

SINGAPORE PAINCARE HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 201843233N)

INVESTMENT INTO PUXIANG HEALTHCARE HOLDING LIMITED

1. INTRODUCTION

The board of Directors (the "**Board**" or "**Directors**") of Singapore Paincare Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that on 24 March 2023, the Company had entered into an investment agreement (the "**Subscription Agreement**") via its subsidiary, Singapore Paincare Capital Pte Ltd ("**SGPC**") to invest RMB 40.0 million in PuXiang Healthcare Holding Limited (普祥健康控股有限公司) ("**PUXH**" or "**Target Company**") as supplemented by a confirmation letter dated 25 May 2023, confirming the effective date of the Subscription Agreement to be 8 June 2023 (the "**Confirmation Letter**"). The subscription is for 2,777,778 Series A+ preferred shares of PUXH ("**Sale Shares**"), representing 2.26% assuming a fully diluted basis, of the total issued share capital of the Target Company, immediately after closing, on the terms and conditions of the Subscription Agreement (the "**Investment**").

SGPC has a paid-up capital of S\$100. As part of the Investment, the Company had on 5 June 2023, sold 5 shares and 44 shares of SGPC to Glory Partners Capital Pte. Ltd. ("**GPC**") and Trident Investment Pte. Ltd. ("**TI**") respectively, at S\$1 per share. As a result of the foregoing, SGPC is now a 51% subsidiary of the Company, with GPC and TI each holding 5% and 44% of the total issued capital of SGPC respectively. GPC is a management consultancy company and TI is an investment-holding company. As part of the joint investment, Glory Partners Consultancy Pte. Ltd. ("**GP**") has been engaged as an investment consultant to SGPC, to monitor, and provide relevant expertise and advice in relation to the Investment. GP is a company that offers management consultancy services with the founder and team having more than 10 years of relevant experience in the healthcare industry, and is owned by the major shareholder of GPC.

The Investment had on 12 June 2023, been completed ("**Completion**").

1.2 In connection with the Investment, the Group has entered into the following agreements:

- (i) the Subscription Agreement, as supplemented by the Confirmation Letter;
- (ii) an amended and restated shareholders' agreement ("**SHA**") dated 12 June 2023 between PUXH, SGPC and the various shareholders of PUXH;
- (iii) a shareholders' agreement ("**SGPC SHA**") dated 6 June 2023 entered into between SGPC, the Company, GPC and TI in respect of their rights and obligations as shareholders of SGPC, as supplemented;
- (iv) the Investment Consultancy Agreement dated 6 June 2023 entered into between SGPC and GP; and

- (v) a memorandum of understanding dated 12 June 2023 relating to a proposed co-operation between SGPC and the Target Company (“**MOU**”).

2. INFORMATION ON THE TARGET COMPANY

- 2.1 The Target Company is a company incorporated in Cayman Islands and has an authorised share capital of US\$50,000. Upon completion of the Investment by all Series A+ investors, the Target Company’s issued and paid-up share capital will comprise 111.1 million ordinary shares and 11.8 million Series A and Series A+ preferred shares.
- 2.2 The Target Company is a holding company and through its subsidiaries, owns and operates 15 community hospitals in 3 provinces, namely Beijing, Hebei and Tianjin, in China. These hospitals provide specialised services such as chronic disease treatment, Aesthetics, Dentistry, Endoscopy, Gynaecology, Kidney treatment, Oncology, Orthopaedics, PAINCARE treatment, Pediatrics, Physiotherapy, Tumour treatment, Traditional Chinese Medicine and Urology.
- 2.3 Based on the Target Company’s unaudited management accounts for the twelve months ended 31 December 2022 (“**FY2022**”), the net profit before income tax of the Target Company for FY2022 was RMB 44.67 million; the net tangible asset value of the Target Company as at 31 December 2022 was RMB 126.3 million; and net asset value of the Target Company as at 31 December 2022 was RMB 260.1 million.
- 2.4 The Investment was introduced by Mr. Liu Wei, who is a major shareholder in GPC, which has a 5% shareholding in SGPC. He is also the founder and owner of GP and has more than 15 years of experience in providing advisory and consultancy services.
- 2.5 The directors of the Target Company are independent third parties and not related to the Group, the Directors, the Company’s substantial shareholders or controlling shareholders, and/or their respective associates.
- 2.6 Following Completion, the Company will own 2.26%, assuming a fully diluted basis of the total issued share capital, of the Target Company.

