

**Asian Centre for Liver Diseases and Transplantation Limited**

ABN 42 091 559 125

20 October 2009

The Companies Announcement Office  
ASX Limited  
Level 8 Exchange Plaza  
2, The Esplanade  
Perth WA 6000

Dear Sir,

**Letter to Shareholders**

Attached is a letter to shareholders from the Executive Chairman of Asian Centre for Liver Diseases and Transplantation Ltd.

The letter provides shareholders with an update of the Company, its activities and its near term prospects.

If there are any questions please contact me at (03) 5215 1001.

Yours faithfully  
On behalf of the Board



---

K.Tang  
Director

For personal use only

Dear Fellow Shareholders

I am emboldened to write you my first letter – as the newly appointed Executive Chairman of the Company – after the last major restructuring exercise, which has resulted in you successfully acquiring and owning the business of Asian Liver Diseases and Transplantation Ltd (“ALC”). Whilst we are new in the Australian capital market and remain within the SMI-market cap, I appreciate the importance of having effective and continual shareholders’ communication.

Although we have been rather quiet in our announcement board since we were re-listed on September 29, 2009, we have been busy negotiating for larger operational space, recruiting more surgeons and corporate professionals and discussing with our potential JVs investment partners in the region. Notwithstanding that, I personally think it would be good to provide you with some forms of brief but useful corporate information to refresh you about our business background, industrial prospect and business strategies. It is particularly relevant since the successful acquisition has resulted in the resignation of previous board members, appointments of new management and substantial change in business activities of the Company – and as you could be new to our industry and operations.

*Overview – about us*

ALC was founded in 1994 by me whose fields of expertise are hepatobiliary and liver transplant surgery. Since then, we have become one of the largest private liver transplant centers in Asia. We are also the first liver care center in Asia providing comprehensive and multi-disciplinary treatments of liver diseases (we currently treat an average 7,000 patients annually). We are the first private medical center in South East Asia to have performed close to 150 live donor liver transplants resulting in us being recognized as a premier liver center in the region or more specifically, in Singapore. If it is of your interest to read our ‘historical milestones’, please find **Appendix 1**.

We achieved an annual Income of approximately S\$20 million for the year ended August 31, 2008 – which was achieved on a very low capital investments base and the fact that two other consultant surgeons and I are and have been the only key surgeons to operate. We recognised the need to expand our existing capacity (surgeons we need and facilities we use) in supporting the increasingly higher number of patients from UAE, Vietnam, Indonesia, Malaysia, etc for liver-related treatments – this explains as to why we are expanding. These patients are notably affluent and expect a high degree of reliability and quality in treatment outcomes and service standards. Over the last 15 years, I have seen higher success rate, more rapid enrollments, much improved outcomes and greater satisfaction of our patients – this explains why we have been able to position ourselves in the market as ‘niche within the market niche’.

The listing status of ALC will allow it to execute our business strategies more rapidly by recruiting more professional and provide a better platform to negotiate synergistic joint venture investments in the region. It also offers the ease for capital market access and better asset leverage. All in all, these should strengthen our management team, improve our business prospect and provide us with a more balanced funding structure for our going-forward expansion plans.

### ***Our operations***

Over the years, we have been expanding on an active but moderated pace under our organic growth initiatives. A CAGR of about 47% for Income over the last 3 years ended August 31, 2008 for our Revenue signifies a strong growth prospect and has provided us with adequate resources venturing into other synergistic and complementing joint venture investments. Whilst the CAGR was credible, I am aware of our existing capacity constraints – our revenue growth is very much restricted by the number of experienced consultant surgeons despite the fact that the number of patients seeking liver care treatments from us appears to have been increasingly higher.

Operationally, we are assets-light. We have less than S\$0.1 million in total assets. Our capital investments have been minimal as major equipment, facilities and operational floors have been arranged under operating lease, which practically means we would be able to have a new liver care center up-and-running fast without significant capex budgets. If there are any investments required, it would only be the basic investments for our working capital cycles. If there are any obstacles, it would only be the recruitment of good surgeons. Specifically, you may have noted that our Return on Assets has been very high and staff costs have not been low.

