



## Proposed Debt Capitalisation, Share Consolidation, Share Buy Back and De-Listing from ASX

As announced on 30 June 2017, the Company has entered an agreement with each of the Bondholders to capitalise the debts owing to them, converting that debt into equity. The conversion of the debt is subject to shareholder approval.

Attached is a Notice of General Meeting of the Company (**Notice**), convening a Shareholders Meeting to be held in Melbourne at 10am AEST on Monday 9 October 2017 (General Meeting).

Broadly, the Notice provides for Life Corporation Limited shareholders to vote upon the following:

- proposed capitalisation of the Bond debts owed by the Company to Northeast Capital Pte Ltd (**Northeast**) and to GM Investment Company Ltd (**GM**) and the issue of shares in the Company to each of Northeast and GM in return for the extinguishment of those debts;
- proposed consolidation of the Company's issued shares on the basis that every 100 shares in the Company held by a shareholder as at 5 October 2017 will be converted into one (1) share (rounded to the nearest whole number of shares);
- proposed equal access buy back of all shares (after the Company undertakes an unmarketable parcel buy back) in accordance with the timetable included in the Notice; and
- the proposed de-listing of the Company's shares from the ASX (on the basis that the current ASX listing of the Company is no longer warranted).

The Company views these resolutions as vitally important for the Company, given that it is not in a position to repay the Bond debts, it has the opportunity to have the Bonds extinguished by the (significant) share issues to the Bond holders (leaving all remaining non-associated shareholders with an aggregate shareholding of approximately 4% of the issued share capital) and the opportunity that the unassociated shareholders can have their shares bought back by the Company.

The Board urges you to consider the proposed resolutions carefully and lodge your vote in accordance with the instruction included in the Notice.

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**LIFE Corporation Ltd**

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**Life Corporation Limited**  
**ACN 108 051 529**

**Notice Of General Meeting**

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**Time:** 10.00 am (AEST)  
**Date:** Monday, 9 October 2017  
**Place:** K&L Gates, Level 25, South Tower, Rialto,  
525 Collins Street, Melbourne, Victoria, 3000

**This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.**

**Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company.**

# Life Corporation Limited

ACN 108 051 529

(Company)

## **NOTICE OF GENERAL MEETING, EXPLANATORY STATEMENT AND INDEPENDENT EXPERT'S REPORT**

**General Meeting to be held at**

**On 9 October 2017 at 10.00 am (AEST).**

This Notice of Meeting, Explanatory Statement and Independent Expert's Report should be read in its entirety.

If Shareholders are in doubt as to how to vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

**The Resolutions are important and affect the future of your Company. You are urged to give careful consideration to the Notice of Meeting and the contents of the Explanatory Statement.**

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# NOTICE OF GENERAL MEETING

## Life Corporation Limited

ACN 108 051 529 (Company)

Notice is given that a General Meeting of Shareholders of Life Corporation Limited will be held at the offices of K&L Gates Level 25, South Tower, Rialto, 525 Collins Street, Melbourne, Vic, 3000 on Monday, 9 October 2017 commencing at 10 am (AEST).

### 1 BUSINESS

**Resolution 1 – Approval of the debt capitalisation proposal for the issue of up to 721,428,571 new Shares in the Company (calculated prior to the share consolidation which is the subject of Resolution 3) to Northeast Capital Pte Ltd - in consideration of the extinguishment of the Company's obligations under the existing Northeast Bond**

To consider and, if thought fit, to pass with or without amendment, the following as an **ordinary resolution**:

*"That for the purposes of (i) Listing Rule 10.11; (ii) sections 208 and 611(7) of the Corporations Act and (iii) for all other purposes, shareholders approve the entry into and completion of the debt capitalisation proposal being the issue of 721,428,571 new Shares in the Company (calculated prior to the share consolidation which is the subject of Resolution 3) to Northeast Capital Pte Ltd in consideration for the extinguishment of the Company's obligations under the Northeast Bond pursuant to the terms of the Northeast Debt Capitalisation Agreement and otherwise on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion Statement Resolution 1:** The Company will disregard any votes on Resolution 1, for the purposes of Section 208 of the Corporations Act and Listing Rule 10.11, cast by Northeast Capital Ltd and any of its Associates including Mr Victor Hoo Kwok Chye (as a director of the Company and having been associated with Northeast Capital Ltd within 6 months of the entry into the Debt Capitalisation Agreement). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Independent Expert's Report:** Shareholders should carefully consider the Independent Expert's Report prepared by Lonergan Edwards & Associates Limited for the purposes of Shareholder Approval for Resolutions 1 and 2 under ASX Listing Rule 10.11 and Sections 208 and 611 (Item 7) of the Corporations Act. A copy of the Independent Expert's Report is enclosed with this Notice as Annexure 1 to the Explanatory Statement.

**Resolution 2 – Approval of the debt capitalisation proposal for the issue of up to 721,428,571 new Shares to GM Investment Company Ltd (calculated prior to the share consolidation which is the subject of Resolution 3) - in consideration of the extinguishment of the Company's obligations under the existing GM Investment Bond**

To consider and, if thought fit, to pass with or without amendment, the following as an **ordinary resolution**:

*"That, for the purposes of (i) ASX Listing Rule 10.11; (ii) Section 611(7) of the Corporations Act and (iii) for all other purposes, shareholders approve the entry into and completion of the debt capitalisation proposal being the issue of 721,428,571 new Shares in the Company (calculated prior to the share consolidation which is the subject of Resolution 3) to GM Investment Company Ltd in consideration of the extinguishment*

*of the Company's obligations under the existing GM Investment Bond pursuant to the terms of the GM Debt Capitalisation Agreement and otherwise on the terms and conditions set out in the Explanatory Statement accompanying this Notice."*

**Voting Exclusion Statement Resolution 2:** The Company will disregard any votes on Resolution 2 for the purposes of Section 611(7) of the Corporations Act and Listing Rule 10.11, cast by Mr Kong, Mr Kam, China Cord Blood Corporation, China Stem Cells (East) Company Ltd, Golden Meditech Holdings Ltd, GM Investment Company Ltd and any of their Associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Independent Expert's Report:** Shareholders should carefully consider the Independent Expert's Report prepared by Lonergan Edwards & Associates Limited for the purposes of Shareholder Approval for Resolutions 1 and 2 under ASX Listing Rule 10.11 and 611 (Item 7) of the Corporations Act. A copy of the Independent Expert's Report is enclosed with this Notice as Annexure 1 to the Explanatory Statement.

### **Resolution 3 – Approval of Share Consolidation**

To consider and, if thought fit, to pass with or without amendment, the following as an **ordinary resolution**:

*"That pursuant to Section 254H(1) of the Corporations Act, and for all other purposes, the Shareholders approve the consolidation of all of the Shares in the capital of the Company on the basis that every existing 100 fully paid ordinary share convert into one (1) fully paid ordinary share (rounded to the next whole number of shares), effective from the passing of this resolution but after the issue of shares under the debt capitalisation proposals in Resolutions 1 and 2."*

### **Resolution 4 – Proposed delisting of the Company from the ASX**

To consider and, if thought fit, to pass with or without amendment, the following as an **ordinary resolution**:

*"That shareholders approve the proposed delisting of the Company from the Official List of the ASX Limited with effect from the date to be specified by the ASX and otherwise on the terms as outlined in the accompanying Explanatory Statement."*

### **Resolution 5 - Equal access share buy back**

To consider and, if thought fit, to pass with or without amendment, the following as an **ordinary resolution**:

*"That shareholders approve for the purposes of section 257C of the Corporations Act and for all other purposes, with immediate effect, the Company undertaking an equal access buy back its Shares at a price of \$0.005 per Share, in accordance with the Listing Rules and otherwise on the terms detailed in the Explanatory Statement."*

## 2 INDEPENDENT EXPERT REPORT

Shareholders should carefully consider the Independent Expert's Report prepared by Lonergan Edwards & Associates Limited for the purposes of Shareholder Approval for Resolutions 1, 2 and 5.

A copy of the Independent Expert's Report is enclosed with this Notice as **Annexure 1** to the Explanatory Statement. The Independent Expert's Report comments on the fairness and reasonableness of the transactions to the non-associated Shareholders in the Company.

## 3 EXPLANATORY STATEMENT

The accompanying Explanatory Statement forms part of this Notice of Meeting and should be read in conjunction with it.

Shareholders are specifically referred to the Independent Expert's Report with respect to the fairness and reasonableness of the proposed Northeast Transaction and GM Investment Transaction.

## 4 PROXIES

Please note that:

- (a) a Shareholder entitled to attend and vote at the general meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company;
- (c) a Shareholder may appoint a body corporate or an individual as its proxy;
- (d) a body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body corporate may exercise as the Shareholder's proxy; and
- (e) Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The **enclosed** Proxy Form provides further details on appointing proxies and lodging proxy forms. If a Shareholder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, the body corporate should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that body corporate's representative. The authority may be sent to the Company or its share registry in advance of the General Meeting or handed in at the General Meeting when registering as a corporate representative.

## 5 VOTING ENTITLEMENTS

In accordance with Regulations 7.11.37 and 7.11.38 of the *Corporations Regulations 2001*, the Company has determined that a person's entitlement to vote at the General Meeting will be the entitlement of that person set out in the register of Shareholders as at 10 am (AEST) on 7 October 2017.

Accordingly, transactions registered after that time will be disregarded in determining Shareholders' entitlement to attend and vote at the General Meeting.

### **By Order of the Board**

A handwritten signature in black ink, consisting of a stylized, cursive 'A' followed by a diagonal stroke.

**Andrew Lord**  
Company Secretary

8 September 2017

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# EXPLANATORY STATEMENT

## Life Corporation Limited

ACN 108 051 529 (Company)

### IMPORTANT NOTICE

Shareholders should read this Explanatory Statement and the accompanying Independent Expert's Report in full, and if they have any questions, Shareholders should obtain professional advice before making any decisions in relation to the Resolutions to be put to Shareholders at the General Meeting.

This Explanatory Statement includes information and statements that are both historical and forward looking. To the extent that any statements relate to future matters, Shareholders should consider that they are subject to risks and uncertainties. Those risks and uncertainties include factors and risks specific to coal and phosphate exploration and development as well as matters such as general economic conditions. Actual events or results may differ materially. None of the Company, the Directors or their advisors can assure Shareholders that forecasts or implied results will be achieved.

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# 1 INTRODUCTION

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Company's General Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions in the accompanying Notice of Meeting.

This Explanatory Statement should be read in conjunction with the Notice of Meeting. Capitalised terms in this Explanatory Statement are defined in **Section 10.1** (Defined Terms and Interpretation) of this Explanatory Statement.

## 2 GENERAL MEETING

### 2.1 Background

This meeting is an important meeting as it concerns a significant proposed restructure of the Company to extinguish existing debts owed by the Company under the Northeast Bond (to Northeast Capital Pte Ltd, a Singapore based investment company associated with LFC's Director Mr Victor Hoo Kwok Chye (**Mr Hoo**)) and under the GM Investment Bond (to GM Investment Company Ltd, a Hong Kong based investment company associated with LFC's Director Mr Kong) - to leave the Company solvent.

Without this restructure, the Company faces challenging financial demands and, in the absence of alternative funding, is likely to be insolvent and would have to consider administration / winding up, with LFC shareholder's likely to receive little, if any, distribution after the Company's creditors

The Company originally borrowed funding under two separate bonds referred to above (for the purposes of this Notice of Meeting referred to as the **Northeast Bond** and the **GM Investment Bond**), which together with the Company's own cash resources at the time, were used for working capital and to undertake the purchase of the Company's interest in the Singapore Development Land.

The Company's existing SFS Funeral Business (its Singapore funeral business) has not performed to the original expectations of the Company and, despite its best endeavours, the Company has not been able to source alternative funding to continue development of the planned new automated columbarium on the Singapore Development Land, nor to fund payments now due under each of the Northeast Bond and the GM Investment Bond.

Where shareholders approve Resolutions 1 and/or 2, the allotment of new shares in the Company on capitalisation of the debts under the two bonds results in:

- (i) **Resolution 1** (alone) - the increase in voting power of interests associated with Northeast Capital Pte Ltd from 0% to 91.04% (see paragraphs 3.3 and 3.4) in consideration of extinguishing the Northeast Bond (**Northeast Transaction**); and
- (ii) **Resolution 2** (alone) - the increase in voting power of interests associated with Mr Kong (including Mr Kam, China Cord Blood Corporation, China Stem Cells (East) Company Ltd, Golden Meditech Holdings Ltd, GM Investment Company Ltd) from 20.37% to 92.78% (see paragraphs 4.3 and 4.4) in consideration of extinguishing the GM Investment Bond (**GM Investment Transaction**);

(iii) where shareholders approve both Resolutions 1 and 2, the voting power of interests associated with:

(A) Northeast Capital Pte Ltd, and

(B) Mr Kong (including Mr Kam, China Cord Blood Corporation, China Stem Cells (East) Company Ltd, Golden Meditech Holdings Ltd, GM Investment Company Ltd);

will increase to 48.61% and 47.66%, respectively or if combined interests associated with them would own 96.27% of the expanded share capital - leaving all other shareholders being diluted to hold 3.73% of the expanded share capital (after the issue of new shares on the completion of the debt capitalisation proposals the subject of Resolutions 1 and 2 and before any impact of the proposed share buy backs).

If passed Resolution 1 will result in a significant dilution of existing equity interests of the Company's shareholders. If passed, Resolution 2 it will also result in a significant dilution of existing equity interests of the Company's shareholders.

As noted, if Resolutions 1 and 2 are both passed, this will result in existing Shareholders (as at the date of this Notice of Meeting) other than Northeast Capital Pte Ltd and GM Investment Company Ltd being diluted significantly, to the extent that in aggregate after the dilution (or issue of the new shares) they own approximately 3.73% of the issued share capital of the Company (before any impact of the proposed share buy backs) with Northeast Capital Pte Ltd, GM Investment Company Ltd and their associates owning the remaining balance between them.

The Board, absent Messrs Hoo and Kong, believe the approval of resolutions 1 and 2 to be in the best interests of existing shareholders, as the alternative is that the Company be wound up with an anticipated little or no return to existing shareholders.

## **2.2 Delisting / capital consolidation and share buy back proposals**

The Company's current market capitalisation as at the date of this Explanatory Statements is approximately AU\$142,000. The closing share price on 23 August 2017 (immediately preceding issue of this Notice of Meeting) was \$0.002 per Share.

Trading in shares in the Company has of late also been very limited. The trading volume would only be compounded where shareholders approve the debt capitalisation proposals (in Resolutions 1 and 2).

Accordingly, because in the Board's view the costs of the continued listing of the Company is not justified (even after the debt capitalisation under Resolutions 1 and 2), the Board has proposed under Resolution 3 that the number of shares on issue after the debt capitalisation proposals be consolidated (on a 100 for 1 basis) and under Resolution 4 that the Company be delisted from the ASX.

This recommendation has not been undertaken lightly, but in order to reduce operating costs. Where all of the Resolutions are passed; the Board wanted to provide an exit alternative for existing shareholders. Therefore it is proposed that where all of the resolutions at this meeting are approved, the Company -

(i) undertake a small parcel buy back at AU\$0.005 per Share (being the same price as the debt capitalisations under Resolutions 1 and 2, in this paragraph expressed in an amount per Share prior to the share consolidation proposed in resolution 3) with cash

payment to the accepting shareholders. This offer can be made to shareholders without shareholder approval; and

(ii) on conclusion of the small parcel buy back, offer to all remaining shareholders a buy back alternative, resulting in the cancellation of the shares of those shareholders who accept the buy back offer (again at AU\$0.005 per Share with cash payment to the accepting shareholders, in this paragraph being a price expressed in an amount per Share prior to the share consolidation proposed in resolution 3). This equal access buy back will require prior shareholder approval, as proposed in Resolution 5.

