

## HC SURGICAL SPECIALISTS LIMITED

Incorporated in the Republic of Singapore

Registration No. 201533429G

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### ACQUISITION OF THE REMAINING 49% OF THE ISSUED AND PAID-UP SHARE CAPITAL IN JASON LIM ENDOSCOPY AND SURGERY PTE. LTD.

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#### 1. INTRODUCTION

The Board of Directors (the "**Board**") of HC Surgical Specialists Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is pleased to inform shareholders that the Company has today, entered into a sale and purchase agreement ("**SPA**") with Jason Lim Holdings Pte. Ltd. ("**JLH**") and Dr. Jason Lim ("**Dr. Lim**") (collectively the "**Vendors**") in respect of the acquisition of the remaining 49% of the total issued and paid-up share capital of the Company's 51% subsidiary, Jason Lim Endoscopy and Surgery Pte. Ltd. ("**JLES**") (the "**Acquisition**") for a total purchase consideration of S\$9,059,471 ("**Purchase Consideration**").

As at the date of this announcement, JLES has a paid-up share capital consisting of 100 ordinary shares of S\$1 each. Immediately prior to the Acquisition, the Company, JLH and Dr. Lim owned 51%, 39% and 10% of the total issued shares in JLES respectively. JLH is wholly-owned by Dr. Lim. The Vendors are independent from the Company's Directors, Chief Executive Officer and controlling shareholders and their respective associates. Following the completion of the Acquisition (the "**Completion**"), JLES will be a wholly-owned subsidiary of the Company. JLES was incorporated on 23 April 2018 in the Republic of Singapore and operates two endoscopy clinics.

Based on the unaudited accounts of JLES for the twelve months ended 31 May 2021 ("**12M2021**"), the profit before tax of JLES was approximately S\$1,505,000 and the net tangible asset and net asset value of JLES as at 31 May 2021 were approximately S\$1,309,000 and S\$1,310,000 respectively.

#### 2. RATIONALE FOR THE ACQUISITION

The Board is of the view that the Acquisition is in line with the Group's long-term plans for growth. In addition, the Company is of the view that the Acquisition will continue to enhance the working relationship with Dr. Lim and will motivate Dr. Lim, having commenced his employment with the Group since 13 August 2018 (the "**Employment**") and recognised the synergies of being part of the Group, to further improve the profitability of JLES.

#### 3. AMENDMENTS TO PREVIOUS TERMS

##### Completion Date and basis of Purchase Consideration

- 3.1 On 7 May 2018, the Company had entered into a sale and purchase agreement with JLH to acquire 51% of the total issued share capital of JLES (the "**2018 SPA**"). In connection with the foregoing acquisition, the Company had also, in its announcement of 7 May 2018 (the "**2018 Announcement**"), announced that the Company could acquire the remaining 49% of the total issued share capital of JLES from the Vendors at a later stage, with completion of the acquisition to occur by 1 September 2022 ("**Initial Target Completion**") or such other date to be agreed

between the Company and the Vendors, at an amount that is ten times the audited profit after tax of JLES for the financial year ended 31 May 2022, multiplied by 0.49 (the “**49% Shares Sale**”). Please refer to the 2018 Announcement for further details.

Further to renewed negotiations between the Company and the Vendors, the purchase consideration of the 49% Shares Sale will be based on ten times the unaudited profit after tax, after adjustments to exclude the expenses incurred in the form of the facility management fee, Dr. Lim’s profit-share and salary increment under the terms of his employment contract, and other non-recurring income that arose due to, *inter alia*, the COVID-19 pandemic, for the financial year ended 31 May 2021, multiplied by 0.49. Details of the Purchase Consideration is set out in paragraph 4 of this announcement.

- 3.2 In consideration that the Company is acquiring the remaining 49% of the total issued share capital of JLES approximately one year ahead of the Initial Target Completion, the Company, JLH and Dr. Lim agreed that JLH and Dr. Lim shall still be entitled to their respective share of profit in respect of the 49% of the total issue share capital of JLES from 1 August 2021 to 31 July 2022 (adjusted for any salary increment of Dr. Lim during such period).

### **Employment Terms**

- 3.3 Further to the Employment, Dr. Lim’s employment period to manage JLES has been extended by another three years under the SPA from the original eleven-year period commencing 13 August 2018 (the “**Employment**”) to a fourteen-year period till 31 July 2032, which will be automatically renewed annually for such annual period thereafter unless otherwise agreed in writing between the Company and Dr. Lim or terminated in accordance with the SPA.

