

HC SURGICAL SPECIALISTS LIMITED

Incorporated in the Republic of Singapore

Registration No. 201533429G

PROPOSED ACQUISITION OF 51.0% OF THE ENTIRE ISSUED SHARE CAPITAL IN GMH 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 GMH Surgical Pte. Ltd. ("**Vendor**") and Goh Minghui ("**Dr. Goh**") to acquire 51.0% of the total issued and paid-up share capital of GMH Endoscopy & Surgery Pte. Ltd. ("**GMHES**") (the "**Sale Shares**") for a total purchase consideration of S\$765,000 ("**Purchase Consideration**") (the "**Proposed Acquisition**").

As at the date of this announcement, GMHES has a paid-up share capital consisting of 100 ordinary shares of S\$1.00 each. Immediately prior to the Proposed Acquisition, the Vendor holds 90% of the total issued shares in GMHES, and Dr. Goh holds the remaining 10% of the total issued shares in GMHES. The Vendor is wholly-owned by Dr. Goh. The Vendor and Dr. Goh are independent from the Company's Directors, Chief Executive Officer and controlling shareholders and their respective associates. Following the completion of the Proposed Acquisition, GMHES will become a subsidiary of the Company. GMHES was incorporated on 17 March 2020 in the Republic of Singapore and has yet to commence operations. The principal activity of GMHES upon completion of the Proposed Acquisition will be the provision of endoscopic procedures and general surgery services, with a focus on colorectal procedures, which is aligned with the Group's core business.

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 and will expand the Group's presence in Singapore.

The Company has signed a service agreement with Dr. Goh as a specialist surgeon with oversight over GMHES. Dr. Goh is an experienced surgeon having worked in the public hospitals for more than 13 years. She has been a specialist surgeon since 2016 and completed her fellowship training in colorectal surgery in 2019. Dr. Goh is currently a Consultant Surgeon in the Department of Colorectal Surgery at Singapore General Hospital. The addition of Dr. Goh to the Group's number of experienced practitioners will also strengthen the Group's capabilities. Please refer to Section 4 below for further details on the service agreement between Dr. Goh and the Company.

3. PRINCIPAL TERMS OF THE SPA

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

- (a) the appointment of Dr. Heah Sieu Min (the Company's Executive Director and Chief Executive Officer) and one other person to be nominated by the Company, as directors of GMHES; and
- (b) each of the Company, the Vendor and Dr. Goh 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 Proposed Acquisition.

3.1 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 49.0% of the total issued and paid-up share capital in GMHES from the Vendor and Dr. Goh (the "**Additional Sale Shares**") at a later stage, with completion of the proposed acquisition of the Additional Sale Shares to occur by 1 November 2024 or such other date to be agreed between the Vendor, Dr. Goh and the Company, at an amount that is ten times the audited profit after tax of GMHES for the financial year ending 31 May 2024, multiplied by 0.49 (the "**Additional Sale Shares Consideration**").

The Additional Sale Shares Consideration was arrived at based on arm's length commercial discussions between the Vendor, Dr. Goh and the Company, after considering factors including potential earnings and the synergies between GMHES, Dr. Goh 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**").

4. THE EMPLOYMENT, SALE SHARES PUT OPTION AND TOTAL SALE SHARES PUT OPTION

4.1 The Employment

Dr. Goh is employed by the Company as a specialist surgeon, in the areas of her expertise, subject to the terms and conditions of a service agreement, and as part of her employment, she shall manage GMHES (the "**Employment**").

Pursuant to the Employment, Dr. Goh shall manage GMHES for a minimum of an eleven (11) year period.

Further to discussions and taking into account the Purchase Consideration (as defined below), the rationale and the long-term view behind the Proposed Acquisition, the Vendor has further agreed to pay the Company certain sums in the event Dr. Goh is unable to continue with the Employment in situations such as ill health.

4.2 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 the Sale Shares (the "**Sale Shares Put Option**") and after the acquisition of the Additional Sale Shares, 100% of the

total issued shares in GMHES (the "**Total Sale Shares Put Option**") should the Employment be terminated.

In the event that the Employment is terminated by either Dr. Goh or by the Company, the Sale Shares Put Option is exercisable by the Company within the first to fourth year of the Employment, while the Total Sale Shares Put Option is exercisable by the Company within the fifth to eleventh 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 (as defined in paragraph 5 below) or Additional Sale Shares Consideration (as the case may be), such percentage to be dependent on the timing of termination of the Employment.

5. PURCHASE CONSIDERATION

The total purchase consideration for the Proposed Acquisition is S\$765,000 ("**Purchase Consideration**") and will be satisfied in full in the following manner: (i) S\$15,000 cash payment to the Vendor upon the signing of the SPA; (ii) S\$189,120 to be satisfied by the issuance of 480,000 shares of the Company (the "**Consideration Shares**") to the Vendor and/or its nominee upon the commencement of the employment ("**Employment Date**") or such other date to be agreed by the Company and the Vendor, credited as fully paid, at an issue price of S\$0.394 ("**Issue Price**") for each Consideration Share, being a price equal to the volume weighted average price ("**VWAP**") of the issued and paid-up ordinary shares of the Company ("**Shares**") of S\$0.394 per Share based on the trades done on the Shares on 20 April 2020, being the full market day preceding the date of the SPA; and (iii) S\$560,880 cash payment to the Vendor on Employment Date.

The Purchase Consideration was arrived at on a willing buyer willing seller basis, taking into account the future potential of GMHES and the synergistic benefits for the Group. The aggregate cash payment in relation to the Proposed Acquisition will be funded through a combination of bank borrowings and/or internal cash resources.

6. MORATORIUM

The Vendor 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 issuance of the Consideration Shares to the Vendor and/or its nominee ("**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 UNDER CHAPTER 10 OF THE LISTING MANUAL

Based on the Group's latest announced unaudited financial statements for the six months ended 30 November 2019, 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
1006(a)	
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
1006(b)	
The net profits ⁽¹⁾ attributable to the assets acquired ⁽²⁾ , compared with the Group's net profits ⁽¹⁾ .	0.00%
1006(c)	
The aggregate value of the consideration given, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares ⁽³⁾ .	1.29%
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.	0.32%
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. 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) There were no net profit figures available for GMHES as it was only incorporated on 17 March 2020 and has yet to commence operations.
- (3) Computed based on the Purchase Consideration of S\$765,000 and the market capitalisation of the Company of approximately S\$59,322,898, which is determined by multiplying the issued share capital, excluding treasury shares, of the Company of 150,565,730 shares with the VWAP of such shares transacted on the market day preceding the date of the SPA of S\$0.394 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.

8. 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.

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. SERVICE CONTRACTS

No directors are proposed to be appointed to the Board 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 at 80 Robinson Road, #02-00, Singapore 068898, during normal business hours for three months from the date of this announcement.

By Order of the Board

Dr. Heah Sieu Min
Executive Director and Chief Executive Officer

20 April 2020

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 17 clinics located throughout Singapore.

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 9 Raffles Place, #17-05 Republic Plaza Tower 1, Singapore 048619, telephone (65) 6950 2188.