

## HC SURGICAL SPECIALISTS LIMITED

Incorporated in the Republic of Singapore

Registration No. 201533429G

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### PROPOSED ACQUISITION OF AN ADDITIONAL 19% OF THE ISSUED AND PAID-UP SHARE CAPITAL IN JULIAN ONG ENDOSCOPY & 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 it has today, entered into a sale and purchase agreement ("**SPA**") with Julian Ong Surgery Pte. Ltd. (the "**Vendor**") for an additional 19% of the total issued and paid-up share capital of the Company's subsidiary, Julian Ong Endoscopy & Surgery Pte. Ltd. ("**JOES**") for a total purchase consideration of S\$3,795,000 ("**Purchase Consideration**") (the "**Proposed Acquisition**").

As at the date of this announcement, JOES has a paid-up share capital consisting of 100 ordinary shares of S\$1 each. Immediately prior to the Proposed Acquisition, the Company, the Vendor and Dr. Julian Ong owned 51%, 39% and 10% of the total issued shares in JOES respectively. The Vendor is wholly-owned by Dr. Julian Ong. The Vendor and Dr. Julian Ong are independent from the Company's Directors, Chief Executive Officer and controlling shareholders and their respective associates. Following the completion of the Proposed Acquisition, JOES will become a 70% subsidiary of the Company. JOES was incorporated on 3 January 2017 in the Republic of Singapore and operates an endoscopy clinic.

Based on the audited accounts of JOES for the twelve months ended 31 May 2019 ("**12M2019**"), the profit before tax of JOES was approximately S\$1,880,000 and the net tangible asset and net asset value of JOES as at 31 May 2019 were S\$257,000 and S\$261,000 respectively.

Novus Corporate Finance Pte. Ltd. has acted as the financial adviser to the Company on the Proposed Acquisition.

#### 2. RATIONALE FOR THE PROPOSED ACQUISITION

The Board is of the view that the Proposed Acquisition is in line with the Group's long-term plans for growth. In addition, the Company is of the view that the Proposed Acquisition will motivate Dr. Julian Ong, having commenced his employment with the Group since 1 April 2017 (the "**Employment**"), who recognises the synergies of being part of the Group, and the Proposed Acquisition will continue to enhance the working relationship upon which Dr. Julian Ong, coupled with the Company's resources, will be able to further improve the profitability of JOES.

#### 3. AMENDMENTS TO PREVIOUS TERMS

On 1 February 2017, the Company had entered into a sale and purchase agreement with Dr. Julian Ong and the Vendor to acquire 51.0% of the total issued share capital of JOES. In connection with the foregoing acquisition, the Company had also, in its announcement of 1 February 2017 (the "**2017 Announcement**"), announced that the Company could acquire the

remaining 49.0% of the total issued share capital of JOES from the Vendor and Dr. Julian Ong at a later stage, with completion of the acquisition to occur by 1 April 2021 (the "**49% Shares Sale**"). In connection with the acquisition of shares in JOES, Dr. Julian Ong had also provided the Company with profit guarantees ("**Profit Guarantees**"). Please refer to the 2017 Announcement for further details.

Further to renewed negotiations between the Company, the Vendor and Dr. Julian Ong, the terms of the SPA provide for, among others, the cessation of the Profit Guarantees with immediate effect, and for the structure of the 49% Shares Sale to be amended to be carried out in two tranches, namely the Proposed Acquisition and the Additional Sale Shares tranche. Details of the Additional Sale Shares are set out in paragraph 4 of this announcement.

#### **4. ADDITIONAL SALE SHARES**

Subject to completion of the Proposed Acquisition, the Company will enter into a separate sale and purchase agreement to buy the remaining 30% of the total issued and paid-up share capital in JOES from the Vendor and Dr. Julian Ong (the "**Additional Sale Shares**") at a later stage, with completion of the proposed acquisition of the Additional Sale Shares to occur by 31 October 2021 or such other date to be agreed between the Vendor, Dr. Julian Ong and the Company, at an amount that is ten times the audited profit after tax of JOES for the financial year ending 31 May 2021, multiplied by 0.30 (the "**Additional Sale Shares Consideration**"), as may be adjusted.

The Additional Sale Shares Consideration was arrived at based on arm's length commercial discussions between the Vendor, Dr. Julian Ong and the Company, after considering factors including potential earnings and the synergies between JOES, Dr. Julian Ong and the Group. The Company may elect to pay a portion of the Additional Sale Shares Consideration by way of issuance of the Company's shares, details of which are subject to discussions at the point of negotiations for the sale and purchase of the Additional Sale Shares.

