

## HC SURGICAL SPECIALISTS LIMITED

Incorporated in the Republic of Singapore

Registration No. 201533429G

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### PROPOSED ACQUISITION OF 51.0% OF THE ENTIRE ISSUED 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 it has today, entered into a sale and purchase agreement ("**SPA**") with Jason Lim Holdings Pte. Ltd. ("**Vendor**") and Lim Wei-Min, Jason ("**Dr. Jason Lim**"), to acquire 51.0% of the total issued and paid-up share capital of Jason Lim Endoscopy and Surgery Pte. Ltd. ("**JLES**") (the "**Sale Shares**") for a total purchase consideration of S\$832,000 ("**Purchase Consideration**") (the "**Proposed Acquisition**").

As at the date of this announcement, JLES 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 JLES, and Dr. Jason Lim holds the remaining 10% of the total issued shares in JLES. The Vendor is wholly-owned by Dr. Jason Lim. The Vendor and Dr. Jason Lim are independent from the Company's Directors, Chief Executive Officer and controlling shareholders. Following the completion of the Proposed Acquisition, JLES will be a 51.0% subsidiary of the Company. JLES was incorporated on 23 April 2018 in the Republic of Singapore and has yet to commence operations. The principal activity of JLES after the completion of the Proposed Acquisition will be in endoscopy and general surgery, which is aligned to 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 plan for growth, and will expand the Group's presence in Singapore.

The Company will employ Dr. Jason Lim as a specialist surgeon with oversight over JLES. Dr. Jason Lim is an experienced specialist with approximately 12 years of experience in government hospitals. He is currently a Consultant Surgeon in SGH Dept of Colorectal Surgery. Dr. Jason Lim received his subspecialty fellowship training in Denmark for Advanced proctology and Pelvic Floor Disorders, which is in line with the Group's key surgical service. The addition of Dr. Jason Lim 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 proposed service agreement between Dr. Jason Lim and the Company.

#### 3. PRINCIPAL TERMS OF THE SPA

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

- (a) Dr. Jason Lim and the Company entering into a service contract relating to the employment of Dr. Jason Lim as a specialist surgeon;
- (b) 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 JLES; and
- (c) each of the Company, the Vendor and Dr. Jason Lim 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 JLES from the Vendor and Dr. Jason Lim (the "**Additional Sale Shares**") at a later stage, with completion of the proposed acquisition of the Additional Sale Shares to occur by 1 September 2022 or such other date to be agreed between the Vendor, Dr. Jason Lim and the Company, 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 "**Additional Sale Shares Consideration**").

The Additional Sale Shares Consideration was arrived at based on arm's length commercial discussions between the Vendor, Dr. Jason Lim and the Company, after considering factors including potential earnings and the synergies between JLES, Dr. Jason Lim and the Group.

The Company may elect to pay up to 25% of the Additional Sale Shares Consideration by way of issuance of the Company's shares at a price equivalent to the volume weighted average price ("**VWAP**") for trades in the Company's shares done on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for a full market day prior to the date of the signing of a separate sale and purchase agreement in respect of the Additional Sale Shares, 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 separate sale and purchase agreement at the relevant time, in accordance with the SGX-ST Listing Manual Section B: Rules of Catalyst ("**Catalist Rules**").

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

### **4.1 The Employment**

Under the terms of the SPA, Dr. Jason Lim will be employed by the Company as a specialist surgeon, in the areas of his expertise, subject to the terms and conditions of a service agreement as set out in the SPA, and as part of his employment, he shall manage JLES (the "**Employment**").

Pursuant to the Employment, Dr. Jason Lim shall manage JLES 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. Jason Lim 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 the Sale Shares and Additional Sale Shares (the "**Total Sale Shares Put Option**") at certain purchase consideration, should the Employment be terminated (a) by Dr. Jason 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. Jason Lim's service agreement with the Company.