Details of the proposed small parcel buy back and the follow on buy back alternative are outlined in more detail in section 8 below.

### **2.3 Action to be taken by the Shareholders**

In order to proceed with the Northeast Transaction and with the GM Investment Transaction, the Company must convene a General Meeting of Shareholders for the purposes of passing the respective proposed Resolutions 1 and 2 in compliance with the requirements of the Listing Rules and the Corporations Act.

The Notice of Meeting convening the General Meeting is included at the front of this booklet. Shareholders are encouraged to attend and vote in favour of each of the Resolutions to be put at the General Meeting.

If a Shareholder is not able to attend and vote at the General Meeting, the Shareholder is encouraged to complete the proxy form at the back of this booklet and return it to the Company at the address stated on the proxy form not later than 48 hours before the time specified for the commencement of the General Meeting.

### **2.4 General Meeting Resolutions**

Each of the resolutions to be considered at the shareholders meeting has a number of regulatory requirements which are dealt with in each section below. Certain voting restrictions are also imposed in relation to some of the Resolutions as detailed in the accompanying Notice of Meeting under the headings "*Voting Exclusion Statement*".

## **3 RESOLUTION 1**

**Approval of the debt capitalisation proposal for the issue of up to 721,428,571 new Shares in the Company (calculated prior to the share consolidation which is the subject of Resolution 3) to Northeast Capital Pte Ltd - in consideration of the extinguishment of the Company's obligations under the existing Northeast Investment Bond.**

Resolution 1 is an ordinary resolution pursuant to which the Company is seeking approval, for the purposes of Listing Rule 10.11; section 208 and Item 7 of section 611 of the Corporations Act, to complete the Northeast Transaction and issue Shares to Northeast Capital Pte Ltd in accordance with the terms and conditions of the Northeast Debt Capitalisation Agreement – which material terms and conditions is summarised in Schedule 1.

### 3.1 Background

Northeast Capital Pte Ltd has provided SGD3 million to the Company under the Northeast Bond, upon which interest has accrued. Funds from the Northeast Bond (in conjunction with funds from the GM Investment Bond) as indicated above were used to acquire the Company's interest in the Singapore Development Land.

The Company and Northeast Capital Pte Ltd have agreed pursuant to the terms of an agreement dated 30 June 2017 (**Northeast Debt Capitalisation Agreement**) to capitalise the debt (principal and accrued interest) owed by the Company to Northeast Capital Pte Ltd by the issue of 721,428,571 new Shares in the Company (calculated prior to the share consolidation which is the subject of Resolution 3) (**Capitalisation**). As of the date of this notice of meeting the outstanding amount of the Northeast Bond is SGD3.7875 million (including interest as at the Completion Date under the Northeast Debt Capitalisation Agreement). This would result in material increase in the voting power of Northeast Capital Pte Ltd in the Company.

ASX Listing Rule 10.11 requires Shareholders approval to be obtained where an entity issues, or agrees to issue, securities to a related party or a person whose relationship with the entity or a related party is, in the ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rules applies.

Section 208(1)(a) of the Corporations Act prohibits a company from giving a financial benefit to a related party of the Company without the approval of shareholders by a resolution passed at a general meeting at which no votes are cast in relation to the resolution in respect of any shares held by the related party or by an associate of the related party.

The issue of the Shares to Northeast Capital Pte Ltd requires the Company to obtain Shareholder Approval under Listing Rule 10.11 and Section 208 of the Corporations Act because Mr Hoo is a director of the Company and in the last 6 months Mr Hoo was associated with Northeast Capital Pte Ltd. Mr Hoo's association arises only by virtue that his brother is a director and his wife is a shareholder of Northeast Capital Pte Ltd. Therefore, Mr Hoo, Northeast Capital Pte Ltd and the Company are "related parties" for the purposes of both Listing Rule 10.11 and Section 208 of the Corporations Act.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 (inclusive) of the Corporations Act and ASX Listing Rules 10.12 do not apply in the current circumstances. Accordingly, Shareholder Approval under ASX Listing Rule 10.11 and Section 208 of the Corporations Act is sought.

### 3.2 Listing Rule 10.13 and Chapter 2E of the Corporations Act

Pursuant to and in accordance with Listing Rule 10.13 and the requirements of Sections 219 of the Corporations Act, the following information is provided in relation to the proposed issue of Shares pursuant to this **Resolution 1** to Northeast Capital Pte Ltd:

- (a) in accordance with Listing Rule 10.13.1

*The Company proposes to issue new Shares to Northeast Capital Pte Ltd;*

- (b) in accordance with Listing Rule 10.13.2

*The maximum number of the new Shares to be issued to Northeast Capital Pte Ltd is 721,428,571;*

- (c) in accordance with Listing Rule 10.13.3

*The new Shares will be issued to Northeast Capital Pte Ltd no later than one (1) month after the date of the General Meeting;*

- (d) in accordance with Listing Rule 10.13.4

*Northeast Capital Pte Ltd and the Company are "related parties" because Mr Hoo is a director of the Company and in the last 6 months Mr Hoo was associated with Northeast Capital Pte Ltd;*

- (e) in accordance with Listing Rule 10.13.5, the following are the issue price of the relevant Shares and the terms of the issue:

Securities	Issue price and terms
<b>Shares for the capitalisation of debt owed by the Company to Northeast Capital Pte Ltd</b>	Issued at the price of AU\$0.005 per Share (calculated prior to the Consolidation) and upon the same terms and conditions as the Company's existing Shares

- (f) in accordance with Listing Rule 10.13.6 and Section 224 of the Corporations Act, for the purposes of Listing Rule 10.11 and Section 208 of the Corporations Act,

*A voting exclusion statement is provided in the Notice of Meeting (to which this Explanatory Statement is attached); and*

- (g) in accordance with Listing Rule 10.13.6A

*No cash funds are raised from the issue of the new Shares to Northeast Capital Pte Ltd; rather the existing obligations of the Company under Northeast Bond (including the debt owed by the Company to Northeast Capital Pte Ltd) is extinguished. As at 30 June 2017 the aggregate amount of principal and interest owed by the Company under the Northeast Bond is SGD3.7875 million.*

### **3.3 Section 611 of the Corporations Act**

Resolution 1 also seeks Shareholder Approval under Item 7 of section 611 of the Corporations Act for the issue of Shares to Northeast Capital Pte Ltd pursuant to the terms of the Northeast Debt Capitalisation Agreement which will result in Northeast Capital Pte Ltd increasing its Relevant Interest in the Company (and on the basis that Resolution 2 is not taken into account) from 0% to 91.04% of the voting shares in the Company once the Shares are issued.

Except as provided by Chapter 6 of the Corporations Act, section 606(1) of the Corporations Act prohibits a person from acquiring shares in a company if, after the acquisition, that person or any other person would have a relevant interest or voting power which increases from a starting point above 20% and below 90% of the voting shares in that company.

Item 7 of section 611 of the Corporations Act provides that section 606(1) of the Corporations Act does not apply to an acquisition of a relevant interest in the voting shares in a company if the company has agreed to the acquisition by resolution passed

at a general meeting at which no votes are cast in relation to the resolution by the person to whom the shares are to be issued or by an associate of that person.

Under section 610 of the Corporations Act, a person's voting power is defined as the percentage of the total voting shares in the Company held by the person and the person's associates.

The Company is seeking Shareholder Approval under Item 7 of Section 611 of the Corporations Act in respect of the Shares to be issued to Northeast Capital Pte Ltd under Resolution 1 because this issue of securities will result in Northeast Capital Pte Ltd's relevant interest (on the basis that Resolution 2 is not taken into account) increasing from 0% to 91.04% of the voting shares in the Company once the new Shares are issued.

At the date of the Notice of Meeting:

- Northeast Capital Pte Ltd holds Nil Shares in the Company. If Resolution 1 is passed (and on the basis that Resolution 2 is not taken into account), the issue of the Shares to Northeast Capital Pte Ltd pursuant to Resolution 1 will give Northeast Capital Pte Ltd a Relevant Interest of 91.04% of the voting shares in the Company.
- As set out in the Voting Exclusion Statement in the Notice of Meeting and in accordance with the Listing Rules, Northeast Capital Pte Ltd and its Associates (including Mr Hoo) are precluded from voting on Resolution 1.

### **3.4 ASIC Policy Statement 74**

The following information is included in accordance with the requirements of Item 7 of section 611 of the Corporations Act and ASIC Policy Statement 74 to the extent it applies pursuant to ASIC Policy Statement 159.

(a) **Identity of Persons who will hold a relevant interest in the securities to be issued**

Northeast Capital Pte Ltd will increase its Relevant Interest (and on the basis that Resolution 2 is not taken into account) from 0% to 91.04% from the issue of new Shares pursuant to the terms of the Northeast Debt Capitalisation Agreement.

(b) **Impact of the Transactions on the Voting Power in the Company's Shares**

The Company's capital structure

Set out in Table 1 below is a summary of Shares on issue in the Company before and after the Northeast Transaction:

**Table 1**

	Current		Post-Northeast Transaction	
		%		%
Non-Associated Shareholders	70,960,655	100.00	70,960,655	8.96
Northeast Capital Pte Ltd	0	0.00	721,428,571	91.04
<b>Total</b>	<b>70,960,655</b>	<b>100.00</b>	<b>792,389,226</b>	<b>100.00</b>

**Note:** Rounding differences may exist.

(i) **Current voting power of Relevant Parties**

As at the date of the Notice of Meeting, Northeast Capital Pte Ltd does not hold any LFC shares. However Mr Hoo (who is a director of the Company, and in the last 6 month was associated with Northeast Capital Pte Ltd) has a relevant interest of 4,486,001 Shares in existing Shares and voting power of 6.32%, but no longer owns any shares in Northeast Capital Pte Ltd.

(ii) **Voting power of Northeast Capital Pte Ltd after the issue of new Shares**

As illustrated in the above Table 1, pursuant to Shareholder Approval of Resolution 1, Northeast Capital Pte Ltd's relevant interest in the Company (and on the basis that Resolution 2 is not taken into account) will increase to 91.04% from its current shareholding of 0%.

**Please refer to the Independent Expert's Report for a detailed explanation about how the voting power of Northeast Capital Pte Ltd may influence your continuing rights as a Shareholder after the completion of the Northeast Transaction.**

These numbers and percentages assume that the Company does not issue any other Shares to any person other than as set out in the Notice.

(iii) **Intentions as to the future of the Company**

The present intentions for the Company and Northeast Capital Pte Ltd, if Resolution 1 in the Notice of Meeting is approved by Shareholders, are:

- to complete the debt capitalisation under the Northeast Debt Capitalisation Agreement;
- Northeast Capital Pte Ltd / Mr Hoo has indicated that he would support the Company -
  - to seek further capital for the development of the new automated columbarium on the Singapore Development Land (though no assurance can be given that additional capital will be available or if sourced the terms for that additional funding);

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- to continue to operate the SFS Funeral Business with no material change to the business or its employees;
- to reduce operational costs (as the Company's market capitalisation is not proportionate to current operating costs).

(iv) **Budget**

The Company estimates that the costs associated with Northeast Transaction will be in the order of AU\$50,000.

(v) **Financial and Dividend Policies of the Company**

There is no immediate intention of the Directors to change the financial or dividend policies of the Company.

The Company (and its subsidiaries) have been operating at a loss and no dividends are foreseeable in the immediate future).

(vi) **Northeast Transaction is fair and reasonable.**

The Independent Expert's Report concludes that the Northeast Transaction set out in this Explanatory Statement is fair and reasonable to non-associated Shareholders.

You should consider the Independent Expert's Report in detail.

## 4 **RESOLUTION 2**

**Approval of the debt capitalisation proposal for the issue of up to 721,428,571 new Shares in the Company (calculated prior to the share consolidation which is the subject of Resolution 3) to GM Investment Company Ltd - in consideration of the extinguishment of the Company's obligations under the existing GM Investment Bond**

Resolution 2 is an ordinary resolution pursuant to which the Company is seeking approval, for the purposes of Listing Rule 10.11 and Item 7 of section 611 of the Corporations Act, to complete the GM Investment Transaction and issue Shares to GM Investment Company Ltd in accordance with the terms and conditions of the GM Debt Capitalisation Agreement – which material terms and conditions is summarised in Schedule 1.

### 4.1 **Background**

GM Investment Company Ltd has provided SGD3 million to the Company under the GM Investment Bond, upon which interest has accrued. Funds from the GM Investment Bond (in conjunction with funds from the Northeast Bond) as indicated above were used to acquire the Company's interest in the Singapore Development Land.

The Company and GM Investment Company Ltd have agreed pursuant to the terms of an agreement dated 30 June 2017 (**GM Debt Capitalisation Agreement**) to capitalise the debt (principal and accrued interest) owed by the Company to GM Investment Company Ltd by the issue of 721,428,571 new Shares (calculated prior to the share consolidation which is the subject of Resolution 3) in the capital of the Company (**Capitalisation**). As of the date of this notice of meeting, the outstanding amount of the



GM Investment Bond is SGD3.7875 million (including interest as at the Completion Date). This would result in material increase in the voting power of GM Investment Company Ltd in the Company.

ASX Listing Rule 10.11 and Section 611(7) of the Corporations Act have the same application to the GM Investment Debt Capitalisation Agreement and the GM Investment Bond as they do to the Northeast Debt Capitalisation Agreement and the Northeast Bond, as described in sections 3.1 and 3.3 above.

GM Investment Company Ltd is a wholly owned subsidiary of the Hong Kong listed company Golden Meditech Holdings Ltd. Mr Kong (a director of the Company) is a director of Golden Meditech Holdings Ltd and holds less than 0.01% interest in Golden Meditech Holdings Ltd. While neither GM Investment Company Ltd nor Golden Meditech Holdings Ltd are related parties of LFC or Mr Kong, given the associations (with Mr Kong having been a director of both LFC and Golden Meditech Holdings Ltd for over 4 years), the ASX has exercised its discretion to treat the GM Debt Capitalisation Agreement and issue of LFC shares on the Capitalisation as within the application of ASX Listing Rule 10.11.

Shareholders should note Mr Kam's interest (via China Cord Blood Corporation, China Stem Cells (East) Company Ltd and Golden Meditech Holdings Ltd) in GM Investment Company Ltd). Where Resolution 2 is passed Mr Kam's "relevant interest" under the Corporations Act in LFC shares would increase from 20.37% to 92.87% (see paragraphs 4.3 and 4.4).

#### 4.2 Listing Rule 10.13

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to the proposed issue of Shares pursuant to this **Resolution 2** to GM Investment Company Ltd:

- (a) in accordance with Listing Rule 10.13.1

*The Company proposes to issue new Shares to GM Investment Company Ltd;*

- (b) in accordance with Listing Rule 10.13.2

*The maximum number of the new Shares to be issued to GM Investment Company Ltd is 721,428,571 (calculated prior to the share consolidation which is the subject of Resolution 3);*

- (c) in accordance with Listing Rule 10.13.3

*The new Shares will be issued to GM Investment Company Ltd no later than one (1) month after the date of the General Meeting;*

- (d) in accordance with Listing Rule 10.13.4

*GM Investment Company Ltd and the Company are not related parties, but the ASX has exercised its discretion to treat the GM Debt Capitalisation Agreement and issue of LFC shares on the Capitalisation as within the application of ASX Listing Rule 10.11;*

- (e) in accordance with Listing Rule 10.13.5

*The following are the issue price of the relevant Shares and the terms of the issue:*

Securities	Issue price and terms
<b>Shares for the capitalisation of debt owed by the Company to GM Investment Company Ltd</b>	Issued at the price of AU\$0.005 per Share (calculated prior to the Consolidation) and upon the same terms and conditions as the Company's existing Shares

- (f) in accordance with Listing Rule 10.13.6 and for the purposes of Listing Rule 10.11

*A voting exclusion statement is provided in the Notice of Meeting (to which this Explanatory Statement is attached); and*

- (g) in accordance with Listing Rule 10.13.6A

*No cash funds are raised from the issue of the new Shares to GM Investment Company Ltd; rather the existing obligations of the Company under GM Investment Bond (including the debt owed by the Company to GM Investment Company Ltd) is extinguished. As at 30 June 2017 the aggregate amount of principal and interest owed by the Company under the GM Investment Bond is SGD3.7875 million.*

#### **4.3 Section 611 of the Corporations Act**

Resolution 2 also seeks Shareholder Approval under Item 7 of section 611 of the Corporations Act for the issue of Shares to GM Investment Company Ltd pursuant to the terms of the GM Debt Capitalisation Agreement - which will result in GM Investment Company Ltd a company associated with Mr Kam (a previous director of the Company) together with his Associates increasing their Relevant Interest in the Company (and on the basis that Resolution 1 is not taken into account) from 20.37% to 92.87% of the voting shares in the Company.