The Company will make further announcements on the purchase of Additional Sale Shares upon the execution of the separate sale and purchase agreement at the relevant time, in accordance with the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**").

#### **5. 70% SALE SHARES PUT OPTION AND TOTAL SALE SHARES PUT OPTION (COLLECTIVELY, THE "PUT OPTIONS")**

Under the terms of the SPA, subject to completion of the Proposed Acquisition, the Vendor shall grant the Company the right to require the Vendor to re-purchase 70% of the total issued shares in JOES (the "**Sale Shares**") (the "**70% Sale Shares Put Option**") and after the acquisition of the Additional Sale Shares, 100% of the total issued shares in JOES (the "**Total Sale Shares Put Option**"), should the Employment be terminated.

In the event that the Employment is terminated by either Dr. Julian Ong or by the Company, the 70% Sale Shares Put Option is exercisable by the Company within the 30<sup>th</sup> month to the 48<sup>th</sup> month of the Employment, while the Total Sale Shares Put Option is exercisable by the Company within the fifth to tenth year of the Employment after the acquisition of the Additional Sale Shares. Should any of the Put Options be exercised, the Vendor will be required to buy back the Sale Shares and the Additional Sale Shares (as the case may be), in cash, where the consideration will be based on a percentage of the Purchase Consideration or Additional Sale

Shares Consideration (as the case may be), such percentage to be dependent on the timing of termination of the Employment.

## 6. PURCHASE CONSIDERATION

The total Purchase Consideration of S\$3,795,000 will be satisfied in full in the following manner: (i) S\$2,846,712 cash payment to the Vendor upon the signing of the SPA; and (ii) the issuance of 1,760,000 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 27 September 2018, credited as fully paid, to Dr. Julian Ong as the Vendor's nominee, at an issue price of S\$0.5388 ("**Issue Price**") for each Consideration Share, being a price equal to the VWAP of the issued and paid-up ordinary shares of the Company ("**Shares**") of S\$0.5388 per Share based on trades done on the Shares on 30 August 2019, being the last market day immediately preceding the date of the SPA for which the Shares were traded.

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

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 Consideration Shares will be issued to the Vendor 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.

The Purchase Consideration was arrived at on a willing buyer willing seller basis, taking into account the future potential of JOES and the synergistic benefits for the Group. The aggregate cash payment in relation to the Proposed Acquisition has been funded by the net proceeds from the convertible bond issued in August 2019.

## 7. 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 Dr. Julian Ong ("**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.

## 8. RELATIVE FIGURES

Based on the Group's latest announced unaudited financial statements for the financial year ended 31 May 2019 (“FY2019”), the relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006 of the Catalyst 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> .	3.78%
<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>	4.73%
<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.	1.18%
<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 19% of the net profit attributable to JOES for 12M2019 of approximately S\$357,000 and the Group's net profit of approximately S\$9,444,000 for FY2019.
- (3) Computed based on the Purchase Consideration of S\$3,795,000 and the market capitalisation of the Company of approximately S\$80,176,527, which is determined by multiplying the issued share capital, excluding treasury shares, of the Company of 148,805,730 shares with the volume weighted average price of such shares transacted on the date preceding the date of SPA of S\$0.5388 per share.

As none of the relative figures under Rule 1006 of the Catalist Rules exceeds 5%, the Proposed Acquisition is classified as a non-discloseable transaction. However, as the Proposed 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.

## **9. PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION**

Assuming the Proposed Acquisition was effected at the end of the most recently completed financial year ended 31 May 2019, the Proposed Acquisition would not have had any material impact on the net tangible assets per share of the Company for the financial year ended 31 May 2019.

Assuming the Proposed Acquisition was effected at the beginning of the most recently completed financial year ended 31 May 2019, the Proposed Acquisition would not have had any material impact on the earnings per share of the Company for the financial year ended 31 May 2019.

## **10. 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).

## **11. NO SERVICE CONTRACTS**

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

## **12. 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

3 September 2019

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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 (the “SGX-ST”) on 3 November 2016. The Company and its subsidiaries 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 15 clinics located throughout Singapore.

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This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst.

This announcement has not been examined or approved by the SGX-ST. 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 Ms. Gillian Goh, Director, Head of Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and Email: [sponsorship@ppcf.com.sg](mailto:sponsorship@ppcf.com.sg)).