Given the research-intensive and highly-regulated nature of the industry, our operations enjoy a significant barrier of entry. As a result, recruitment and retention of experienced surgeons are of crucial relevance and paramount importance. Our historical milestones, our highly reputable ALC brand and my industrial profiles have encouragingly brought intrinsic value to the operations enabling us to work with good surgeons. My teams of highly specialized doctors – some of them are engaged as our approved panel – are gastroenterologists, nephrologists, pulmonologists & Intensivist, infectious disease specialists, hepatologist, haematologists, anaesthesiologists with supporting dieticians and transplant co-coordinators – apologize for these jargon, I speak my lingo! – have enabled our patients to be treated in an integrated and comprehensive manner should they require so. This partly explained the credible CAGR, historically.

On the other hand, the current year expansion plans are not without its initial costs and expenses, which were incurred for our office expansions, headcount increase and expanding UAE patients' referral programs. There were also certain one-off corporate expenses incurred in relation to completion of the acquisition exercise. These one-off expenses were incurred without any matching Revenue during the year – I would call all these expenses as Investments – which may thus affect our current year operating margins. These investments have resulted in us being publicly listed now, operating a larger space and managing the enlarged UAE-based patients. In any case, you may agree that such costs and expenses are unavoidable but controllable in nature given our listing exercise and future expansion plans.

### ***Growth initiatives***

I am confident that two more highly trained and experienced surgeons will come on board within the next 6 months (we will make necessary announcements upon their confirmation), allowing us to treat more patients. Going beyond Singapore, I have initiated specific discussions with our potential joint venture partners in Vietnam (Ho Chi Minh), Malaysia (Penang) and China (Nanjing). Whilst we have not executed any form of agreements with them – discussions are still in the process and proposals are thus still in the pipelines – the proposals under such consideration are those relating to synergetic collaboration with these local partners in setting up our regional 'satellite' liver centres outside Singapore meeting the increasing patients' needs for liver care and tapping on the growth prospect of these emerging markets.

If implemented and executed, the planned Vietnam JV would mean the first liver centre in a third-world country whereas the proposed Malaysia JV would allow us to enlarge our market segments by creating a 'second-tier' market providing our patients a more cost-effective option to receive treatments due to the exchange rates advantage. Needless to say, China is another market segment which we cannot afford to ignore for obvious reasons and the initial discussion in Nanjing is our first move trying to get access into the North-Asia markets. Whilst such JVs proposals and its approval process may involve certain level of red-tape – it could be time-consuming – our industry nature and founder's reputation should facilitate the entire submission process. In any case, I will keep you posted.

You can be assured that enhancing shareholders' value over a longer term is certainly part of my corporate missions and I will see you in the upcoming AGM. I will meet you in Melbourne.

Thank you, shareholders.

Regards

**Dato Dr. Tan Kai Chah**  
**Executive Chairman**



## *Appendix 1*

<b>Year</b>	<b>Milestones</b>
<b>1990</b>	The world's first heart-and-liver transplant (liver transplant was performed by our founder)
<b>1991</b>	First split-liver transplant in the UK.
<b>1992</b>	First auxiliary liver transplant for liver failure in the UK.
<b>1993</b>	First paediatric living donor liver transplant in the UK. Second auxiliary liver transplant for metabolic disease in the world.
<b>1995</b>	First paediatric living donor liver transplant in Southeast Asia.
<b>1997</b>	Second split liver transplant in Asia.
<b>2002</b>	First successful adult living donor liver transplant in Southeast Asia.
<b>2004</b>	First patient transplanted from Pakistan. First patient transplanted from Sri Lanka. First patient transplanted from Myanmar.
<b>2005</b>	First patient transplanted from Bangladesh.
<b>2006</b>	First patient transplanted from UAE
<b>2007</b>	First private medical centre to successfully operate on the 100th live donor liver transplantation in Asia.
<b>2009</b>	Listed in ASX