In calculating the existing percentage interest of Mr Kam's associates for the purposes of disclosure in this Explanatory statement the shareholdings have been grouped of -

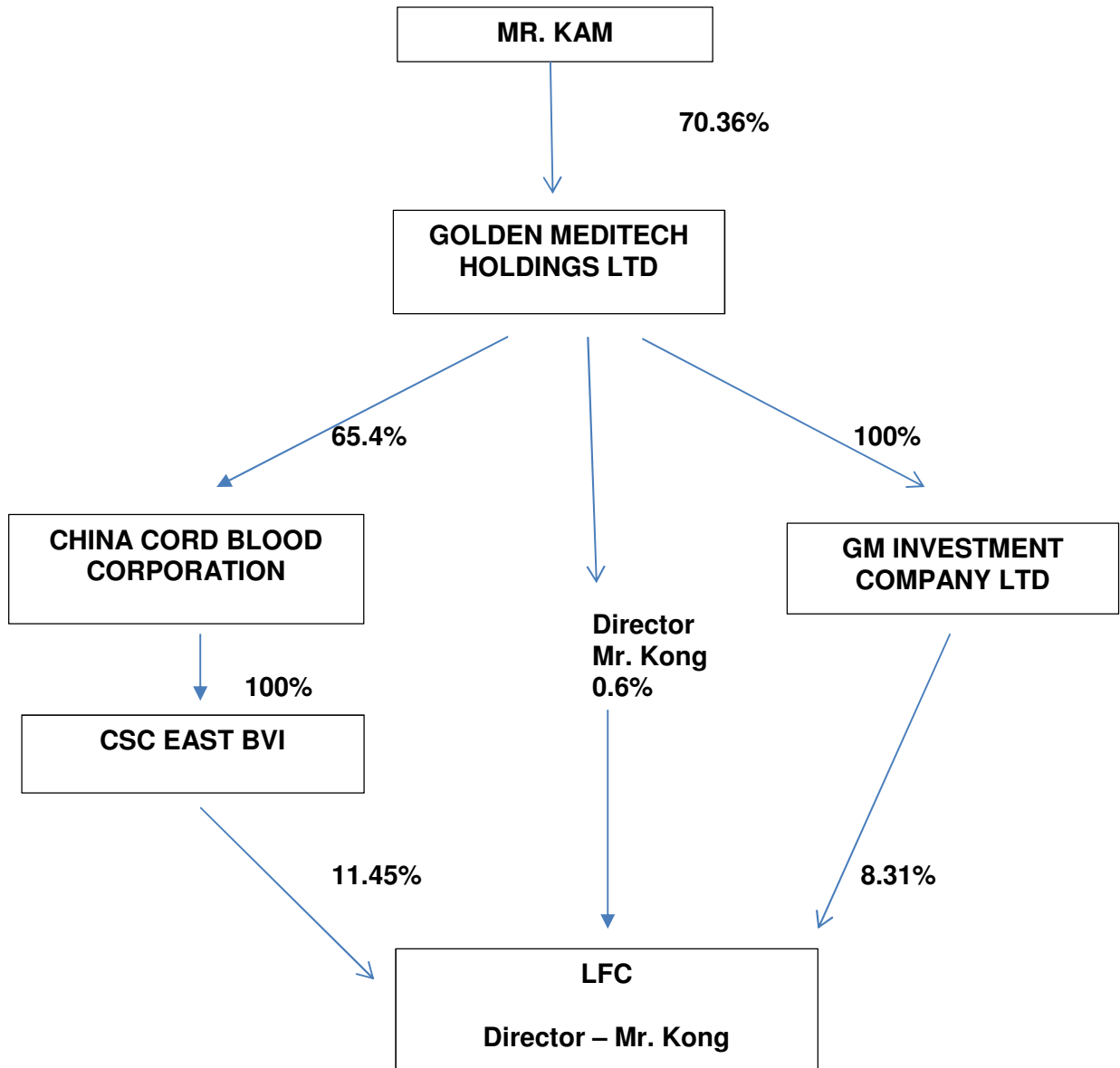
- **China Stems Cells (East) Company Ltd (CSC East BVI)** (being 8,122,222 Shares or 11.45% of the current issued share capital of LFC);
- **GM Investment** (being 5,900,000 Shares or 8.31% of the current issued share capital of LFC); and
- **Mr Kong** (being 429,068 Shares or 0.60% of the current issued share capital of LFC).

**CSC East BVI** is a wholly owned subsidiary of **China Cord Blood Corporation** (which is itself listed on the New York Stock Exchange). **Golden Meditech Holdings Ltd** owns 65.4% of **China Cord Blood Corporation**.

**GM Investment** is a wholly owned subsidiary of Golden Meditech Holdings Ltd. Mr Kam owns 70.36% of **Golden Meditech Holdings Ltd** (listed on the Hong Kong exchange).

Mr Kong has been a director of both Golden Meditech Ltd and LFC - and while he does not control either entity, in terms of full disclosure, for the purposes of this Explanatory statement those shareholdings of Mr Kam, CSC East BVI and GM Investment as being associated with Mr Kong.

The following is a diagrammatic representation of the above parties and relevant interests:



Except as provided by Chapter 6 of the Corporations Act, section 606(1) of the Corporations Act prohibits a person from acquiring shares in a company if, after the acquisition, that person or any other person would have a relevant interest or voting power which increases from a starting point above 20% and below 90% of the voting shares in that company.

Item 7 of section 611 of the Corporations Act provides that section 606(1) of the Corporations Act does not apply to an acquisition of a relevant interest in the voting shares in a company if the company has agreed to the acquisition by resolution passed

at a general meeting at which no votes are cast in relation to the resolution by the person to whom the shares are to be issued or by an associate of that person.

Under section 610 of the Corporations Act, a person's voting power is defined as the percentage of the total voting shares in the Company held by the person and the person's associates.

The Company is seeking Shareholder Approval under Item 7 of Section 611 of the Corporations Act in respect of the Shares to be issued to GM Investment Company Ltd under Resolution 2 because this issue of securities will result in GM Investment Company Ltd's (and its Associates) relevant interest in an aggregate (and on the basis that Resolution 1 is not taken into account) increasing from 20.37% to 92.87% of the voting shares in the Company once the new Shares are issued.

At the date of the Notice of Meeting:

- (A) GM Investment Company Ltd and its associates together hold 14,451,290 Shares (an interest of 20.37%) in the Company. If Resolution 2 is passed (and on the basis that Resolution 1 is not taken into account), the issue of the Shares to GM Investment Company Ltd pursuant to Resolution 2 will give Mr Kam and GM Investment Company Ltd a Relevant Interests of 92.87% of the voting shares in the Company.
- (B) As set out in the Voting Exclusion Statements in the Notice of Meeting and in accordance with the Listing Rules, Mr Kam, Mr Kong, GM Investment Company Ltd, Golden Meditech Holdings Ltd and their Associates are precluded from voting on Resolution 2.

#### 4.4 ASIC Policy Statement 74

The following information is included in accordance with the requirements of Item 7 of section 611 of the Corporations Act and ASIC Policy Statement 74 to the extent it applies pursuant to ASIC Policy Statement 159.

- (a) **Identity of Persons who will hold a relevant interest in the securities to be issued**
  - **Golden Meditech Holdings Ltd** holds 65.4% of **China Cord Blood Corporation** - which via its wholly owned subsidiary (**CSC East BVI**) holds 11.45% of the current issued share capital of LFC;
  - Mr Kam holds 70.36% of **Golden Meditech Holdings Ltd** - which via its wholly owned subsidiary (**GM Investment Company Ltd**) holds 8.31% of the current issued share capital of LFC);
  - Mr Kong is a director of LFC and **Golden Meditech Holdings Ltd**; and **Mr Kong** in his own right holds in his own right 0.60% of the current issued share capital of LFC;
  - GM Investment Company Ltd holds the GM Investment Bond.

- (b) Impact of the Transactions on the Voting Power in the Company's Shares

### The Company's capital structure

Set out in Table 2 below is a summary of Shares on issue in the Company before and after the GM Investment Transaction:

**Table 2**

	Current		Post-GM Investment Transaction	
		%		%
Non-Associated Shareholders	56,509,365	79.63	56,509,365	7.13
GM Investment Company Ltd, in conjunction with its Associates	14,451,290	20.37	735,879,861	92.87
<b>Total</b>	<b>70,960,655</b>	<b>100.00</b>	<b>792,389,226</b>	<b>100.00</b>

**Note:** Rounding differences may exist.

(i) **Current voting power of Relevant Parties**

As at the date of the Notice of Meeting, GM Investment Company Ltd (in conjunction with its Associates identified in paragraph 3.4(a)) has a relevant interest of 14,451,290 Shares in existing Shares and voting power of 20.37%.

(ii) **Voting power of GM Investment Company Ltd after the issue of Shares**

As illustrated in the above Table 2, pursuant to Shareholder Approval of Resolution 2 (and on the basis that Resolution 1 is not taken into account), GM Investment Company Ltd (in conjunction with its Associates identified in paragraph 3.4(a)) relevant interest in the Company will increase to 92.87% from its current shareholding of 20.37%.

**Please refer to the Independent Expert's Report for a detailed explanation about how the voting power of GM Investment Company Ltd may influence your continuing rights as a shareholder after the completion of the GM Investment Transaction.**

These numbers and percentages assume that the Company does not prior to the date of the Meeting issue any other Shares to any person other than as set out in the Notice.

(iii) **Intentions as to the future of the Company**

The present intentions for the Company and GM Investment Company Ltd, if Resolution 2 in the Notice of Meeting is approved by Shareholders, are:

- to complete the debt capitalisation under the GM Debt Capitalisation Agreement;

- GM Investment Company Ltd / Mr Kam has each indicated that they would support the Company -
  - to seek further capital for the development of the new automated columbarium on the Singapore Development Land (though no assurance can be given that additional capital will be available or if sourced the terms for that additional funding);
  - to continue to operate the SFS Funeral Business with no material change to the business or its employees;
  - to reduce operational costs (as the Company's market capitalisation is not proportionate to current operating costs).

(iv) **Budget**

The Company estimates that the costs associated with GM Investment Transaction will be in the order of AU\$50,000.

(v) **Financial and Dividend Policies of the Company**

There is no immediate intention of the Directors to change the financial or dividend policies of the Company. The Company (and its subsidiaries) have been operating at a loss and no dividends are foreseeable in the immediate future).

(vi) **GM Investment Transaction is fair and reasonable.**

The Independent Expert's Report concludes that the GM Investment Transaction set out in this Explanatory Statement is fair and reasonable to non-associated Shareholders. You should consider the Independent Expert's Report in detail.

You should consider the Independent Expert's Report in detail.

## **5 COMBINED IMPACT OF PASSING RESOLUTIONS 1 AND 2**

Where Resolutions 1 and 2 are passed by shareholders, the number of new shares in the Company to be issued result in a substantial dilution to existing non associated Shareholders.

As outlined earlier, this will result in existing shareholders (not associated with either Mr Kong, Mr Kam or Northeast Capital Pte Ltd) holding less than 4% of the expanded share capital (before the impact of any reduction in existing shares as a result of the share buy back proposals).

The table below outlines the aggregate dilution to existing non associated shareholders -

Name	Holder of Relevant Interest	Nature of Relevant Interest	Number of Existing Fully Paid Shares Held	Percentage Interest in Voting Shares*
Northeast Capital Pte Ltd	Northeast Capital Pte Ltd	Direct holding by Northeast Capital Pte Ltd	721,428,571	47.66%
GM Investment Company Ltd	GM Investment Company Ltd	GM Investment Company Ltd and its Associates	735,879,861	48.61%
Existing Shareholders (not associated with Northeast Capital Pte Ltd, Mr Kam, GM Investment Company Ltd or Mr Kong)	N/A	N/A	56,509,365	3.73%
<b>TOTAL</b>	<b>N/A</b>	<b>N/A</b>	<b>1,513,817,797</b>	<b>100.00%</b>

\* Based on the total number of issued Shares of the Company as at the date of the Notice.

## Independent Expert's Report

The Independent Expert has been engaged by the Company for the purposes of providing an independent expert's report required pursuant to Section 611(7) of the Corporations Act and ASX Listing Rule 10.11 (**Independent Expert's Report**) with respect the Share Issues contemplated by Resolutions 1 and 2. (**Share Issues**). Pursuant to these requirements, the Independent Expert is required to state whether the Share Issues are 'fair and reasonable' to the Shareholders not associated with the Bondholders (**Non Associated Shareholders**).

In summary, in the opinion of the Independent Expert the Share Issues are fair and reasonable and in the best interests of LFC shareholders in the absence of a superior proposal. In the Independent Expert opinion, the principal reason for this is that if the Share Issue is not implemented, and in the absence of a superior proposal (which the Independent Expert considers to be remote), in the Independent Expert's opinion, Non Associated Shareholders are unlikely to receive any value for their shares as:

- (a) LFC is unable to meet, and is in breach of, its debt obligations
- (b) LFC is likely to be placed in voluntary administration
- (c) LFC has negative net assets when an appropriate value is attributed to the Bond obligations.

and that in contrast, the Share Issues eliminate the debt obligations (to the Bondholders) and implicitly values LFC existing shares at AU\$0.005 per Share (some S\$0.00525 per share). LFC shareholders will therefore be significantly better off if the Share Issue is approved.

By way of further explanation of the above opinion, the Independent Expert's is of the opinion that:

- (a) the Share Issues are implicitly "**fair**" to LFC shareholders as they imply a value for LFC shares that is greater than that indicated by traditional valuation methodologies having regard to the future earnings and cash flow prospects of LFC.
- (b) With respect to "**Fairness**", the Independent Expert is of the view that (for reasons stated in the Independent Expert's Report):
- (i) if the Share Issues are not implemented LFC shareholders are unlikely to receive any value for their LFC shares;
  - (ii) the Share Issues implicitly value the existing Shares at some AU\$142,000 (some S\$149,100); the conversion of the debt owing under the Bond to equity will result in LFC having a positive net assets (as contrasted with the current net asset deficiency);
  - (iii) LFC shareholders are unlikely to receive any value for their LFC Shares if the Share Issues are not implemented, LFC shareholders will therefore be better off if the Share Issues are implemented;
  - (iv) In the absence of the Share Issues, LFC would be required to restructure the debt owing under the Bonds and/or conduct a significant (in comparison to its current capital base) capital raising;
  - (v) Due to the level of debt owed by LFC and the modest financial performance of the main business of LFC, it is highly unlikely that a superior proposal will emerge from an external party;
  - (vi) Due to LFC's prevailing need to reduce debt, if the Share Issues are not approved (and in the absence of a superior proposal) it is likely that LFC will need to undertake a placement or rights issue, and the likelihood of being able to successfully raise sufficient equity funding through such an equity issue is extremely low;
  - (vii) there are disadvantages if Resolutions 1 and 2 are approved, including
    - (A) the high level control of voting held by GM Investment Company Ltd and Northeast Capital Pte Ltd;
    - (B) Non Associated Shareholders are greatly diluted in their combined voting power;
    - (C) with the control of voting that would be held by GM Investment Company Ltd and Northeast Capital Pte Ltd there would be significant impediment to LFC attracting a takeover offer from a third party

It is recommended that shareholders read the Independent Expert's Report attached to this Explanatory Statement in its entirety.