3. RATIONALE FOR THE INVESTMENT

The Investment is part of the Group’s strategy to expand its business operations outside Singapore and thereby to tap and grow its business opportunities. The Group believes that the overall business strategies of the Target Company is complementary to the business of the Group and the said investment stake in the Target Company will allow the Group to leverage on and gain access to resources and clinical assets, especially in the paincare segment, within the healthcare market in China. The Group has entered into the MOU to look into opportunities to collaborate and expand its paincare business in China. Under the MOU, SGPC and PUXH will explore the possibility of jointly establishing a medical services company. The specific terms and conditions of the joint venture agreement shall be separately negotiated and signed by both parties. SGPC and PUXH will also promote each other’s brands at industry conferences and events.

4. PRINCIPAL TERMS OF THE INVESTMENT

4.1 Sale and Purchase of the Sale Shares and Purchase Price

- 4.1.1 Pursuant to the terms of the Subscription Agreement, PUXH shall issue to SGPC, and SGPC shall acquire from PUXH, the Sale Shares free from all encumbrances and with all rights attached thereto for a purchase consideration of RMB 40,000,000 (approximately S\$7,630,080) ("**Purchase Price**") payable in cash on the date of Completion.
- 4.1.2 In connection with the Investment and the terms of the SGPC SHA, the shareholders of SGPC have contributed the following amounts in respect of the Investment.

Shareholders of SGPC	%	Amount (RMB)
1. Singapore Paincare Holdings Limited	51	20,400,000
2. Trident Investment Pte Ltd	44	17,600,000
3. Glory Partners Capital Pte Ltd	5	2,000,000
Total	100	40,000,000

The contribution amount is in proportion to each of SGPC's shareholders' respective percentage shareholding in SGPC.

- 4.1.3 The Purchase Price was arrived at on a willing-buyer, willing-seller basis, after taking into consideration factors such as the net asset value, past revenue and net profit of the Target Company, the price of the shares of the Target Company for its Series A investors and the synergies and potential future collaborations between the Target Company and the Group.
- 4.1.4 The Purchase Price for the Sale Shares was fully funded through the Company's internal resources.
- 4.1.5 Under the terms of the Target Company's memorandum and articles of association ("**M&AA**"), the holders of the preferred shares have the following conversion rights described below with respect to the conversion of the preferred shares into ordinary shares. The number of ordinary shares to which a holder shall be entitled upon conversion of any preferred share shall be the quotient of the applicable issue price divided by the then-effective conversion price (the "**Conversion Price**"). The Conversion Price with respect to a preferred share shall initially equal to the applicable issue price, and each shall be adjusted from time to time as provided for in the M&AA. For the avoidance of doubt, the initial conversion ratio for preferred shares to ordinary shares shall be 1:1.
- (a) Optional Conversion. Any preferred share may, at the option of the holder thereof, be converted at any time into fully-paid and non-assessable ordinary shares based on the then-effective conversion price.
- (b) Automatic Conversion. Without any action being required by the holder of such share and whether or not the certificates representing such share are surrendered to the Company or its transfer agent, each preferred share shall automatically be converted, based on the then-effective Conversion Price, into ordinary shares upon the closing of a qualified initial public offering or on the date specified by written consent or agreement of the majority preferred holders.

- (c) Mechanics of Conversion. No fractional ordinary share shall be issued upon conversion of the preferred shares. In lieu of any fractional shares to which the holder would otherwise be entitled, the Target Company shall pay cash equal to such fraction multiplied by the then-effective Conversion Price. Before any holder of preferred shares is entitled to convert the same into full ordinary shares and to receive certificates therefor, the holder shall surrender the certificate or certificates for the applicable preferred shares, duly endorsed, at the principal office of the Target Company or of any transfer agent for the preferred shares to be converted and shall give written notice to the Target Company at such office that the holder elects to convert the same. The Target Company shall promptly issue and deliver at such office to such holder of the preferred shares a certificate or certificates for, a copy of the Target Company's register of member showing such holder of the preferred shares as a holder of the number of ordinary shares to which the holder shall be entitled as aforesaid certified by the Target Company's share registrar and a check payable to the holder in the amount of any cash amounts payable as the result of a conversion into fractional ordinary shares. The preferred shares converted into ordinary shares shall be cancelled and shall not be reissued. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the certificate or certificates for the preferred shares to be converted, and the person or persons entitled to receive the ordinary shares issuable upon such conversion shall be treated for all purposes as the record holder or holders of such ordinary shares on such date. For the avoidance of doubt, no conversion shall prejudice the right of a holder of preferred shares to receive dividends and other distributions declared but not paid as at the date of conversion on the preferred shares being converted.

