

HC SURGICAL SPECIALISTS LIMITED

Incorporated in the Republic of Singapore

Registration No. 201533429G

ACQUISITION OF 51.0% OF THE ENTIRE ISSUED SHARE CAPITAL IN JULIAN ONG ENDOSCOPY & SURGERY PTE. LTD.

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 it has today, entered into a sale and purchase agreement ("**SPA**") with Julian Ong Surgery Pte. Ltd. ("**Vendor**") and Ong Kian Peng (Wang Jianbin) as the guarantor ("**Dr. Julian Ong**"), to acquire 51.0% of the total issued share capital of Julian Ong Endoscopy & Surgery Pte. Ltd. ("**JOES**") (the "**Acquisition**").

As at the date of this announcement, JOES has a paid-up share capital consisting of 100 ordinary shares of S\$1.00 each. The Vendor holds 90% of the total issued shares in JOES, and Dr. Julian Ong holds the remaining 10% of the total issued shares in JOES. The Vendor is wholly-owned by Dr. Julian Ong.

2. RATIONALE FOR THE ACQUISITION

Pursuant to the Acquisition, JOES will be a subsidiary of the Group. JOES was incorporated on 3 January 2017 in the Republic of Singapore and has yet to commence operations. It will establish and operate a new endoscopy clinic at Mount Elizabeth Novena Hospital, and the Company will also employ Dr. Julian Ong as a specialist surgeon with oversight over JOES.

The Board is of the view that the Acquisition is in line with the Group's plan for growth, and will expand the Group's presence in Singapore. The addition of Dr. Julian Ong to the Group's number of experienced practitioners will also strengthen the Group's capabilities.

3. PRINCIPAL TERMS OF THE SPA

Completion of the Acquisition is subject to, *inter alia*, the following conditions:

- (a) Dr. Julian Ong and the Company entering into a service contract relating to the employment of Dr. Julian Ong as a specialist surgeon;
- (b) the appointment of Dr. Heah Sieu Min and one other person to be nominated by the Company as directors of JOES; and
- (c) each of the Company, the Vendor and Dr. Julian Ong having performed all of the covenants and agreements required to be performed or caused to be performed by them under the SPA on or before completion of the Acquisition.

Subject to completion of the Acquisition, the Company will enter into a sale and purchase agreement to buy the remaining 49.0% of the total issued share capital in JOES from the Vendor and Dr. Julian Ong (the "**Additional Sale Shares**") at a later stage, with completion of the acquisition of the Additional Sale Shares to occur by 1 April 2021, at an amount that is ten times the audited profit after tax for the financial year ended 31 May 2020, multiplied by 0.49. The Company may elect to pay up to 30% of the total consideration for the Additional Sale Shares by way of issuance of the Company's shares at a price equivalent to the volume weighted average price for trades in the Company's shares done on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for a full business day, subject to all applicable laws and regulations prevailing at such time.

The Company will make further announcements to disclose the details on the purchase of Additional Sale Shares upon the execution of the sale and purchase agreement at the relevant time.

Under the terms of the SPA, Dr. Julian Ong is providing the Company with the following two profit guarantees in respect of the performance of JOES (the "**Profit Guarantees**"):

- (a) that, the aggregate profit after tax attributable to the Company's 51.0% interest in JOES for a four-year period (the "**First Profit Guarantee Period**") commencing from the Employment Date (as defined herein), shall not be less than S\$1.5 million in aggregate; and
- (b) that, the aggregate profit after tax attributable to a 49.0% interest in JOES will be a value that is 3.92 times of JOES' audited profit after tax for the financial year ended 31 May 2020, for a period of six years, commencing from the end of the First Profit Guarantee Period.

The quantum of the Profit Guarantees were calculated based on arm's length commercial discussions between the Company and Dr. Julian Ong, after taking into account his patient base and operations at his previous employment, and making certain assumptions about future patients base and operations including certain assumptions about factoring in future prospects arising from the additional work to be referred to JOES from other Group companies.

In the event the Profit Guarantees are not met, Dr. Julian Ong will pay the Company the shortfall within 30 days of the Company's written notice. Given the Board's assessment of the profit and cashflow potential of JOES, the quantum of the Profit Guarantees across the period of the Profit Guarantees and the consideration by the Board that the acquisition of JOES and the employment of Dr. Julian Ong is expected to be a long term commitment between both parties with close oversight and collaboration expected within the Group in supporting the Profit Guarantees, the Board had no further discussion on the manner of compensation.

The Board is of the view that the Profit Guarantees from Dr. Julian Ong would be beneficial to the Company and in accepting the Profit Guarantees, the Board took into consideration the following factors:

- (a) the track record of Dr. Julian Ong in his previous employment;
- (b) the potential for growth of JOES upon integration into the existing Group structure; and
- (c) the prospects based on Dr. Julian Ong's existing network and patient base as an established specialist, having been in private practice for over 5.5 years.