## 6 RESOLUTION 3

### Consolidation of share capital

Resolution 3 seeks Shareholder Approval to consolidate the number of Shares on issue on a 1 new Share for every 100 existing Shares held as at 5 October 2017(**Consolidation**).

#### 6.1 Background

Where shareholders approve Resolutions 1 and 2 (without there being a Consolidation) there will be many times more than the current number of shares on issue in the Company.

The purpose of the Consolidation is to implement a more appropriate capital structure for the Company going forward and to enable the Company to operate more efficiently and reduce administrative costs associated with operating a share register with such a large number of shares on issue particularly with the proposed delisting which is outlined in Resolution 4.

## 7 DELISTING - RESOLUTION 4

As at the date of this Explanatory Statement the Company's shares last traded at AU\$0.002 per Share - which with a total of 70,960,655 Shares on issue imputes a market capitalisation of approximately AU\$142,000.

Further with the proposed new issue of Shares under Resolutions 1 and 2, the free float of the Company will be reduced to less than 4% and a takeover of the Company becomes significantly more difficult as it would require the consent of GM Investment and Northeast.

The cost of ongoing compliance as an ASX listed company in the circumstances of LFC is estimated at AU\$200,000 per annum.

For these reasons, the Board viewed the benefit of continued listing on the ASX (in light of very limited trading volume) as being outweighed by the costs of being an ASX listed entity.

On 21 July 2017 the ASX resolved that upon receipt of an application for removal from the official list of the ASX Limited (**Official List**) under listing rule 17.11 by the Company prior to 21 October 2017, ASX would be likely to remove the Company from the Official List, on a date to be decided by the ASX, subject to compliance with the following conditions:

- (a) The request for removal of the Company from the official list of ASX is approved by an ordinary resolution of shareholders of the Company.
- (b) The removal shall not take place any earlier than one month after the date on which the resolution to approve the removal is passed.
- (c) The notice of general meeting seeking shareholder approval for the removal sets out:

- (i) all information concerning the Company which:
- (A) a reasonable person would expect to have a material effect on the price or value of the Company's securities
  - (B) a reasonable person would expect to be disclosed; and
  - (C) has not previously been disclosed.
- (ii) the timetable that will be followed for the removal.

The ASX Notes that based on submissions made by the Company to the ASX, the ASX is of the view that *..."the circumstances faced by the Company are those to which section 2.7 of ASX Guidance Note 33 applies. Where an entity requests removal from the official list of ASX and its ordinary securities are not readily able to be traded on another exchange, ASX will usually require the entity to obtain security holder approval for removal from the official list and that the removal does not take place any earlier than one month after security holder approval has been obtained. An exception to these conditions are certain circumstances where the entity has been the subject of a successful takeover bid for its ordinary securities, however this exception does not apply in the Company's case."*

Consistent with discussions held by the executive with the ASX, and the conditions the ASX has imposed (and which the Board of the Company has accepted) in order for it to act upon a formal request to permit a Delisting of the Shares in LFC, the Company is seeking formal shareholder approval for the Delisting, as disclosed by the Company in its announcement to the market on 8 September 2017 (**Delisting Announcement**). The Delisting Announcement also referred to the proposed Buy Backs (as referred to in Section 8 below), being mechanisms pursuant to which Shareholders will be able to sell their Shares in the lead up to, and/or after, the Company's removal from the official list of the ASX.

Apart from the need to secure prior Shareholder approval, the ASX has imposed the condition that the Delisting does not take place any earlier than one month after Shareholder Approval (to the Delisting) has been obtained. This will allow time for Shareholders to accept (or not accept) the Buy Backs (as referred to in Section 8 below) or otherwise attempt to sell their Shares on the ASX, should they wish to do so. An indicative timetable for the Delisting process (**Delisting Timetable**) is attached as Schedule 2 to this Explanatory Statement. This is an indicative timetable only and subject to ensuring that the Delisting does not take place any earlier than one month after Shareholder Approval to the Delisting, the Company may vary the Delisting Timetable in its discretion, as required.

## **8 BUY BACK - RESOLUTION 5**

### **8.1 Share buy back**

A buy-back occurs when a company makes an offer to its shareholders for the company to buy-back the shares held by the shareholders. The Corporations Act gives a company, such as LFC, the power to buy-back its own shares, provided the buy-back does not materially prejudice the company's ability to pay its creditors and the company follows the procedures set out in buy back provisions of the Corporations Act.

Where all of the resolutions are passed as detailed in the Notice of Meeting, it is the intention of the Board that the Company implements:

- (a) small parcel buy back to mop up small unmarketable parcels (**Unmarketable Parcel Buy Back**); and
- (b) then offer shareholders the ability to exit via an equal access buy back (**Equal Access Buy Back**).

Shareholder approval for an Equal Access Buy Back is required if all of the shares bought back in the last 12 months are more than 10% of the minimum number of shares on issue at any time during the last 12 months. This limit (after which a company requires shareholder approval for a buy-back) is called the "**10/12 limit**".

Pursuant to this Resolution 5, Shareholder authority is sought for the Company to affect an off market Equal Access Buy Back of up to a maximum of 100% of the Shares on issue as at 5.00 pm (Western Standard Time) on the Buy Back Record Date outlined below. The maximum number of shares for which shareholder approval is being sought is up to 1,513,817,797 Shares, calculated on a pre-consolidation (resolution 3) basis, but assuming resolutions 1 and 2 are approved by shareholders and the shares the subject of those resolutions are issued before the Record Date for the Buy Back). Such a buy back would exceed the 10/12 limit.

The Bondholders have each indicated an intention that it will not accept any offer under the Equal Access Buy Back offers (assuming shareholder approval for each of Resolutions 1 and 2 is been obtained and the Shares are issued pursuant to those Resolutions).

As required by section 257C(1) of the Corporations Act, the implementation of the Equal Access Buy Back is conditional on the approval by a resolution passed at a general meeting of the Company. This resolution is an ordinary resolution and will be passed if a majority of votes cast, in person or by proxy, attorney or representative by Shareholders at the meeting is cast in favour of the resolution.

The price at which the Company will offer to buy back the Shares under the Unmarketable Parcel Buy Back and the Equal Access Buy Back is the same price at which it is proposed the Shares issued to capitalise the GM Investment Bond and the Northeast Investment Bond, namely AU\$0.005 per Share.

Whilst an Independent Expert's Report is not required for the purposes of this Resolution 5, the Independent Expert's Report also includes the opinion of the Independent Expert that (for reasons stated in the Independent Expert's Report) the terms of the Equal Access Buy Back are **fair and reasonable** and **in the best interests** of the LFC Shareholders. In the opinion of the Independent Expert:

- (a) the Equal Access Buy Back is fair for the same reasons described in their analysis of the Share Issues, namely the Equal Access Buy Back implies a value for LFC shares that is greater than that indicated by traditional valuation methodologies having regard to the future earnings and cash flow prospects of LFC.
- (b) because the Equal Access Buy Back is fair, it is also reasonable. In addition, the Equal Access Buy Back is also reasonable as it provides a means by which LFC shareholders can realise value for their shares (which would otherwise be difficult due to the lack of liquidity in LFC shares on the ASX and LFC's poor financial position).

If all of the resolutions proposed at this meeting are passed, the Board intends that both the Company Buy Backs will be implemented by the Board making an announcement to the ASX, preparing the buy back documents (including a buy back agreement to be executed by accepting shareholders, incorporating the above buy back price and other details) in accordance with the Corporations Act (including submitting them to ASIC for approval) and distributing them to the eligible shareholders (following Shareholder approval).

The proposed time table for the Equal Access Buy Back is as follows:

29 November 2017	<b>Ex-Entitlement Date</b> – Shares acquired on or after this date will not confer an entitlement to participate in the Buy Back
30 November 2017	<b>Buy Back Record Date</b> – books close at 5.00 pm (AEST) to determine Shareholders eligible to participate in the Buy Back
5 December 2017	<b>Opening Date</b> – the Buy Back offer opens at 9.00am (AEST)
21 December 2017	<b>Closing Date</b> – acceptance of the Buy Back invitation must be received by no later than 5.00 pm (AEST)
28 December 2017	<b>Buy Back Date</b> - date on which Shares accepted under the Buy Back are cancelled
5 January 2018	<b>Distribution Date</b> – Buy Back proceeds distributed to participants by cheque or by direct credit into a nominated account

Although changes to these dates and times are not anticipated, the Company may vary them by announcing the change to ASX. Any such change will take effect from the time it is announced to ASX.

## 9 OTHER INFORMATION

### 9.1 Scope of Disclosure

The Related Party provisions of the Corporations Act require that this Explanatory Statement sets out all other information that is reasonably required by Shareholders in order to decide whether or not it is in the Company's interests to pass the Resolutions and which is known to the Company.

The Company is not aware of any relevant information that is material to the decision on how to vote on the Resolutions other than the information disclosed in this Explanatory Statement or previously disclosed to Shareholders by the Company by notification to the ASX.

### 9.2 Voting Intentions of Existing Directors

At the date of this Explanatory Statement, subject to paragraphs (a) and (b) following and the applicable voting exclusions, the Directors intend to vote in favour of the Resolutions set out in the Notice of Meeting.

- (a) With respect to applicable voting exclusions, we note that Mr Kong as director of both the Company and GM Investment Company Ltd will be excluded from voting on Resolution 1, and
- (b) Mr Hoo is a director of the Company, and is associated with Northeast Capital Pte Ltd, and will be excluded from voting on Resolution 2.

### 9.3 Interests of Existing Directors

Except as otherwise disclosed in this Notice of Meeting and Explanatory Statement, as at the date of the Notice of Meeting, the Directors have no personal interest in the outcome of the Resolutions, except as follows:

- (a) With respect to Mr Kong, GM Investment Company Ltd (of which Mr Kong is a director) and its Associates (including Mr Kong and Mr Kam) together hold 14,451,290 Shares, being an interest of 20.37% in the Company;
- (b) Mr Hoo holds 4,486,001 Shares, being an interest of 6.32% in the Company;

### 9.4 Recommendation by Directors

The Directors (excluding Mr Kong and Mr Hoo, given their respective interests) recommend that Shareholders **APPROVE** each of Resolutions 1, 2, 3, 4 and 5 to be put to the General Meeting. Mr Kong and Mr Hoo also recommend that Shareholders **APPROVE** each of Resolutions 3, 4 and 5 to be put to the General Meeting. All eligible Company's Directors (who are not excluded from voting – as per each respective voting exclusion statement) intend to vote in favour of each of Resolutions 1, 2, 3, 4 and 5.

**Shareholders must themselves decide how to vote based on the matters set out in the Explanatory Statement and the Independent Expert's Report.**

### 9.5 Taxation

Shareholders are advised to seek their own taxation advice on the effect of the Resolutions on their personal position and neither the Company, the Directors, nor any adviser to the Company accepts any responsibility for any individual Shareholder's taxation consequences.

### 9.6 ASX's Role

Under Listing Rule 15.1, the Company must give ASX the Notice of Meeting and the Explanatory Statement prior to dispatch to Shareholders.

The fact that the accompanying Notice of Meeting, this Explanatory Statement and other relevant documentation has been received by ASX is not to be taken as an indication of the merits of the GM Investment Transactions, Northeast Transaction or any of the Resolutions contemplated by the Notice of Meeting.

ASX and its respective officers take no responsibility for any decision a Shareholder may make in reliance on any of that documentation.

## 10 DEFINED TERMS AND INTERPRETATION

### 10.1 Defined terms

In this Explanatory Statement:

**\$, AU, A\$ or AUD** is a reference to the lawful currency of the Commonwealth of Australia.

**ASIC** means the Australian Securities and Investments Commission.

**Associate** has the meaning set out in sections 11 to 17 of the Corporations Act.

**ASX** means ASX Limited (ACN 008 624 691) trading as the Australian Securities Exchange.

**ASX Listing Rules** or **Listing Rules** means the listing rules of ASX and any other rules of ASX that apply while the relevant entity is admitted to the official list of ASX, each as amended or replaced from time to time and as modified by any express written waiver or exemption given by ASX.

**Board** means the board of directors of the Company.

**Business Day** means a day on which trading banks are open for business in Melbourne, Australia, but does not include a Saturday, Sunday or public or banking holiday.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Director(s)** means the directors of the Company as at the date of this document.

**Explanatory Statement** means the Explanatory Statement accompanying the Notice of Meeting.

**General Meeting** means the general meeting of the Shareholders convened for the purposes of considering the Resolutions.

**GM Investment Bond** means the convertible bond deed between the Company and GM Investment Company Ltd dated 8 July 2014.

**GM Investment Company Ltd** means GM Investment Company Ltd (company registration number: 1087025) of 48/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong.

**GM Investment Transaction** means the extinguishment of all obligations (including the capitalisation of all debt) owed by the Company to GM Investment Company Ltd (a company associated with Mr Kong) under the GM Investment Bond by the issue of 721,428,571 new Shares.

**Independent Expert** means Lonergan Edwards & Associates Limited of Level 27, 363 George Street, Sydney NSW 2000 (AFS Licence No 246532).

**Independent Expert's Report** means the report of the Independent Expert attached to and forming part of the Explanatory Statement being Annexure A to this Explanatory Statement.

**LFC Singapore** means Life Corporation Services (s) Pte Ltd.

**Mr Kong** means Mr Samuel Kong, a director of the Company.

**Mr Hoo** means Mr Victor Hoo Kwok Chye, a director of the Company.

**Northeast Bond** means the convertible bond deed between the Company and Northeast Capital Pte Ltd dated 8 July 2014.

**Northeast Capital Pte Ltd** means Northeast Capital Pte Ltd (company registration no. 201419648H) of Blk 2 toa Payoh Lorong 8 Industrial Park #01-1347 Singapore 319055.

**Northeast Transaction** means the extinguishment of all obligations (including the capitalisation of all debt) owed by the Company to Northeast Capital Pte Ltd (a company associated with Mr Hoo) under the Northeast Bond by the issue of 721,428,571 new Shares.

**Notice of Meeting** means the document entitled "Notice of General Meeting", being the notice convening the General Meeting accompanying this Explanatory Statement.

**Proxy Form** means the proxy form accompanying the Notice of Meeting.

**Record Date** means the date specified in the timetable as the "Record Date" set out in a prospectus which may be issued by the Company.

**Related Party** means a party so defined by section 228 of the Corporations Act.

**Relevant Interest** has the meaning given in section 608 of the Corporations Act.

**Resolution** means a resolution to be considered at the General Meeting as contained in the Notice of Meeting.

**S\$ or SGD** is a reference to the lawful currency of the Republic of Singapore.

**Schedule** means a schedule to the Explanatory Statement.

**Section** means a section of this Notice of Meeting and Explanatory Statement.

**Share** means ordinary share in the capital of the Company.

**Shareholder** means a shareholder of the Company.

**Shareholder Approval** means the passing of a particular Resolution by the shareholders of the Company in accordance with the Notice of Meeting.

**Singapore Development Land** means the rights of LFC Singapore to the vacant land which is the subject of the building agreement dated 9 September 2015 and corresponding lease with the Singapore Government whereby LFC Singapore has leased from the Singapore Government the land designed in lots 735V-PT and 765W-PV known as Mukin 30, with an estimated area of 997.1 metres. This leasehold interest in the land was acquired in substitution for the original land as announced to the ASX market on 21 July 2014.

