this announcement misleading.

9. DOCUMENTS AVAILABLE FOR INSPECTION

A copy each of the Agreement and the above-mentioned letter agreement is available for inspection at 290 Orchard Road, #19-01 The Paragon, Singapore 238859 during normal business hours for a period of three (3) months commencing from the date of this Announcement.

The Company will make the necessary announcements once the in-principle approval for the listing and quotation of the Subscription Shares has been obtained from the SGX-ST.

By Order of the Board

Dr Chong Lai Leong William
Executive Director and Chief Executive Officer
8 September 2010