## **4 PURCHASE CONSIDERATION**

The total Purchase Consideration of S\$9,059,471 will be satisfied in full in the following manner, in cash to JLH and in shares to Dr. Lim: (i) S\$1,000,000 cash payment on the date of Completion (the “**Completion Date**”); (ii) 20% of the Purchase Consideration in cash 1 year after the Completion Date or such other date as agreed between the Company and the Vendors; and (iii) balance cash payment and the issuance of such number of shares in the share capital of the Company, equivalent to approximately 20% of the Purchase Consideration (the “**Consideration Shares**”), credited as fully paid to Dr. Lim, at an issue price equal to the weighted average price of the issued and paid-up ordinary shares of the Company for the full market day on the day before the issuance of the Consideration Shares, 2 years after the Completion Date or such other date as agreed between the Company and the Vendors.

The Consideration Shares, when issued and allotted, shall rank *pari passu* in all respects with the then existing Shares.

The Consideration Shares to be issued to Dr. Lim will be free from all encumbrances and will carry all rights similar to the existing Shares, except that they will not rank for any dividend, rights, allotment or other distribution, the record date for which falls on or before the date of issuance and allotment of the Consideration Shares.

Should the Company decide to issue new shares as Consideration Shares, the Company will make an application to the SGX-ST via its continuing sponsor for the listing of, and quotation for, the Consideration Shares on the Catalist Board of SGX-ST and will make the relevant announcement upon receipt of the listing and quotation notice from the SGX-ST. The Company may however use its treasury shares as Consideration Shares and if so, will make the relevant announcement pursuant to Catalist Rule 704(31) upon such use of treasury shares.

The Purchase Consideration was arrived at on a willing buyer willing seller basis, taking into account the future potential of JLES and the synergies between JLES, Dr. Lim and the Group. The aggregate cash payment in relation to the Acquisition will be funded by internal resources or bank loans as and when necessary.

In the event that the Company defaults on payment of the outstanding Purchase Consideration under this paragraph, Dr. Lim shall have the right to terminate the Employment with the Company and be released from the put option as set out in paragraph 5 of this announcement.

## **5 PUT OPTION**

Under the terms of the 2018 SPA, JLH shall grant the Company the right to require JLH to repurchase the entire issued share capital of JLES (the “**Total Sale Shares Put Option**”) at certain purchase consideration, based on a percentage of the purchase consideration, should the Employment be terminated (a) by Dr. Lim for any reason other than his inability to work due to illness or incapacitation or death; and (b) for cause pursuant to the terms of Dr. Lim’s service agreement with the Company. The Total Sale Shares Put Option (as defined in the 2018 SPA) previously granted by JLH under the terms of the 2018 SPA shall cease to have effect, and have been superseded by the terms of the SPA.

Under the SPA, subject to the Completion, in the event the Employment is terminated by Dr. Lim prior to 31 July 2022, the Total Sale Shares Put Option is exercisable by the Company and Dr. Lim would be required to purchase the entire issued share capital of JLES in cash, at an amount being a percentage of the Purchase Consideration less the amount of the Purchase Consideration outstanding.

In the event the Employment is terminated by Dr. Lim after 31 July 2022, or the Employment is terminated for cause, pursuant to the terms of Dr. Lim’s service agreement, the Total Sale Shares Put Option is exercisable by the Company and Dr. Lim would be required to purchase the entire issued share capital of JLES in cash, at an amount being a percentage of the Purchase Consideration less (a) the accumulated facility management fee and accumulated profit after tax from 1 August 2022 to the month before the date of the termination, and (b) the amount of the Purchase Consideration outstanding.

## **6 MORATORIUM**

Dr. Lim has undertaken to the Company, regardless of his Employment, in respect of the Consideration Shares, not to sell, contract to sell, realise, assign, transfer, pledge, grant any option to dispose of or enter into any agreement that will directly or indirectly constitute or will be deemed as a disposal of any part of the Consideration Shares in the following manner:

- (a) the entire amount of the Consideration Shares for the period from the date of issue and allotment of the Consideration Shares to Dr. Lim (“**Issuance Date**”) until the date falling one year from the Issuance Date (the “**First Moratorium Period**”);
- (b) three quarters of the total number of Consideration Shares for the period of one year commencing immediately from the expiry of the First Moratorium Period (the “**Second Moratorium Period**”);
- (c) half of the total number of Consideration Shares for the period of one year commencing immediately from the expiry of the Second Moratorium Period (the “**Third Moratorium Period**”); and

- (d) one quarter of the total number of Consideration Shares for the period of one year commencing immediately from the expiry of the Third Moratorium Period.

## 7 RELATIVE FIGURES

Based on the Group's latest announced unaudited financial statements for the financial year ended 31 May 2021 ("FY2021"), the relative figures of the Acquisition computed on the bases set out in Rule 1006 of the Catalist Rules are as follows:

Catalist Rule	Relative Figures
<b>1006(a)</b>	
The net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	Not applicable.
<b>1006(b)</b>	
The net profits <sup>(1)</sup> attributable to the assets acquired <sup>(2)</sup> , compared with the Group's net profits <sup>(1)</sup> .	7.18%
<b>1006(c)</b>	
The aggregate value of the consideration given, compared with the issuer's market capitalization based on the total number of issued shares excluding treasury shares <sup>(3)</sup> .	11.98%
<b>1006(d)</b>	
The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue <sup>(4)</sup> .	2.40%
<b>1006(e)</b>	
The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable.