## 10.2 Interpretation

Unless specified otherwise, conversion of S\$ into A\$ is based on the exchange rate of A\$1.00 to S\$1.05. The exchange rate has been used, where applicable, for the purpose of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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## Schedule 1

### Summary of terms and conditions of the Debt Capitalisation Agreements

#### GM Debt Capitalisation Agreement

The terms and conditions of the GM Debt Capitalisation Agreement between LFC and GM Investment Company Ltd, not otherwise set out earlier are as follows:

**Debt for equity:** LFC and GM Investment Company Ltd have agreed pursuant to the terms of the GM Debt Capitalisation Agreement to capitalise the debt (principal and accrued interest) owed by the Company to GM Investment Company Ltd by the issue of new Shares.

**Conditions precedent:** Completion of the GM Investment Transaction is subject to and conditional upon LFC obtaining Shareholder approval and the issue of the Shares under Debt Capitalisation Agreement not being in violation of any applicable Australian laws and regulations.

**Completion:** Completion of the GM Investment Transaction is to occur at LFC's registered office or any other designated place or time as agreed in writing by the parties. On the date of completion, LFC must:

- (a) provide a certified copy of a resolution of its Shareholders approving the issue of Shares to GM Investment Company Ltd;
- (b) issue, or cause to be issued, the Shares to GM Investment Company Ltd at AU\$0.005 per Share (calculated prior to the Share consolidation which is the subject of Resolution 3);
- (c) cause GM Investment Company Ltd to be registered as the holder of the Shares in LFC's register of members;
- (d) provide, or cause to be provided, to GM Investment Company Ltd a holding statement in respect of the Shares;
- (e) apply for quotation on the ASX of the Shares by the lodgement with the ASX of an Appendix 3B; and
- (f) do all other acts and execute and provide all other documents required to give effect to the GM Debt Capitalisation Agreement.

**Satisfaction of debt:** From the date of completion of the GM Investment Transaction, GM Investment Company Ltd releases and discharges LFC absolutely from all and any liability or claims whatever for or related to:

- (a) the debt, including without limitation all interest, penalties, charges and expenses, duties and obligations owed to GM Investment Company Ltd in respect of the debt (whether present or future, actual or contingent); and
- (b) any rights of GM Investment Company Ltd or obligations of LFC arising under the Convertible Bond Deed.

**Assignment:** No party can assign or otherwise transfer the benefit of the GM Debt Capitalisation Agreement.

**Variation:** The GM Debt Capitalisation Agreement can be varied in writing signed by both parties.

**Costs:** Each party must pay its own legal costs of and incidental to the preparation and completion of the GM Debt Capitalisation Agreement.

**Governing Law:** The GM Debt Capitalisation Agreement is governed by and must be construed in accordance with the law of Victoria, Australia.

### **Northeast Debt Capitalisation Agreement**

The terms and conditions of the Northeast Debt Capitalisation Agreement between LFC and Northeast Capital Pte Ltd, not otherwise set out earlier are as follows:

**Debt for equity:** LFC and Northeast Capital Pte Ltd have agreed pursuant to the terms of the Northeast Debt Capitalisation Agreement to capitalise the debt (principal and accrued interest) owed by the Company to Northeast Capital Pte Ltd by the issue of new Shares.

**Conditions precedent:** Completion of the Northeast Transaction is subject to and conditional upon LFC obtaining Shareholder approval and the issue of the Shares under the Northeast Debt Capitalisation Agreement not being in violation of any applicable Australian laws and regulations.

**Completion:** Completion of the Northeast Transaction is to occur at LFC's registered office or any other designated place or time as agreed in writing by the parties. On the date of completion, LFC must:

- (a) provide a certified copy of a resolution of its Shareholders approving the issue of Shares to Northeast Capital Pte Ltd;
- (b) issue, or cause to be issued, the Shares to Northeast Capital Pte Ltd at AU\$0.005 per share (calculated prior to the Share consolidation which is the subject of Resolution 3);
- (c) cause Northeast Capital Pte Ltd to be registered as the holder of the Shares in LFC's register of members;
- (d) provide, or cause to be provided, to Northeast Capital Pte Ltd a holding statement in respect of the Shares;
- (e) apply for quotation on the ASX of the shares by the lodgement with the ASX of an Appendix 3B; and
- (f) do all other acts and execute and provide all other documents required to give effect to the Northeast Debt Capitalisation Agreement.

**Satisfaction of debt:** From the date of completion of the Northeast Transaction, Northeast Capital Pte Ltd releases and discharges LFC absolutely from all and any liability or claims whatever for or related to:

- (a) the debt, including without limitation all interest, penalties, charges and expenses, duties and obligations owed to Northeast Capital Pte Ltd in respect of the debt (whether present or future, actual or contingent); and
- (b) any rights of Northeast Capital Pte Ltd or obligations of LFC arising under the Convertible Bond Deed.

**Assignment:** No party can assign or otherwise transfer the benefit of the Northeast Debt Capitalisation Agreement.

**Variation:** The Northeast Debt Capitalisation Agreement can be varied in writing signed by both parties.

**Costs:** Each party must pay its own legal costs of and incidental to the preparation and completion of the Northeast Debt Capitalisation Agreement.

**Governing Law:** The Northeast Debt Capitalisation Agreement is governed by and must be construed in accordance with the law of Victoria, Australia.

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## Schedule 2

### Delisting Timetable\*

Date of approval of Delisting Resolution	9 October 2017
Last day for LFC to register transfers on a pre-consolidation basis	12 October 2017
First day for LFC to send notices to shareholders and register the shares on a post consolidation basis	13 October 2017
Equal Access Buy Back documents submitted to ASIC for approval (using post consolidation numbers)	16 October 2017
Unmarketable Parcel Buy Back offers are despatched by the Company to all shareholders holding an unmarketable parcel of shares in the Company (as described in section 8.1(a) above) using (post consolidation numbers)	18 October 2017
Closing date for acceptances of Unmarketable Parcel Buy Back offers	27 November 2017
Record date for eligibility for Equal Access Buy Back offers	30 November 2017
Equal Access Buy Back offers despatched by the Company (as described in section 8.1(b) above)	5 December 2017
Closing date for acceptances of Equal Access Buy Back offers	21 December 2017
Shares in the Company Delisted from the ASX (being the date specified by the ASX)	28 December 2017
Despatch of buy back proceeds to accepting shareholders	5 January 2018

\*assumes all resolutions in this Notice of Meeting are approved by shareholders at this Meeting. Dates (other than the date for Delisting) subject to extension at the discretion of the Company

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ANNEXURE A

# INDEPENDENT EXPERT'S REPORT

[Attached]

# LONERGAN EDWARDS & ASSOCIATES LIMITED

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www.lonerganedwards.com.au

The Independent Directors  
Life Corporation Limited  
Level 10  
167 Queen Street  
Melbourne VIC 3000

1 September 2017

**Subject: Proposed issue of shares to extinguish all debt (principal and interest) owing to GM Investment Company Limited and Northeast Capital Pte Ltd**

Dear Directors

## Share issues

- 1 On 30 June 2017, Life Corporation Limited (LFC) announced a proposal to issue 721.4 million ordinary shares in LFC to Northeast Capital Pte Ltd (Northeast), a company previously associated with LFC's Director Mr Hoo (Resolution 1), and 721.4 million ordinary shares in LFC to GM Investment Company Limited (GM), a company associated with LFC's Director, Mr Kong (Resolution 2), at a price of A\$0.005/S\$0.00525 per share<sup>1</sup> (the Share Issues).
- 2 If shareholders approve Resolutions 1 and/or 2, the allotment of new shares in LFC will result in:
  - (a) Resolution 1 (alone) – the increase in voting power of interests associated with Northeast Capital Pte Ltd (Northeast) from 0% to 91.04% in consideration of extinguishing the Northeast Bond
  - (b) Resolution 2 (alone) – the increase in voting power of interests associated with Mr Kong (including Mr Kam, China Cord Blood Corporation, China Stem Cells (East) Company Ltd, Golden Meditech Holdings Ltd, GM Investment Company Ltd) from 20.37% to 92.78% in consideration of extinguishing the GM Investment Bond
  - (c) where shareholders approve both Resolutions 1 and 2, the voting power of interests associated with:
    - (i) Northeast, and
    - (ii) Mr Kong (including Mr Kam, China Cord Blood Corporation, China Stem Cells (East) Company Ltd, Golden Meditech Holdings Ltd, GM Investment Company Ltd)

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<sup>1</sup> At an adopted exchange rate of AUD:1.00:SGD1.05.

will increase to 47.66% and 48.61%, respectively or if combined interests associated with them would own 96.27% of the expanded share capital – leaving all other shareholders being diluted to hold 3.73% of the expanded share capital (after the issue of new shares on the completion of the debt capitalisation proposals the subject of Resolutions 1 and 2 and before any impact of the proposed share buy backs).

### **Buy Back**

- 3 In addition, LFC has proposed that it will:
- (a) conduct a small parcel buy back at A\$0.005 per share (to be paid in Australian dollars) for small unmarketable parcels; and
  - (b) then offer other shareholders the ability to exit via an equal access buy back on the same terms (the Buy Back).

### **LFC**

- 4 LFC's main business assets comprise a funeral service operation in Singapore, Singapore Funeral Services Care Pte Ltd (SFS), and a lease over a parcel of land in Singapore upon which LFC was intending to construct an automated columbarium through a subsidiary, Life Corporation Services (S) Pte Ltd.

### **GM and Northeast**

- 5 GM and Northeast are Singapore based investment companies.

### **Scope**

- 6 If Resolution 1 is approved, the voting power of interests associated with Northeast will increase from 0% to 91.04%. If Resolution 2 is approved, the voting power of interests associated with Mr Kam will increase from 20.37% to 92.87%. Because Northeast will increase its relevant interest to more than 20% in LFC under Resolution 1, and because Mr Kam will increase his relevant interest from an amount greater than 20% in LFC under Resolution 2, there is a regulatory requirement for LFC to commission an independent expert's report (IER) for each of Resolution 1 and Resolution 2. Consequently, the Independent Directors of LFC have requested Lonergan Edwards & Associates Limited (LEA) to prepare an IER stating whether, in LEA's opinion:

- (a) the Share Issues under Resolution 1 and Resolution 2 (the Share Issues)
- (b) the proposed equal access Buy Back (at the same offer price as under the proposed Share Issues under Resolutions 1 and 2),

are fair and reasonable to the shareholders of LFC not associated with Northeast and GM.

- 7 LEA is independent of LFC, Northeast, Mr Kong, and GM and has no involvement with or interest in the outcome of the Share Issues other than the preparation of this report.

### **Summary of opinion – the Share Issues**

- 8 Resolution 1 and Resolution 2 are not conditional on the other being passed. However, for reasons discussed at paragraph 10 below, LEA considers that LFC shareholders would not be advantaged in approving only one of Resolutions 1 or 2 (as contrasted with approving both

Resolutions 1 and 2). Therefore, we have assessed the position of LFC shareholders on the basis that both Resolution 1 and Resolution 2 are passed.

9 In our opinion, the Share Issues and the proposed equal access Buy Back are fair and reasonable and in the best interests of LFC shareholders in the absence of a superior proposal.

10 In summary, we are of this opinion principally because if the Share Issues are not implemented, and in the absence of a superior proposal (which we consider to be remote), in our opinion, LFC shareholders are unlikely to receive any value for their shares as:

- (a) LFC is unable to meet, and is in breach of, its debt obligations
- (b) LFC is likely to be placed in voluntary administration
- (c) LFC has negative net assets when an appropriate value is attributed to the Bond obligations.

11 In contrast, the Share Issues eliminate the debt obligations and implicitly values LFC existing shares at S\$0.00525 per share (some A\$0.00485 per share<sup>2</sup>). LFC shareholders will therefore be better off if the Share Issues are approved. Further, the equal access Buy Back proposal gives the shareholders of LFC not associated with Northeast and GM the ability to exit LFC at the same offer price as under the proposed Share Issues under Resolution 1 and Resolution 2, as after the passing of Resolutions 1 and 2 (especially where LFC is delisted from the Australian Securities Exchange (ASX)) trading in LFC shares will be very limited.

12 Further details on the reasons for our opinion and recommendation are stated below.

### Assessment of fairness

13 Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111) requires that the fairness of the Share Issues be assessed by comparing the controlling interest value of LFC shares prior to implementation of the Share Issues with the portfolio value of LFC shares following implementation (being the deemed “consideration” delivered to LFC shareholders). In order for the Share Issues to be “fair” under RG 111, the portfolio value of LFC shares following implementation of the Share Issues must be equal to, or greater than, the controlling interest value of LFC shares before implementation.

14 Based on ASIC’s policy intent, we understand that:

- (a) when assessing the fairness of a transaction the expert must determine the full underlying value of the company’s shares without applying any discount due to company specific factors (such as excess gearing or the need to undertake a significant equity raising) that may impair the company’s ability to realise full underlying value
- (b) company specific factors that may impair a company’s ability to realise full underlying value should only be taken into account when assessing the reasonableness of a transaction.

<sup>2</sup> Based on an exchange rate of AUD1.00:SGD1.0817, being the A\$:S\$ exchange rate on 30 August 2017.



15 In LEA's opinion, there is no reasonable reference point upon which to reliably determine the full underlying market value of LFC shares as required by RG 111, given that:

- (a) LFC currently has a significant net asset deficiency when the full value of the principal and interest obligations under the Bonds<sup>3</sup> are considered<sup>4</sup>, as shown below:

<b>LFC – adjusted balance sheet</b>		
	<b>30 Jun 2017</b>	<b>31 Dec 2016</b>
	<b>S\$000</b>	<b>S\$000</b>
Cash and cash equivalents	1,191	1,868
Trade and other receivables	688	423
Prepayments	9	18
Inventories	37	33
<b>Total current assets</b>	<b>1,925</b>	<b>2,342</b>
Property plant and equipment	569	558
Assets under development	2,183	2,521
Intangible asset	2,107	2,107
<b>Total non-current assets</b>	<b>4,859</b>	<b>5,186</b>
<b>Total assets<sup>(1)</sup></b>	<b>6,783</b>	<b>7,528</b>
Trade and other payables	1,313	1,315
Provisions	16	7
Deferred revenue	1,827	1,753
Finance lease liability	27	26
Other liabilities	144	144
Income tax payable	51	45
Convertible bond (principal and interest) <sup>(2)</sup>	7,575	7,575
<b>Adjusted total current liabilities</b>	<b>10,953</b>	<b>10,865</b>
Derivative financial liability	5	73
Finance lease liability	169	183
Deferred tax liability	404	465
<b>Adjusted total non-current liabilities</b>	<b>578</b>	<b>721</b>
<b>Adjusted total liabilities<sup>(3)</sup></b>	<b>11,531</b>	<b>11,586<sup>(3)</sup></b>
<b>Adjusted net assets<sup>(1)</sup></b>	<b>(4,748)</b>	<b>(4,058)</b>

**Note:**

- 1 Prior to considering the appropriateness of the carrying value of assets under development and intangible assets.
- 2 Outstanding principal and interest obligations are classified as current for the purposes of this analysis.
- 3 The book value of the derivative financial liability, being the value attributed to the convertible component of the Bonds, is assumed to be \$nil for this analysis at 31 December 2016 as the full obligation of the Bonds is recognised as due and payable.

**Source:** LFC half year report 4D and preliminary financial report 4E, LEA analysis.

<sup>3</sup> Defined at paragraph 47.

<sup>4</sup> We have adjusted the December 2016 balance sheet to reflect the total liability under the Bonds at the relevant date. The reported balance sheets historically did not reflect the total liability, as the accounting for the Bonds reflected the initial (very low) value attributed to the Bonds (with a corresponding large value attributed to the derivative liability reflecting the conversion component of the Bonds), increased for the accrued interest expense. The subsequent significant decline in the value of the derivative component was brought to account as a gain on the derivative liability rather than an increase to the carrying value of the Bond liability.