4. PURCHASE CONSIDERATION

The total purchase consideration for the Acquisition is S\$2,175,000 (“**Purchase Consideration**”) and will be satisfied in full by the following manner: (i) S\$175,000 cash payment to the Vendor upon the signing of the SPA; (ii) one million new shares in the share capital of the Company (the “**Consideration Shares**”), to be issued pursuant to the Company's general share issue mandate obtained on 28 September 2016, upon commencement of the employment of Dr. Julian Ong (“**Employment Date**”), credited as fully paid, to Dr. Julian Ong as the Vendor's nominee, at an issue price of S\$0.6059 for each Consideration Share, calculated based on the weighted average price for trades done on the Company's shares on the SGX-ST on 25 January 2017; and (iii) S\$1,394,100 cash payment to the Vendor on the Employment Date.

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

The Company will be making 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 Purchase Consideration was arrived at on a willing buyer willing seller basis, taking into account the future potential of JOES. The Acquisition will be funded through the net proceeds from its placement of shares pursuant to the Company's initial public offering (“**IPO**”) in November 2016. Subsequent to the Acquisition, the status on the use of the IPO net proceeds is as follows:

<u>Use of IPO net proceeds</u>	<u>Amount allocated (S\$'000)</u>	<u>Amount utilised (S\$'000)</u>	<u>Balance (S\$'000)</u>
Expand business operations locally and regionally	2,800	(1,569)	1,231
Expand surgical facilities	1,200	-	1,200
Working capital	2,180	-	2,180
Total	6,180	(1,569)	4,611

The use of the IPO proceeds is in accordance with the intended use as stated in the Company's offer document dated 25 October 2016, which was issued in connection with the IPO.

5. MORATORIUM

Dr. Julian Ong has undertaken to the Company, 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 the Guarantor (“**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.

6. RELATIVE FIGURES

Based on the Group's latest announced unaudited financial statements for the half year ended 30 November 2016, the relative figures of the Acquisition computed on the bases set out in Rule 1006 of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalyst ("**Catalist Rules**") are as follows:

	Relative Figures for the Acquisition
Rule 1006(a) The net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable
Rule 1006(b) The net profits attributable to the assets acquired, compared with the Group's net profits	Not applicable ⁽¹⁾
Rule 1006(c) The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	2.45% ⁽²⁾
Rule 1006(d) The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	0.68%
Rule 1006(e) 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	Not applicable

Notes:

- (1) There were no net profit figures available for JOES as it has yet to commence operations.
- (2) Computed based on the Purchase Consideration of S\$2,175,000 and the market capitalisation of the Company of approximately S\$88,894,035, which is determined by multiplying the issued share capital of the Company of 146,327,630 shares with the volume weighted average price of such shares transacted on date preceding the date of SPA of S\$0.6075 per share.

As none of the relative figures under Rule 1006 of the Catalist Rules exceeds 5%, the Acquisition is classified as a non-discloseable transaction. However, as the Acquisition is to be satisfied partly by the issuance of the Consideration Shares, this announcement is made pursuant to Rule 1009 of the Catalist Rules.

7. PRO FORMA FINANCIAL EFFECTS OF THE ACQUISITION

The pro forma financial effects of the Acquisition on the Company are set out below and are purely for illustrative purposes. The pro forma financial effects of the Acquisition on the Group's net tangible assets ("NTA") and earnings per share ("EPS") are based on the Group's audited financial statements for the financial year ended 31 May 2016.

(a) NTA

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Acquisition on the NTA per share of the Group as at 31 May 2016, as if the Acquisition was completed on 31 May 2016, are as follows:

	Before the Acquisition	After the Acquisition
NTA attributable to equity holders of the Company (S\$'000)	2,152	583
Number of ordinary shares in issue ('000)	146,328	147,328
NTA per share (Singapore cents)	1.47	0.40

(b) EPS

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Acquisition on the EPS of the Group as at 31 May 2016, as if the Acquisition was completed on 1 June 2015, is as follows:

	Before the Acquisition	After the Acquisition
Earnings attributable to equity holders of the Company (S\$'000)	2,738	2,738
Number of ordinary shares in issue ('000)	146,328	147,328
EPS (Singapore cents)	1.87	1.86

Note: For comparative and illustrative purposes, the number of ordinary shares before the Acquisition was computed based on 146,327,630 ordinary shares of the Company as at the date of this announcement.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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

9. SERVICE CONTRACTS

No directors are proposed to be appointed to the Board in connection with the Acquisition.

10. 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

1 February 2017

HC Surgical Specialists Limited (the "**Company**") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 3 November 2016. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd.

This announcement has been prepared by the Company and its contents have been reviewed by the Company's continuing sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"), for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made, or reports contained in this announcement.

The contact person for the Sponsor is Mr Thomas Lam, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.