### Notes:

- (1) "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (2) Computed based on 49% of the net profits attributable to JLES for 12M2021 of approximately S\$737,000 and the Group's net profits of approximately S\$10,268,000 for FY2021.
- (3) Computed based on the Purchase Consideration of S\$9,059,471 and the market capitalisation of the Company of approximately S\$75,607,474, which is determined by multiplying the issued share capital, excluding treasury shares, of the Company of 148,892,230 shares with the volume weighted average price of such shares transacted on the market day preceding the date of SPA of S\$0.5078 per share.

- (4) Computed based on an assumed issuance of 3,568,000 Consideration Shares (rounded down to the nearest thousand) to Dr. Lim in satisfaction of part of the Purchase Consideration at an issue price of S\$0.5078, being the volume weighted average price of the shares of the Company transacted on the market day preceding the date of SPA on 23 August 2021, and the issued share capital, excluding treasury shares, of the Company of 148,892,230 shares.

The Acquisition is a disclosable transaction pursuant to Chapter 10 of the Catalist Rules, as the relative figures set out under Rules 1006(b) and 1006(c) exceed 5%.

## 8 PRO FORMA FINANCIAL EFFECTS OF THE ACQUISITION

**FOR ILLUSTRATIVE PURPOSES ONLY:** The pro forma financial effects of the Acquisition on the net tangible assets (“NTA”) per share and earnings per share (“EPS”) of the Company based on the latest announced unaudited financial statements of the Group for the financial year ended 31 May 2021 are as follows:

### Effect on NTA

Assuming the Acquisition was effected at the end of the most recently completed financial year ended 31 May 2021, the financial effect on NTA per share of the Company for FY2021 is as follows:

	<b>Before the Acquisition</b>	<b>After the Acquisition</b>
NTA attributable to the shareholders of the Company (S\$'000)	5,040	4,637
Number of issued shares (excluding treasury shares)	148,892,230	152,666,230 <sup>(1)</sup>
NTA per share (Singapore cents)	3.38	3.04

### **Note:-**

- (1) The total number of issued shares (excluding treasury shares) include an assumed issuance of 3,774,000 Consideration Shares (rounded down to the nearest thousand) to Dr. Lim in satisfaction of part of the Purchase Consideration at an issue price of S\$0.48, being the closing price of the shares of the Company on 31 May 2021.

### Effect on EPS

Assuming the Acquisition was effected at the beginning of the most recently completed financial year ended 31 May 2021 and based on the unaudited profit after tax of JLES for FY2021, the financial effect on the Company’s EPS for FY2021 is as follows:

	<b>Before the Acquisition</b>	<b>After the Acquisition</b>
Net profits after tax attributable to shareholders of the Company (S\$'000)	8,000	8,630

	<b>Before the Acquisition</b>	<b>After the Acquisition</b>
Weighted average number of issued shares (excluding treasury shares)	149,966,858	155,906,858 <sup>(1)</sup>
EPS (Singapore cents)	5.33	5.54

**Note:**

- (1) The weighted average number of issued shares (excluding treasury shares) include an assumed issuance of 5,940,000 Consideration Shares (rounded down to the nearest thousand) to Dr. Lim in satisfaction of part of the Purchase Consideration at an issue price of S\$0.305, being the closing price as at 29 May 2020 which was the last day of trading in the shares of the Company for the financial year ended 31 May 2020.

## **9 INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

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

## **10 NO SERVICE CONTRACTS**

No directors are proposed to be appointed to the board of directors of the Company in connection with the Proposed Acquisition.

## **11 DOCUMENT FOR INSPECTION**

A copy of the SPA is available for inspection during normal business hours at the Company's registered office for three months from the date of this announcement.

By Order of the Board

Dr. Heah Sieu Min  
Executive Director and Chief Executive Officer

23 August 2021

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## **About HC Surgical Specialists Limited**

HC Surgical Specialists Limited (the "Company") was incorporated on 1 September 2015 in Singapore and listed on Catalist of the Singapore Exchange Securities Trading Limited on 3 November 2016. The Company, its subsidiaries and associated company are a medical services group primarily engaged in the provision of endoscopic procedures, including gastroscopies and colonoscopies and general surgery services with a focus on colorectal procedures across a network of 18 clinics located throughout Singapore.

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This announcement has been prepared by the Company and reviewed by the Company's sponsor, Novus Corporate Finance Pte. Ltd. (the "Sponsor"), in compliance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made; or reports contained in this announcement.

The contact person for the Sponsor is Mr. Pong Chen Yih, Chief Operating Officer, at 7 Temasek Boulevard, #18-03B Suntec Tower 1, Singapore 038987, telephone (65) 6950 2188.