- (b) LFC's net cash flows from operations<sup>5</sup> were negative in each of the years ended 30 June 2014 to 30 June 2017, as shown below:

LFC – cash flows from operations				
	30 Jun 14	30 Jun 15	30 Jun 16	30 Jun 17
	\$m	\$m	\$m	\$m
Receipts from customers	2.3	3.4	4.1	4.4
Payments to suppliers and employees	(5.5)	(5.8)	(5.0)	(5.1)
Net cash flows from operations	(3.2)	(2.4)	(0.9)	(0.7)

**Note:**

- 1 Prior to net outflows for interest and other borrowing costs paid and income taxes paid, net of interest received.

**Source:** LFC statutory financial statements, LFC Appendix 4E.

- (c) LFC has incurred significant losses in the four years to June 2017:

LFC – normalised EBITDA				
	Financial year ended			
	30 Jun 14	30 Jun 15	30 Jun 16	30 Jun 17
	\$m	\$m	\$m	\$m
Normalised EBITDA <sup>(1)</sup>	(2.5)	(2.8)	(2.0)	(0.8)

**Note:**

- 1 Earnings before interest, tax, depreciation and amortisation (EBITDA) adjusted for net unrealised gains on re-measurement of derivative financial liabilities, re-measurement of contingent considerations, foreign exchange gains, bad debts written off, and impairment expenses (refer paragraph 85 below).

**Source:** LFC statutory financial statements and preliminary financial report 4E.

- (d) in LEA's view, the operating surplus generated by the SFS business (which was S\$233,000 in the 12 months to June 2016 and some S\$306,000 in the 12 months to June 2017) is presently not sufficient, and is not likely to be sufficient in the near term, to cover the costs of LFC's listed entity structure and the interest payments
- (e) as a result of (b) to (d) above, the level and timing of future profitability for LFC is highly uncertain
- (f) trading in LFC shares on the ASX is very thin, and thus the listed market price of LFC shares is not (in our view) a reliable indicator of the value of LFC shares.

16 However, as formal insolvency procedures are likely to be initiated if the Share Issues are not implemented, the absence of a basis upon which to reliably assess the value of LFC shares does not materially inhibit LFC shareholders in making an informed decision as to whether to approve the Share Issues.

17 Nonetheless, to assist LFC shareholders consider the Share Issues, LEA also notes the following:

<sup>5</sup> Calculated as the net of receipts from customers and payments to suppliers and employees.

- (a) LFC is currently unable to meet, and is in breach of, its obligations under the terms of the Deeds. Accordingly, LFC will require a renegotiation of its debt obligations and must raise additional equity capital in order to realise any potential of the SFS business
- (b) in the absence of the Share Issues, in LEA's view, it is likely to be extremely difficult for LFC to raise additional equity capital due to:
- (i) the magnitude of the debt obligations in comparison to the size of the SFS business
  - (ii) the high rate of interest charged on the debt where the Bonds<sup>6</sup> are in default
- (c) for the Share Issues to be "fair", the enterprise value of the SFS business and the LFC business (excluding the value attributed to the lease) must exceed some S\$4 million and the prospective EBITDA multiple of the SFS business must exceed 12.3 times, as shown below:

**Implied enterprise value and multiple<sup>(1)</sup>**

Existing LFC shares on issue	(000)	70,961
Issue price per share under the Share Issues (S\$ cents per share)		0.525
Value of existing LFC equity based on the Share Issues	(S\$000)	373
Finance lease liability	(S\$000)	169
Bond debt (principal plus interest)	(S\$000)	7,575
Less: Cash	(S\$000)	(1,191)
Less: Value attributed to assets under development	(S\$000)	(2,183)
Enterprise value implied by Share Issues	(S\$000)	4,744
Implied EBITDA multiple adopting EBITDA for SFS only of S\$384,000 <sup>(2)</sup>	(times)	12.3

**Note:**

- 1 This analysis ignores the administration and public company costs incurred by LFC, and any wind up costs incurred if SFS and the assets under development were sold. As noted above, LFC has generated large EBITDA losses over recent years.
- 2 Based on performance of SFS only for the year to June 2017. This analysis therefore ignores the administration and public company costs incurred by LFC and any wind up costs incurred if SFS and the assets under development were sold.

In LEA's opinion, an enterprise value of over S\$4 million and a prospective EBITDA multiple of over 12 times are unrealistic for a business that has demonstrated limited earnings growth, is relatively small, and would have difficulty increasing its scale without significant further capital. Further, this analysis ignores the high administration costs being incurred by LFC. If these costs are taken into account, then LFC is not profitable (even at the EBITDA line).

**Conclusion – "fairness"**

- 18 Based on the above, in our opinion, the Share Issues are implicitly "fair" to LFC shareholders as they imply a value for LFC shares that is greater than that indicated by traditional valuation methodologies having regard to the future earnings and cash flow prospects of LFC.

<sup>6</sup> Defined at paragraph 47.

## Assessment of reasonableness

### Position of LFC shareholders if the Share Issues are not implemented

19 If the Share Issues are not implemented:

- (a) the Bondholders are entitled to issue Default Redemption Notices requiring payment of the full outstanding amounts, principal and interest, in 20 days. As at the date of this report, the total amount owing under the Bonds is some S\$7.58 million<sup>7</sup>. LFC presently does not have the financial capacity to meet this demand
- (b) in the absence of an alternative proposal to satisfy the obligations to the Bondholders, LFC is likely to be placed in voluntary administration
- (c) in LEA's opinion, the likelihood of an alternative proposal emerging from another party is remote
- (d) in our opinion, the net realisable value of LFC's assets in an administration scenario is unlikely to exceed the value of the obligations under LFCs existing debts.

20 Accordingly, in the absence of implementing the Share Issues, in our opinion, LFC shareholders are unlikely to receive any value for their LFC shares.

### Position of LFC shareholders if the Share Issues are implemented

21 If the Share Issues are implemented, the debt (principal and interest) owed under the Bonds of some S\$7.58 million will be converted to 1,442.9 million shares, at a price of S\$0.00525 per share.

22 On this basis, the Share Issues implicitly value the existing ordinary shares in LFC at some S\$373,000 (some A\$344,000):

#### Implied value of existing LFC ordinary shares

Number of existing LFC ordinary shares on issue (million)	70.961
Value per share based on issue price to the Bondholders (S\$ cents per share)	0.525
Value of LFC existing ordinary shares implied by the Share Issues (S\$000)	373
At AUD1.00:SGD1.0817 (A\$000)	344

23 Further, the conversion of the debt owing under the Bonds to equity will result in LFC having a positive net assets as contrasted with the current net asset deficiency.

24 As LFC shareholders are unlikely to receive any value for their LFC shares if the Share Issues are not implemented, in our opinion, LFC shareholders will therefore be better off if the Share Issues are implemented.

<sup>7</sup> Based on the SGD:AUD exchange rate as at 30 August 2017 of AUD1.00:SGD1.0817, this SGD liability is equivalent to some A\$7.0 million.

### Comparison with listed market prices

- 25 The issue price of A\$0.0049/S\$0.00525 per share is greater than the recent limited market trading of LFC shares prior to the announcement of the Share Issues of approximately A\$0.002 per share (0.2 cents per share).
- 26 However, as noted above, trading in LFC shares on the ASX is very thin, and thus the listed market price of LFC shares is not (in our view) a reliable indicator of the value of LFC shares.

### Reduction in debt

- 27 The Share Issues (if implemented) reduce LFC's debt by S\$6 million, unpaid interest of S\$1.58 million and LFC's interest cost by some S\$0.68 million<sup>8</sup> to S\$0.83 million<sup>9</sup> per annum on an ongoing basis. LFC is presently unable to meet, and is in default of, its obligations under the Deeds. In the absence of the Share Issues, LFC would be required to restructure the debt owing under the Bonds and/or conduct a significant (in comparison to its current capital base) capital raising.

### Likelihood of a superior proposal

- 28 We have been advised by the Directors of LFC that no formal alternative proposals have been received subsequent to the announcement of the debt moratorium to the ASX on 28 February 2017.
- 29 Due to the level of debt owed by LFC and the modest financial performance of the main business of LFC, in our opinion, it is highly unlikely that a superior proposal will emerge from an external party.

### Likelihood of a new equity capital issue

- 30 Due to LFC's prevailing need to reduce debt, if the Share Issues are not approved (and in the absence of a superior proposal) it is likely that LFC will need to undertake a placement or rights issue<sup>10</sup>. Although there are no legal impediments to LFC conducting a further equity raising, in LEA's opinion, the likelihood of being able to successfully raise sufficient equity funding through such an equity issue is extremely low given that:
- (a) LFC is already in default of its obligations under the Bonds
  - (b) the liability existing under the Bonds is very large compared to the value that may reasonably be attributed to the assets of LFC
  - (c) LFC's SFS business is relatively modest in size, generates insufficient earnings to cover the costs of LFC being a listed company and is not easily scalable.
- 31 In the event that such a placement or rights issue could be successfully conducted, it is likely to be priced at a significant discount to the listed market price of LFC shares at the time<sup>11</sup>. In contrast, Northeast and GM / Mr Kam are paying a premium to the market price of LFC shares prior to the announcement of the Share Issues.

<sup>8</sup> At a cost of 9% per annum.

<sup>9</sup> At a penalty rate of 11% per annum.

<sup>10</sup> With the agreement of the Bondholders to hold off exercising their rights under the Deeds.

<sup>11</sup> To the extent that any such discount is possible, in the absence of a consolidation, given the sub one-cent share price of LFC shares.

32 However, we note that a pro-rata rights issue would not be dilutionary to LFC's existing shareholders (to the extent that they all participated).

### Disadvantages

33 LEA has also considered the following disadvantages if the Share Issues are approved.

#### Impact on control

34 If the Share Issues are approved there will be an impact on the voting power and ownership of LFC. If both Resolution 1 and Resolution 2 are approved, Northeast (which currently has no relevant interest in LFC shares) and GM / Mr Kam (which currently have a relevant interest in LFC shares of approximately 20.4%), will increase their relevant interests in LFC to 91.0% and 92.8% respectively as follows:

Impact on control <sup>(1)</sup>	LFC shares	Relevant interest held			
	on issue Million <sup>(1)</sup>	by Northeast million	%	by GM / Mr Kam million	%
Existing shares on issue	70.96	4.49 <sup>(2)</sup>	6.3	14.45 <sup>(3)</sup>	20.4
Share Issues	1,442.86	721.43		721.43	
Shares on issue post placement <sup>(4)</sup>	1,513.82	725.92	91.0	735.88	92.87

#### Note:

- 1 Prior to any share consolidation.
  - 2 Comprising nil for Northeast, and 4.49 million shares, or 6.32% of the existing shares on issue held by Mr Hoo, who in the last six months was a director and major shareholder of Northeast.
  - 3 Principally comprising Mr Kam's relevant interest through the grouped shareholdings of China Stems Cells (East) Company Ltd, GM Investment and Mr Kong.
  - 4 Refer to the Notice of General Meeting for an explanation of the interrelationships between GM, Mr Kong, Mr Kam and Northeast.
- Rounding differences may exist.

35 Therefore, if the Share Issues are approved, Northeast and GM / Mr Kam will have effective joint control of LFC. However, as set out in the Explanatory Memorandum, due to the associations between Mr Hoo and Mr Kong for the purposes of the *Corporations Act 2001* (Cth) (Corporations Act) and ASIC Policy Statement 75:

- (a) if Resolution 1 is approved, and on the basis that Resolution 2 is not taken into account, the issue of shares to Northeast will result in Northeast increasing its relevant interest to 91.04% of the voting shares in LFC once the shares have issued
- (b) if Resolution 2 is approved, and on the basis that Resolution 1 is not taken into account, the issue of shares to GM will give Mr Kam and GM a relevant interest of 93.14% of the voting shares in LFC once the shares have issued
- (c) where shareholders approve both Resolutions 1 and 2, the voting power of interests associated with Northeast and with GM / Mr Kam will increase to 47.66% and 48.61% respectively or, in aggregate, interests associated with them would own 96.37% of the expanded share capital.

***Dilution***

- 36 If the Share Issues proceed, they will result in the interest in LFC of the non-associated shareholders being significantly diluted. Non-associated shareholders currently hold some 73% of LFC shares on issue. If the Share Issues are approved, non-associated shareholders will hold less than 4% of the LFC shares on issue. However, this dilution is likely to arise in any event given LFC's urgent need of equity capital.

***Reduced chance of a takeover***

- 37 If the Share Issues are implemented, the Bondholders will collectively hold over 96% of LFC shares on issue. This presents a significant impediment to the possibility of LFC attracting a takeover offer from a third party. However, given the poor financial performance, high debt level and relatively small scale of the SFS business, in LEA's view, the possibility of LFC attracting a takeover offer was low prior to the Share Issues<sup>12</sup>.

***The Share Issues are not a takeover***

- 38 The Share Issues do not include any offer to acquire the shares of the non-associated shareholders. However, if Resolution 5 is approved, the Board of LFC intends to implement the equal access Buy Back.

***Delisting***

- 39 Further, in the event that the Share Issues are approved, the Board of LFC intend to delist LFC shares from the ASX. As a result, there will be no regulated secondary market in LFC shares, and it will therefore be difficult for LFC shareholders to sell their shares. However, LEA also notes that:
- (a) LFC shares were not liquid nor actively traded on the ASX prior to the announcement of the Share Issues
  - (b) delisting will enable LFC to reduce its cost structure which may assist LFC to achieve profitability
  - (c) if Resolution 5 is approved, the Board of LFC intends to implement the equal access Buy Back.

**Conclusion – “reasonableness”**

- 40 Based on the above, in LEA's opinion, the Share Issues are “reasonable”.

**Conclusion on the Share Issues**

- 41 In our opinion, the Share Issues are therefore fair and reasonable and in the best interests of LFC shareholders.

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<sup>12</sup> However, should GM / Mr Kong and Northeast decide to sell or receive an attractive offer for their interests, it is possible that the non-associated LFC shareholders will have the opportunity to participate in any takeover premium being offered.

## Summary of opinion – the equal access Buy Back

- 42 In our opinion, the terms of the Buy Back are fair and reasonable.
- 43 In our opinion, the Buy Back is fair for the same reasons described above in our analysis of the Share Issues, namely, the Buy Back implies a value for LFC shares that is greater than that indicated by traditional valuation methodologies having regard to the future earnings and cash flow prospects of LFC.
- 44 Because the Buy Back is fair, it is also reasonable. However, in LEA's view, the Buy Back is also reasonable as it provides a means by which LFC shareholders can realise value for their shares (which would otherwise be difficult due to the lack of liquidity in LFC shares on the ASX and LFC's poor financial position).

## General

- 45 In preparing this report we have considered the interests of LFC shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.
- 46 The ultimate decision whether to approve the Share Issues and Buy Back should be based on each LFC shareholder's assessment of their own circumstances. If LFC shareholders are in doubt about the action they should take in relation to the Share Issues and Buy Back or matters dealt with in this report, LFC shareholders should seek independent professional advice.

Yours faithfully

Craig Edwards  
Authorised Representative

Grant Kepler  
Authorised Representative



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## I Background

### The Share Issues

#### Convertible bond

- 47 On 30 July 2014, LFC issued an unsecured convertible bond with a S\$3 million face value to GM and an unsecured convertible bond with a S\$3 million face value to Northeast (together with GM, the Bondholders) to finance the purchase of a lease of land in Singapore and development of a columbarium business (together, the Bonds).
- 48 Under the terms of the Deeds under which the Bonds were issued (the Deeds), LFC granted to the Bondholders the right to convert the Bonds into fully paid ordinary shares at an exercise price of A\$0.16 per share at any time from 30 July 2014 to 30 July 2016 (the Initial Period). No election was made by the Bondholders to convert the debts into LFC equity in that Initial Period, and thus, under the terms of the Deeds, the Bonds would be redeemed at the maturity date (30 July 2019).
- 49 Interest accrued on the Bonds at a rate of 9% per annum compounding annually, with interest for the Initial Period to be initially capitalised to the debt and then paid on 31 January 2017 (S\$1.35 million). Further, under the terms of the Bonds, LFC holds the right to early redeem the Bonds at any time subsequent to 30 July 2016 at a revised accrual rate of 11% per annum. At the time of writing, the amount outstanding on the Bonds is S\$7.58 million (principal and interest – \$3.79 million each).

