

HC SURGICAL SPECIALISTS LIMITED

Incorporated in the Republic of Singapore

Registration No. 201533429G

ACQUISITION OF 35% OF THE ENTIRE ISSUED SHARE CAPITAL IN TOTAL ORTHOPAEDICS 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 Dr. Seah Renyi, Benjamin ("**Dr. Seah**") for, and completed the acquisition of, 35% of the total issued and paid-up share capital of Total Orthopaedics Pte. Ltd. ("**TOPL**") (the "**Sale Shares**") for a total purchase consideration of S\$2,467,000 including any applicable interest amount, details as set out in paragraph 5 of this announcement (collectively, the "**Purchase Consideration**") (the "**Acquisition**").

As at the date of this announcement, TOPL has a paid-up share capital consisting of 120 ordinary shares of S\$1.00 each. Immediately prior to the Acquisition, Dr. Seah holds 100% of the total issued shares in TOPL. Dr. Seah is independent from the Company's Directors, Chief Executive Officer and controlling shareholders and their respective associates. Following the completion of the Acquisition today, TOPL is now a 35% associated company of the Company and will be helmed by Dr. Seah.

TOPL was incorporated on 25 November 2022 in the Republic of Singapore and has yet to commence operations. The principal activity of TOPL will be the provision of orthopaedic medical services, which offers synergy with the Group's general surgery and endoscopy services. The book value and net tangible asset value of TOPL is S\$120 and there is no open market value available for TOPL.

The Acquisition is not expected to have any material impact on the consolidated earnings per share or net tangible assets per share of the Group for the current financial year ending 31 May 2023.

2. RATIONALE FOR THE ACQUISITION

The Acquisition is an important first step to broaden the spectrum of the Group's medical services, which is in line with the Group's long-term plans for growth and will expand the Group's presence in Singapore.

Dr. Seah is an experienced surgeon, having worked in public hospitals for more than 15 years. He has been a specialist surgeon since 2017 and completed his fellowship training in shoulder and elbow surgery in 2020. Dr. Seah is currently a Consultant Orthopaedic Surgeon as well as the Shoulder and Elbow Service lead in the Department of Orthopaedic Surgery at Sengkang General Hospital. He is responsible for managing all complex upper limb fractures, joint replacements and ligament injuries for the hospital. Please refer to Section 4 below for further details on the service agreement between Dr. Seah and TOPL.

3. PRINCIPAL TERMS OF THE SPA

3.1 Additional Sale Shares

The Company will enter into a separate sale and purchase agreement to buy the remaining 65% of the total issued and paid-up share capital in TOPL from Dr. Seah (the "**Additional Sale Shares**") at a later stage, with completion of the proposed acquisition of the Additional Sale Shares to occur within six months after Term 1 (as defined in paragraph 4 below) or the Employment Extension (as defined in paragraph 4 below) period (as the case may be), or such other date to be agreed between Dr. Seah and the Company, at an amount that is ten times the unaudited profit after tax of TOPL for the twelve months before the end of Term 1 or the Employment Extension period (as the case may be) after adjustments to exclude expenses incurred arising from consultancy fees paid to the Company, and Dr. Seah's profit-share, multiplied by 0.65 (the "**Second Consideration**").

The formula for the Second Consideration was arrived at based on arm's length commercial discussions between Dr. Seah and the Company, after considering factors such as the potential earnings of, and the synergies between TOPL, Dr. Seah and the Group. The Company may elect to pay a portion of the Second 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 announcement(s) with regards to the purchase of Additional Sale Shares upon the execution of the separate sale and purchase agreement at the relevant time, as may be required under the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**").

4. THE EMPLOYMENT

Dr. Seah is employed by TOPL as a specialist surgeon, in the areas of his expertise, subject to the terms and conditions of a service agreement, and as part of his employment, he shall manage TOPL (the "**Employment**").

Pursuant to the Employment, Dr. Seah shall manage TOPL for an initial period of twelve years and four months, commencing on or around 1 June 2023, with Term 1 being five years four months ("**Term 1**") and Term 2 being the next seven years. Dr. Seah has an option to extend Term 1 of the Employment for a further two-year period (the "**Employment Extension**").

Further to discussions and taking into account the Purchase Consideration, the rationale and the long-term view behind the Acquisition, Dr. Seah has further agreed to pay the Company certain sums in the event that he resigns, is terminated for cause or is unable to continue with the Employment in situations such as ill health.

5. PURCHASE CONSIDERATION

The Purchase Consideration will be satisfied in full in the following manner: (i) S\$857,000 cash payment to Dr. Seah upon the commencement of his employment, which is intended to occur on or around 1 June 2023 or such other date as agreed between Dr. Seah and the Company; (ii) S\$900,000 cash payment to Dr. Seah in April 2024 or such other date as agreed between Dr.

Seah and the Company; and (iii) S\$710,000 cash payment to Dr. Seah in December 2024 or such other date as agreed between Dr. Seah and the Company. In respect of the amount payable in (iii), an additional interest amount at the rate of 2% per annum or the prevailing personal fixed deposit rate for the same amount for an 8-month tenure, whichever is higher, calculated from 1 April 2024 to the date of payment, will be payable. The Company shall be allowed to pay the amount in (iii) or part thereof earlier than December 2024, and the interest shall be calculated accordingly based on the actual number of days from 1 April 2024 to the date of payment. Accordingly, the Purchase Consideration will comprise S\$2,467,000 and any interest to be paid as described above.

The Purchase Consideration was arrived at on a willing buyer willing seller basis, taking into account the future potential of TOPL, the synergistic benefits for the Group, and Dr. Seah's expertise and industry reputation. The Purchase Consideration will be funded through a combination of internal cash resources and/or bank borrowings.

6. 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 2022, 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
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⁾ .	3.98% ⁽³⁾
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.	Not applicable
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 TOPL as it was only incorporated on 25 November 2022 and has yet to commence operations.
- (3) The Purchase Consideration utilised for calculating the relative figure under Rule 1006(c) is S\$2,486,785, assuming an interest rate amount of 4.18% per annum is to be paid, as discussed in paragraph 5 of this announcement, and based on the market capitalisation of the Company of approximately S\$62,460,290, 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 the SPA of S\$0.4195 per Share. As of the date of this announcement, the Board is of the view that based on current market conditions, the interest rate applicable should not exceed 4.18% per annum. Nonetheless, should any unforeseen circumstances subsequently arise, which would result in a material change from the aforementioned assumption and accordingly, the calculations under this Rule 1006(c), the Company will make an appropriate announcement as may be required under the Catalist Rules.

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 Second Acquisition may be partially satisfied by the issuance of the Consideration Shares at the Company's election, this announcement is made pursuant to Rule 1009 of the Catalist Rules. As the value of the Second Consideration cannot be determined as at the date of this announcement, the Company will make any further announcement(s) as may be required under the Catalist Rules at the relevant time.

7. PRO FORMA FINANCIAL EFFECTS OF THE ACQUISITION

Assuming the Acquisition was effected at the end of the most recently completed financial year ended 31 May 2022, the 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 2022.

Assuming the Acquisition was effected at the beginning of the most recently completed financial year ended 31 May 2022, the Acquisition would not have had any material impact on the earnings per share of the Company for the financial year ended 31 May 2022.

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 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

1 March 2023

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 16 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 7 Temasek Boulevard, #18-03B Suntec Tower 1, Singapore 038987, telephone (65) 6950 2188.