In the event that the Employment is terminated, 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. Should any of the Put Options be exercised, the Vendor will be required to buy back the Sale Shares and/or 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), 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\$832,000 ("**Purchase Consideration**") and will be satisfied in full in the following manner: (i) S\$150,000 cash payment to the Vendor upon the signing of the SPA; (ii) 300,000 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 26 September 2017, upon commencement of the employment of Dr. Jason Lim ("**Employment Date**") or such date to be agreed to by the Company and the Vendor, credited as fully paid, to Dr. Jason Lim as the Vendor's nominee, at an issue price of S\$0.680 ("**Issue Price**") for each Consideration Share, calculated based on the weighted average price of the Company's shares on 30 April 2018; and (iii) S\$478,000 cash payment to the Vendor on the Employment Date.

The Issue Price represents a premium of 0.74% to the VWAP of the issued and paid-up ordinary shares of the Company ("**Shares**") of S\$0.675 per Share based on trades done on the Shares on 4 May 2018, being the market day preceding the date of the SPA.

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

The Consideration Shares will be acquired by 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.

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. Jason Lim and the Group. The aggregate cash payment in relation to the Proposed Acquisition will be funded through the net proceeds from the placement of shares pursuant to the Company's initial public offering ("**IPO**") in November 2016. A status update on the reallocations and use of the net cash proceeds from the IPO is contained in a separate announcement released by the Company today.

## 6. MORATORIUM

Dr. Jason Lim 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. Jason 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 nine months ended 28 February 2018 ("**9MFY2018**"), the relative figures of the Proposed 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 attributable to the assets acquired, compared with the Group's net profits.	Not applicable <sup>(1)</sup>
<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.	0.83% <sup>(2)</sup>
<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.	0.20% <sup>(3)</sup>
<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) There were no net profit figures available for JLES as it was only incorporated on 23 April 2018 and has yet to commence operations.
- (2) Computed based on the Purchase Consideration of S\$832,000 and the market capitalisation of the Company of approximately S\$100,693,618, which is determined by multiplying the issued share capital, excluding treasury shares, of the Company of 149,175,730 shares with the VWAP of such shares transacted on the date preceding the date of SPA of S\$0.675 per Share.
- (3) Computed based on 300,000 Consideration Shares and 149,175,730 Shares as at the date of this announcement.

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**

The pro forma financial effects of the Proposed Acquisition on the Group are set out below and are purely for illustrative purposes. The pro forma financial effects of the Proposed Acquisition on the Group's net tangible assets ("NTA") per share and earnings per share ("EPS") are based on the Group's audited financial statements for the financial year ended 31 May 2017.

- (a) NTA per share

**FOR ILLUSTRATIVE PURPOSES ONLY:** The pro forma financial effects of the Proposed Acquisition on the NTA per share of the Group as at 31 May 2017, as if the Proposed Acquisition was completed on 31 May 2017, are as follows:

	<b>Before the Proposed Acquisition</b>	<b>After the Proposed Acquisition</b>
NTA attributable to equity holders of the Company (S\$'000)	10,409	9,781
Number of ordinary shares in issue ('000)	149,176	149,476
NTA per share (Singapore cents)	6.98	6.54

(b) EPS

**FOR ILLUSTRATIVE PURPOSES ONLY:** The pro forma financial effects of the Proposed Acquisition on the EPS of the Group as at 31 May 2017, as if the Proposed Acquisition was completed on 1 June 2016, is as follows:

	<b>Before the Proposed Acquisition</b>	<b>After the Proposed Acquisition</b>
Profit attributable to equity holders of the Company (S\$'000)	1,308	1,308
Number of ordinary shares in issue ('000)	149,176	149,476
EPS (Singapore cents)	0.88	0.88

Note: For comparative and illustrative purposes, the number of ordinary shares before the Proposed Acquisition used to derive both the Group's NTA per share and EPS were computed based on 149,175,730 Shares (excluding treasury shares) in issue as at the date of this announcement.

**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 for three months from the date of this announcement.

By Order of the Board

Dr. Heah Sieu Min  
Executive Director and Chief Executive Officer

7 May 2018

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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. (the "**Sponsor**").

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the Singapore Exchange Securities Trading Limited (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.

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