#### Default

- 50 LFC has stated<sup>13</sup> that due to the delay of the construction of an automated columbarium in Singapore, LFC has not been able to generate sufficient cash and therefore is not able to meet its interest payment obligations on 31 January 2017. This constitutes an event of default under the Deeds. As a result, the Bondholders are entitled to issue Default Redemption Notices declaring that the principal of S\$3 million plus accumulated interest (on each Bond) is due and payable within 20 business days.
- 51 As at the time of writing, no Default Redemption Notices have been issued. As an alternative, Resolution 1 and Resolution 2, and the resulting Share Issues, have been advanced.

### The Share Issues

- 52 On 30 June 2017, LFC announced that it had entered into an agreement with the Bondholders subject to certain conditions including LFC shareholder approval. Pursuant to the Share Issues:
- (a) LFC will issue 721,428,571 shares, at a price of A\$0.005/S\$0.00525 per share<sup>14</sup>, to GM in consideration of extinguishing the GM Investment Bond
  - (b) LFC will issue 721,428,571 shares, at a price of A\$0.005/S\$0.00525 per share, to Northeast in consideration of extinguishing the Northeast Bond.

<sup>13</sup> Source: LFC condensed half-year financial report for the period ended 31 December 2016.

<sup>14</sup> At an adopted exchange rate of AUD:1.00:SGD1.05.

53 In the event that the Share Issues are approved by shareholders of LFC, LFC also proposes to subsequently:

- (a) conduct a 100:1 consolidation of LFC shares
- (b) delist LFC
- (c) conduct the Buy Back.

54 For the avoidance of doubt, the consolidation of shares and delisting described in paragraph 53 above do not form part of the Share Issues nor the Buy Back and accordingly LEA is not opining on these matters.

55 If shareholders approve Resolutions 1 and Resolution 2, the allotment of new shares in LFC will result in:

- (a) Resolution 1 (alone) – the increase in voting power of interest associated with Northeast to 91.04%
- (b) Resolution 2 (alone) – the increase in voting power of interests associated with GM and Mr Kam from 20.37% to 92.78%
- (c) where shareholders approve both Resolution 1 and Resolution 2, the voting power of interests associated with Northeast, and with GM / Mr Kam, will increase to 47.66% and 48.61% respectively, or, in aggregate, interests associated with them would own 96.27% of the expanded share capital.

#### **Conditions**

56 The Share Issues under Resolution 1 and Resolution 2 are conditional upon LFC obtaining shareholder approval and not being in violation of any applicable Australian laws and regulations.

57 More detail on the above conditions is set out in the Explanatory Memorandum.

#### **The Buy Back**

58 Under Resolution 5, where all of the resolutions are passed, it is the intention of the Board that LFC implements:

- (a) a small parcel buy back to “mop up” small unmarketable parcels
- (b) then offer other shareholders the ability to exit via an equal access buy back.

59 The consideration being offered under the Buy Back is A\$0.005 per share, to be paid in Australian dollars.

## II Scope of our report

### Purpose

- 60 If shareholders approve Resolution 1 and/or Resolution 2, the allotment of new shares in LFC will result in:
- (a) Resolution 1 (alone) – the increase in voting power of interest associated with Northeast to 91.04%
  - (b) Resolution 2 (alone) – the increase in voting power of interests associated with Mr Kong from 20.37% to 92.78%
  - (c) where shareholders approve both Resolutions 1 and 2, the voting power of interests associated with Northeast, and with GM / Mr Kam, it will increase to 47.66% and 48.61% respectively or, in aggregate, interests associated with them would own 96.37% of the expanded share capital.
- 61 Section 606 of the Corporations Act generally prohibits the acquisition of a relevant interest in issued voting securities of an entity if the acquisition results in a person's voting power in a company increasing from below 20% to more than 20%, or from a starting point between 20% and 90%, unless a permissible exception applies. A permissible exception to this general prohibition is set out in s611(7), whereby such an acquisition is allowed where the acquisition is approved by a majority of securityholders of the entity at a general meeting and no votes are cast in respect of securities held by the acquirer, the vendor or any of their respective associates.
- 62 RG 111 sets out the view of ASIC on the operation of s611(7) of the Corporations Act. Section 611(7) of the Corporations Act allows shareholders to waive the prohibition in s606 and requires that shareholders approving a resolution pursuant to this section be provided with all material information in relation to the proposed transaction including an IER.
- 63 As GM, Mr Kong and Mr Kam, and Northeast will each acquire more than 20% of LFC shares under the Share Issues, there is a regulatory requirement for LFC to commission an IER. Consequently, the Directors of LFC have requested that LEA prepare an IER stating whether, in LEA's opinion, the Share Issues are fair and reasonable to the non-associated shareholders of LFC.
- 64 Further, ASX Listing Rule 7.1 requires the prior approval of shareholders if a company proposes to issue in any 12-month period equity securities exceeding 15% of its ordinary securities on issue at the commencement of the 12-month period. The shares to be issued pursuant to the Share Issues represent over 2,000% of the existing shares on issue in LFC and the Share Issues therefore require LFC shareholder approval.
- 65 This report has been prepared to assist the Independent Directors of LFC in making their recommendation to the shareholders of LFC not associated with GM, Mr Kong and Mr Kam, and with Northeast, and to assist these shareholders in assessing the merits of the Share Issues.
- 66 Our report should not be used for any other purpose or by any other party. The ultimate decision whether to approve the Share Issues should be based on each shareholder's assessment of their own circumstances, including their risk profile, liquidity preference, tax

position and expectations as to value and future market conditions. If in doubt about the Share Issues or matters dealt with in this report, LFC shareholders should seek independent professional advice.

### **Basis of assessment**

67 In preparing our report, we have had regard to the ASX Listing Rules and Regulatory Guides issued by ASIC, particularly RG 111.

### **Share Issues**

68 Under RG 111, the Share Issues are deemed a “change of control” transaction because GM, Mr Kong and Mr Kam, and Northeast will acquire a greater than 20% voting interest in LFC. As a result, RG 111 states that the Share Issues must be analysed as if they were a takeover bid under Chapter 6 of the Corporations Act. Accordingly, the expert is required to assess the transaction in terms of the convention established for takeovers pursuant to s640 of the Corporations Act, being:

- (a) is the offer “fair” – when assessing takeovers, an offer is “fair” if the value of the offer price or consideration is equal to, or greater than the value of the securities the subject of the offer. This comparison should be made assuming 100% ownership of the company and is irrespective of whether the offer is cash or scrip
- (b) is it “reasonable” – an offer is “reasonable” if it is fair. An offer may also be reasonable if, despite being “not fair”, there are sufficient reasons for securityholders to accept the offer in the absence of any higher bid before the close of the offer.

69 As the Share Issues do not involve any takeover offer being made to LFC shareholders, RG 111 requires that the fairness of the Share Issues be assessed by comparing the controlling interest value of LFC shares prior to implementation of the Share Issues with the portfolio value of LFC shares following implementation (being the deemed “consideration” delivered to LFC shareholders). In order for the Share Issues to be “fair” under RG 111, the portfolio value of LFC shares following implementation of the Share Issues must be equal to, or greater than, the controlling interest value of LFC shares before implementation.

70 The Share Issues will also be “reasonable” if they are “fair”. In addition, the Share Issues will be “reasonable” even if they are not “fair” if the advantages outweigh the disadvantages of the Share Issues from the perspective of LFC shareholders.

71 Based on our understanding of ASIC’s policy intent, it should also be noted that:

- (a) when assessing the fairness of a transaction the expert must determine the full underlying value of the company’s shares without applying any discount due to company specific factors (such as excess gearing or the need to undertake a significant equity raising) which may impair the company’s ability to realise full underlying value
- (b) company specific factors which may impair a company’s ability to realise full underlying value should only be taken into account when assessing the reasonableness of a transaction.

- 72 Our report has therefore considered a range of both qualitative and quantitative factors including:
- (a) the controlling interest value of 100% of LFC shares prior to implementing the Share Issues
  - (b) the portfolio value of LFC shares following implementation of the Share Issues
  - (c) the difference of (a) and (b) in order to assess whether the Share Issues are fair pursuant to RG 111 to LFC shareholders
  - (d) the extent to which (if at all) Northeast, GM and Mr Kam are being issued shares at a premium to the listed market price of LFC shares prior to the announcement of the Share Issues
  - (e) the impact of the Share Issues on the ownership and control of LFC
  - (f) the relevant position of LFC shareholders before and after implementation of the Share Issues assessed on a consistent basis (i.e. by comparing the portfolio value before implementation with the portfolio value afterwards)
  - (g) LFC's current financial position and the need for additional equity capital
  - (h) impediments to the issue of new equity capital in the absence of the Share Issues
  - (i) the key terms of LFC's existing debt facilities and the likely position of LFC's financiers and suppliers if the Share Issues are not approved
  - (j) the likely value of the LFC shares if the Share Issues are not approved
  - (k) the implications for LFC shareholders if the Share Issues are not approved and implemented; and
  - (l) other qualitative and strategic issues associated with the Share Issues and the extent to which, on balance, they may advantage or disadvantage existing LFC shareholders if the Share Issues proceed or are rejected.

### **Buy Back**

- 73 Consistent with RG 111, the Buy Back is "fair" if the value of the offer price or consideration is equal to, or greater than the value of the securities the subject of the offer. The Buy Back will be "reasonable" if it is "fair".

### **Limitations and reliance on information**

- 74 Our opinions are based on the economic, sharemarket, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- 75 Our report is also based upon financial and other information provided by LFC and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.

- 76 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Share Issues from the perspective of LFC securityholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.
- 77 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters. Further, this report and the opinions therein, must be considered as a whole. Selecting specific sections or opinions without context or considering all factors together, could create a misleading or incorrect view or opinion. This report is a result of a complex valuation process that does not lend itself to a partial analysis or summary.
- 78 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 79 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.
- 80 In forming our opinion, we have also assumed that the information set out in the Explanatory Memorandum is complete, accurate and fairly presented in all material respects.

### III Profile of LFC

#### Overview

- 81 LFC was originally established in 2001 in Singapore as Cordlife Pte Ltd, focusing on regenerative medicine and stem cell technology.
- 82 In 2013, the cord blood business was sold and the rebranded LFC entered into the funeral services industry, operating through SFS. SFS was acquired for an amount of some S\$8.9 million, comprising S\$6 million in cash and the remainder in LFC shares.

#### Financial performance

- 83 The statutory financial performance of LFC for the four years ended 30 June 2014 (FY14) to 30 June 2017 is set out below:

<b>LFC – statutory financial performance</b>				
<b>Year ended</b>	<b>30 Jun 14</b>	<b>30 Jun 15</b>	<b>30 Jun 16</b>	<b>30 Jun 17</b>
	<b>S\$000</b>	<b>S\$000</b>	<b>S\$000</b>	<b>S\$000</b>
Revenue	2,197	3,120	2,706	3,704
Cost of sales	(1,273)	(2,047)	(2,186)	(2,705)
Gross profit	924	1,073	520	999
Other income	58	4,503	895	950
Marketing expenses	(183)	(147)	(158)	(153)
Administration and other expenses	(3,374)	(10,433)	(2,683)	(3,029)
Borrowing costs	-	(526)	(1,191)	(5,204)
Profit / (loss) before income tax	(2,575)	(5,530)	(2,618)	(6,437)
Income tax benefit / (expense)	(15)	7	(36)	54
Profit / (loss) after income tax	(2,590)	(5,523)	(2,654)	(6,383)
Loss from discontinued operations	(417)	-	-	-
Other comprehensive income				
Foreign currency translation gain	(97)	(61)	-	-
Total comprehensive profit / (loss) net of tax	(3,104)	(5,585)	(2,654)	(6,383)

**Source:** LFC annual report for the years ended 30 June 2015 and 30 June 2016, LFC preliminary financial report 4E for the year ended 30 June 2017.

- 84 The financial performance of LFC in the periods above was impacted by the following significant items:

<b>LFC - Significant items</b>				
<b>Year ended</b>	<b>30 Jun 14</b>	<b>30 Jun 15</b>	<b>30 Jun 16</b>	<b>30 Jun 17</b>
	<b>S\$000</b>	<b>S\$000</b>	<b>S\$000</b>	<b>S\$000</b>
Net unrealised gain on re-measurement of derivative financial liability at fair value	-	4,113	799	419
Gain on measurement of contingent consideration at fair value	-	200	-	-
Bad debts written off	-	-	-	(40)
Impairment loss on goodwill	-	(6,336)	-	-
Impairment loss on asset under development	-	-	-	(572)



- 85 Adjusting for the above significant items results in the following calculation of normalised EBITDA:

LFC – Normalised earnings				
Year ended	30 Jun 14	30 Jun 15	30 Jun 16	30 Jun 17
	S\$000	S\$000	S\$000	S\$000
Reported profit / (loss) before income tax	(2,575)	(5,530)	(2,618)	(6,437)
Add: Borrowing costs	-	526	1,191	5,204
Less: Interest revenue	(3)	(2)	-	-
Profit / (loss) before interest and tax	(2,578)	(5,006)	(1,426)	(1,233)
Add: Depreciation	108	179	189	214
EBITDA	(2,470)	(4,827)	(1,238)	(1,019)
<b>Adjustments</b>				
Less:				
Net unrealised gain on re-measurement of derivative financial liability at fair value	-	(4,113)	(799)	(419)
Gain on measurement of contingent consideration at fair value	-	(200)	-	-
Add:				
Bad debts written off	-	-	-	40
Impairment loss on goodwill	-	6,336	-	-
Impairment loss on asset under development	-	-	-	572
Net adjustments	-	2,023	(799)	193
Normalised EBITDA	(2,470)	(2,804)	(2,037)	(826)

- 86 The financial performance of LFC's SFS business on a stand-alone basis is summarised below:

SFS – financial performance				
Year ended	30 Jun 14	30 Jun 15	30 Jun 16	30 Jun 17
	S\$000	S\$000	S\$000	S\$000
Total revenue	1,488	2,822	2,383	3,732
Discounts given	(217)	(106)	(25)	(15)
Net revenue	1,281	2,716	2,358	3,717
Cost of sales	(1,072)	(1,968)	(1,825)	(2,603)
Gross profit	199	748	533	1,115
Other income <sup>(1)</sup>	571	538	465	62
Administration expenses	(567)	(921)	(765)	(871)
Profit before tax	303	366	233	306
EBIT <sup>(2)</sup>	304	366	233	314
EBITDA	312	392	262	384

**Note:**

1 "Other income" principally comprises non-package funeral services and sale of supplies.

1 Earnings before interest and tax (EBIT).

**Source:** LFC management accounts.

- 87 As is evident from the above, the SFS business has generated only a modest profit to date for a listed company. Further, the modest profits are significantly exceeded by the administration

related costs associated with operating LFC as a listed company. As a result, large EBITDA losses have been incurred by LFC.

## Financial position

88 The financial position of LFC as at 31 December 2016 and 30 June 2017 is set out below:

<b>LFC - Financial position at book (carrying) value</b>		
	<b>Actual</b>	
	<b>30 Jun 17</b>	<b>31 Dec 16</b>
	<b>S\$000</b>	<b>S\$000</b>
Cash and cash equivalents	1,191	1,868
Trade and other receivables	688	423
Prepayments	9	18
Inventories	37	33
<b>Total current assets</b>	<b>1,925</b>	<b>2,342</b>
Property plant and equipment	569	558
Assets under development	2,183	2,521
Intangible asset	2,107	2,107
<b>Total non-current assets</b>	<b>4,859</b>	<b>5,186</b>
<b>Total assets</b>	<b>6,783</b>	<b>7,528</b>
Trade and other payables	1,313	1,315
Provisions	16	7
Deferred revenue	1,827	1,753
Finance lease liability	27	26
Other liabilities	144	144
Income tax payable	51	44
Convertible bond – current	7,575	1,305 <sup>(1)</sup>
<b>Total current liabilities</b>	<b>10,953</b>	<b>4,595</b>
Convertible bond – non-current	-	1,657 <sup>(1)</sup>
Derivative financial liability	5	73
Finance lease liability	169	183
Deferred tax liability	404	465
<b>Total non-current liabilities</b>	<b>579</b>	<b>2,378</b>
<b>Total liabilities</b>	<b>11,531</b>	<b>6,973</b>
<b>Net assets – reported</b>	<b>(4,748)</b>	<b>555</b>

### Note:

1 Convertible bond at “carrying value” not fair value for the purposes of the 31 December 2016 statutory accounts (the current and non-current portions total some S\$3.0 million). LFC disclosed the “fair value” of the debt component as some S\$5.83 million as a note to the 31 December 2016 statutory accounts.

Source: LFC half year report 4D and preliminary financial report 4E.

89 Key components of the financial position of LFC are summarised below.

### Asset under development

90 In October 2015, the Singapore government granted LFC a 30-year lease of a site for a pilot project for the construction of a fully automated columbarium. The lease premium for the site

was S\$2.3 million plus a payable maintenance deposit of S\$3 million upon completion of construction.

- 91 Under the lease terms, LFC was granted a four-year period in which it was required to construct the columbarium, with penalties being applied by the government of Singapore in the event that construction was not completed in that time. Current estimated construction costs are in the region of S\$15 million to S\$20 million.
- 92 As at the time of writing, approval for the construction has not been granted and construction has not commenced. The carrying value of the asset represents the initial lease payment plus consultants and other on-costs incurred.
- 93 LFC has received a valuation<sup>15</sup> of the unexpired leasehold interest<sup>16</sup> of S\$2.3 million.
- 94 Notwithstanding the references made in LFC's half year report to 31 December 2016, in LEA's view, it is apparent that LFC currently lacks the financial capacity (either on its own or through debt funding) to commence this project. An impairment charge was made against the value of this asset in FY17.

#### **Intangible asset**

- 95 The intangible asset represents the brand name "SFS" used for the Singapore funeral services business acquired in December 2013. The goodwill recognised by LFC arising from this acquisition (some \$6.3 million) was fully impaired in the year to 30 June 2015. The carrying value of the brand name intangible (S\$2.1 million) was subject to an impairment review for the half year ended 31 December 2016, in which management did not identify any impairment for the SFS cash generating unit.

#### **Deferred revenue**

- 96 Deferred revenue relates to sales of prepaid funeral services and products. LEA notes that as at December 2016, by way of comparison, the cash balance of LFC was only marginally larger than the deferred revenue obligation. At 30 June 2017, the cash balance of LFC was considerably less than the deferred revenue obligation.

#### **Convertible bonds**

- 97 On 30 July 2014, LFC issued an unsecured convertible bond with a \$3 million face value to GM and an unsecured convertible bond with a S\$3 million face value to Northeast (together with GM, the Bondholders) to finance the lease premium for land in Singapore and for development of a columbarium business (together, the Bonds). The proceeds of the issue of the Bonds were \$6 million, and the purchase price for the first land / site secured by LFC for its proposed new columbarium business was \$5.2 million. Subsequently, as announced to the ASX market on 7 May 2015, the first site / land was released back to the Singapore Government and while the purchase price was refunded by the Singapore Government, project development costs on this first site were lost.
- 98 As part of the release of the first site back to the Singapore Government, LFC was successful in the purchase of the second site for S\$2.4 million plus GST and on costs, with a

<sup>15</sup> Dated 24 August 2016, prepared by Savills Valuation and Professional Services (S) Pte Ltd.

<sup>16</sup> Approximately 29 years.

maintenance deposit of S\$3 million due on completion of the construction on the site. Since May 2015 further development costs were incurred in respect of that second site (including new development plans for that second site). In addition, during this period of 35 months from the receipt of the proceeds from the Bonds, LFC has funded normal operating activities. As a result, LFC's available funds last reported to the ASX was S\$1,506,000 as at 31 March 2017.

- 99 Expenditure on the asset under development totals only some \$2.7 million to date. This suggests that some \$3.3 million of the proceeds of the Bonds were incurred funding normal operating activities rather than investment activities.
- 100 The financial reporting of the Bonds had previously recognised a carrying value of the liability of an amount considerably less than the "fair value", with the notes to the financial statements also setting out the "fair value"

#### Deferred tax liabilities

- 101 The deferred tax liability relates to the brand name recognised and accelerated depreciation of plant and equipment.

#### Comment

- 102 It is apparent that LFC currently has a deficiency of net assets even before the appropriateness of the carrying value of the intangible asset is considered<sup>17</sup>. Given that LFC is currently loss making, the net asset deficiency will deteriorate further in the absence of a substantial corporate restructuring.

#### Share capital and performance

- 103 As at 18 August 2017, LFC had 70.96 million shares on issue. The substantial shareholders of LFC were:

LFC – top holders – 18 August 2017		
	No. of shares	%
Citicorp Nominees Pty Ltd	12,995.6	18.31
HSBC Custody Nominees (Australia) Ltd	12,102.1	17.05
City Challenge Global Ltd	7,266.7	10.24
Mr Kowk Chye Hoo	4,466.0	6.29
Mr Hung Chye Hoo	4,466.0	6.29
Mr Fui Ping Hoo	4,466.0	6.29
Wells Spring Pte Ltd	2,666.7	3.76
Gold Baxter International Ltd	2,053.0	2.89
BNP Paribas Noms Pty Ltd (UOB KH P/L AC UOB KH DRP)	1,973.5	2.78
Chong Siew Hong	1,500.0	2.11
BNP Paribas Noms Pty Ltd (DRP)	1,353.3	1.91
Total	55,308.8	77.94
Balance of register	15,651.8	22.06

<sup>17</sup> LEA notes that the carrying value of the SFS brand name intangible represents a multiple of some 5 to 7 times EBITDA of the SFS business. Given the fixed assets and working capital employed in the business, the actual multiple required to support the carrying value of the intangible asset would need to be higher, which LEA considers to be unlikely.

Grand total

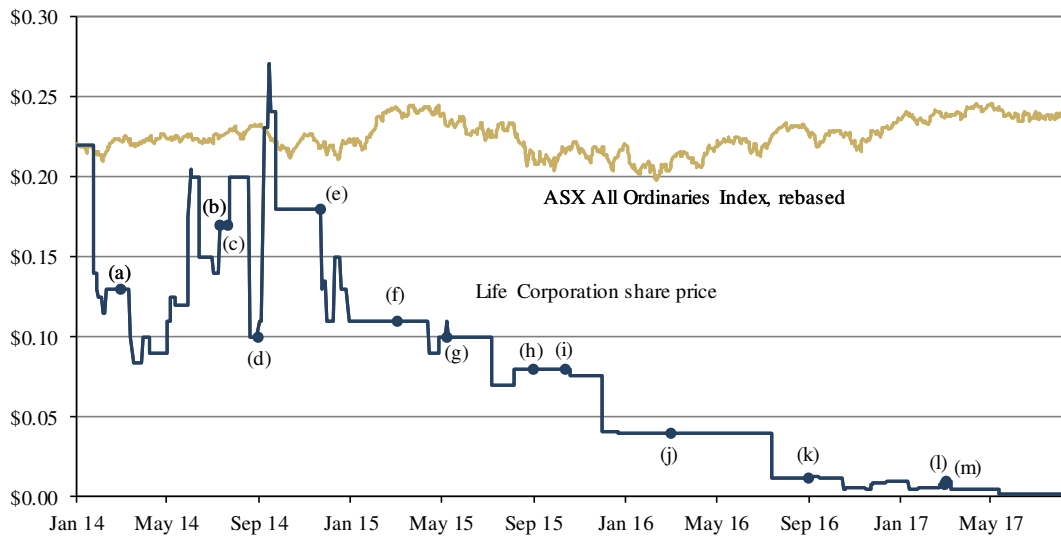
70,960.7      100.00

Source: LFC.

### Share price performance

104 The share price performance of LFC for the period to 16 August 2017 is set out below:

**LFC – share price history in AUD<sup>(1)</sup>**  
**1 January 2014 to 15 August 2017**



**Note:**

1 Based on closing prices. The ASX All Ordinaries Index has been rebased to Life Corporation's last traded price on 2 January 2014 (AS\$0.22).

Source: Bloomberg.

105 The recent volume weighted average prices (VWAP) per share for LFC are set out below:

**LFC – VWAP**

Period	Start date	End date	Volume	VWAP \$
1 month	16 Jul 17	15 Aug 17	1,611	0.002
3 months	16 May 17	15 Aug 17	1,611	0.002
6 months	16 Feb 17	15 Aug 17	1,559,900	0.005
12 months	16 Aug 16	15 Aug 17	3,244,023	0.0062

106 Since January 2014, LFC has underperformed compared to the ASX All Ordinaries Index. Key market sensitive announcements made by the company during the period are as follows:

- (a) **28 February 2014** – announced a loss before tax of S\$942,000 for the six months to 31 December 2013. During the period the Company completed the disposal of its cord blood and tissue banking businesses, and acquired a funeral services business based in Singapore
- (b) **10 July 2014** – announced it submitted a tender to the Singapore government to lease a land site for development as a Chinese temple and columbarium

- (c) **21 July 2014** – announced the tender was successful and that development works were expected to begin in the first quarter 2015
- (d) **29 August 2014** – announced a loss before tax of S\$2,624,000 for the year to 30 June 2014
- (e) **21 November 2014** – announced that the Singapore Government had signed the long-term lease of the land, completing the tender process, and that funding for the development had been arranged
- (f) **2 March 2015** – announced a loss before tax of S\$4,103,000 for the six months to 31 December 2014
- (g) **7 May 2015** – announced termination of the development agreement with the Singapore Government, and submission of proposal to established a pilot project involving the development of an automated columbarium system
- (h) **31 August 2015** – announced a loss before tax of S\$5,531,000 for the year to 30 June 2015
- (i) **12 October 2015** – announced the granting of a 30-year lease for the pilot project land site by the Singapore Government
- (j) **29 February 2016** – announced a loss before tax of S\$1,054,000 for the six months to 31 December 2015
- (k) **31 August 2015** – announced a loss before tax of S\$2,524,000 for the year to 30 June 2016
- (l) **28 February 2017** – the Company was not able to meet its interest payment obligation and that the financiers (Bondholders) agreed not to issue a Default Redemption Notice before 30 June 2017 to allow negotiations of a mutually satisfactory outcome
- (m) **1 March 2017** – announced a loss before tax of S\$1,080,000 for the six months to 31 December 2016.

### Liquidity in LFC shares

107 The liquidity in LFC shares based on trading on the ASX over the year to 15 August 2017 is set out below:

LFC – liquidity in units							
VWAP (cents)	Period	Start date	End date	No of units traded 000	WANOS <sup>(1)</sup> 000	Implied level of liquidity	
						Period <sup>(2)</sup> %	Annualised <sup>(3)</sup> %
0.20	1 month	16 Jul 17	15 Aug 17	2	70,961	< 1	< 1
0.20	3 months	16 May 17	15 Aug 17	2	70,961	< 1	< 1
0.50	6 months	16 Feb 17	15 Aug 17	1,600	70,961	2	4
0.62	1 year	16 Aug 16	15 Aug 17	3,244	70,961	5	5

**Note:**

- 1 Weighted average number of shares outstanding (WANOS) during relevant period.
- 2 Number of shares traded during the period divided by WANOS.
- 3 Implied annualised figure based upon implied level of liquidity for the period.

**Source:** Bloomberg and LEA analysis.

- 108 The liquidity of LFC shares, based on trading on the ASX, has been consistently very low (less than 10% of the shares on issue annually) over the last year.

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## Financial Services Guide

### Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

### Financial Services Guide

- 3 The *Corporations Act 2001 (Cth)* (Corporations Act) authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Explanatory Memorandum to be sent to LFC shareholders in connection with the Share Issues and Buy Back.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

### Financial services we are licensed to provide

- 5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

### General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

### Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$45,000 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.



## Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

### Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

### Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 7  
64 Castlereagh Street  
Sydney NSW 2000  
(or GPO Box 1640, Sydney NSW 2001)

## Appendix B

### Qualifications, declarations and consents

#### Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.
- 2 This report was prepared by Mr Craig Edwards and Mr Grant Kepler, who are each authorised representatives of LEA. Mr Edwards and Mr Kepler have over 20 years' and 22 years' experience respectively in the provision of valuation advice (and related advisory services).

#### Declarations

- 3 This report has been prepared at the request of the Directors of LFC to accompany the Explanatory Memorandum to be sent to LFC shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Share Issues and Buy Back are fair and reasonable and in the best interests of LFC shareholders not associated with GM.

#### Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Kepler have any interest in the outcome of the Share Issues. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 LEA has had no prior business or professional relationship with LFC or GM prior to the preparation of this report.

#### Indemnification

- 6 As a condition of LEA's agreement to prepare this report, LFC agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of LFC which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

#### Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in LFC's Explanatory Memorandum.

## Appendix C

### Glossary

Term	Meaning
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Bondholders	Northeast and GM
Bonds	An unsecured convertible bond with a S\$3 million face value to GM and an unsecured convertible bond with a S\$3 million face value to Northeast
Buy Back	The small parcel buy back at S\$0.005 per share (to be paid in Australian dollars) for small uneconomic parcels and then the equal access buy back on the same terms
Corporations Act	<i>Corporations Act 2001</i>
Deeds	The deeds under which the Bonds were issued
Default Redemption Notice	As defined in the Deeds
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax depreciation and amortisation
FOS	Financial Ombudsman Services Limited
FSG	Financial Services Guide
FY	Financial year
GM	GM Investment Company
IER	Independent expert's report
Initial Period	30 July 2014 to 30 July 2016
LEA	LonerGAN Edwards & Associates Limited
LFC / the Company	Life Corporation Limited
Northeast	Northeast Capital Pte Ltd
Resolution 1	The issue of 721.4 million ordinary shares in LFC to Northeast
Resolution 2	The issue of 721.4 million ordinary shares in LFC to GM
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
SFS	Singapore Funeral Services Care Pte Ltd
Share Issues	The issue by LFC of 721.4 million ordinary shares in LFC to GM and 721.4 million ordinary shares in LFC to Northeast, at a price of S\$0.00525 per share
VWAP	Volume weighted average trading price



ACN 108 051 529

### LODGE YOUR VOTE

**ONLINE**  
www.linkmarketservices.com.au

**BY MAIL**  
Life Corporation Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia

**BY FAX**  
+61 2 9287 0309

**BY HAND**  
Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138; or  
Level 12, 680 George Street, Sydney NSW 2000

**ALL ENQUIRIES TO**  
Telephone: +61 1300 554 474



X99999999999

## PROXY FORM

I/We being a member(s) of Life Corporation Limited and entitled to attend and vote hereby appoint:

### APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the General Meeting of the Company to be held at **10.00 am (AEST) on Monday, 9 October 2017 at K&L Gates, Level 25, South Tower, Rialto, 525 Collins Street, Melbourne, Victoria, 3000** (the Meeting) and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

### VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an

#### Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Approval of debt capitalisation and issue of shares to Northeast Capital Pte Ltd.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Equal access share buy back	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Approval of debt capitalisation and issue of shares to GM Investment Company Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
3 Approval of Share Consolidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
4 Proposed delisting of the Company from the ASX	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

**i** \* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
<input type="text"/>	<input type="text"/>	<input type="text"/>
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

LFC PRX1701A

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STEP 1

STEP 2

STEP 3



## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (AEST) on Saturday, 7 October 2017**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



#### BY MAIL

Life Corporation Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
1A Homebush Bay Drive  
Rhodes NSW 2138  
or  
Level 12  
680 George Street  
Sydney NSW 2000

\* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**