The Target Company may give effect to any conversion pursuant to the M&AA by one or more of the following methods:

- (i) If the total nominal par value of the preferred shares being converted is equal to the total nominal par value of the ordinary shares into which such preferred shares convert such that each preferred share is convertible into one (1) ordinary share and both the preferred share and the ordinary share have the same par value, the Target Company may, by resolution of its board, re-designate the preferred shares to ordinary shares. On re-designation, each preferred share to be converted shall become an ordinary share with the rights, privileges, terms and obligations of the class of ordinary shares and the converted ordinary shares shall thenceforth form part of the class of the ordinary shares (and shall cease to form part of the class of preferred shares for all purposes).
- (ii) The Board may by resolution resolve to redeem the preferred shares for the purpose of this article (and, for accounting and other purposes, may determine the value therefor) and in consideration therefor issue fully-paid ordinary shares in relevant number.
- (iii) The Target Company's board may by resolution adopt any other method permitted by statute including capitalising reserves to pay up new ordinary shares, or by making a fresh issue of ordinary shares, except that if conversion is capable of being effected in the manner described in paragraph (i) above, the conversion shall be effected in that manner in preference to any other method permitted by law or the M&AA.
- (d) Availability of Shares Issuable Upon Conversion. The Target Company shall at all times keep available out of its authorised but unissued ordinary shares, free of liens of any kind, solely for the purpose of effecting the conversion of the preferred shares,

such number of its ordinary shares as shall from time to time be sufficient to effect the conversion of all outstanding preferred shares, and if at any time the number of authorised but unissued ordinary shares shall not be sufficient to effect the conversion of all then outstanding preferred shares, in addition to such other remedies as shall be available to the holder of such preferred shares, the Target Company shall take such corporate action as may, in accordance with the M&AA and statutes, be necessary to increase its authorised but unissued ordinary shares to such number of shares as shall be sufficient for such purposes.

- (e) Cessation of Certain Rights on Conversion. Subject to the terms of the M&AA, on the date of conversion of any series of preferred shares to ordinary shares, the holder of the preferred shares to be converted shall cease to be entitled to any rights in respect of such preferred shares and accordingly his name shall be removed from the Target Company's register of members as the holder of such preferred shares and shall correspondingly be inserted onto the register of members as the holder of the number of ordinary shares into which such preferred shares convert.
- (f) Ordinary Shares Resulting from Conversion. The ordinary shares resulting from the conversion of the preferred shares:
 - (i) shall be credited as fully paid and non-assessable;
 - (ii) shall rank *pari passu* in all respects and form one class with the ordinary shares then issued; and
 - (iii) shall entitle the holder to all dividends payable on the ordinary shares by reference to a record date after the date of conversion.

4.16 Under the terms of the SHA, at any time after the earliest of (i) the occurrence of a material breach by (a) any company in the Target Company's group of companies, (b) companies (as named in the SHA) which are wholly-owned by the key management team and founders (as named in the SHA) ("**Key Parties**", and the aforementioned companies, the "**Founder Holdcos**", and collectively, the "**Warrantors**") or (c) any of the Key Parties, of any of their respective representations, warranties, covenants or undertakings under the transaction documents to the Investment, (ii) the failure by the Target Company to complete a qualified initial public offering prior to 31 December 2025, and (iii) the occurrence of a material legal change causing the Target Company's group of companies material difficulty to carry on its principal business, which cannot be reasonable resolved within six months (collectively, the "**Put Events**"), SGPC would have the right, exercisable at its option and after the occurrence of any Put Event (the "**Put Option**"), to require the Key Parties and Founder Holdcos to jointly and severally, purchase from time to time, all or any portion of the Series A+ preferred shares held by it.

4.17 In the event SGPC exercises the Put Option, the Warrantors shall pay SGPC an amount in cash (the "**Put Option Price**") determined by multiplying the number of put shares to be purchased from SGPC by the sum of (x) one hundred percent (100%) of the issue price of the Sale Shares, plus (y) a simple interest equal to the amount of 11% per annum accrued from 12 June 2023 until the date which the Put Option Price is paid in full, and (z) all dividends declared and unpaid with respect to such put share.

- 4.18 The aggregate amount to be paid by each of the Key Parties and his/her Founder Holdco to purchase the put shares is capped at the then fair market value of all the shares and securities interest then held directly and indirectly by such Key Party in the Target Company's group of companies, calculated at the time of the applicable Put Event. The parties are to negotiate the fair market value in good faith but failing which, the fair market value shall be determined by an independent appraiser selected by the Key Parties. In the event SGPC is unable to agree with the aforementioned value, SGPC will have the right to engage its own independent appraiser (as specified in the SHA), to carry out a second valuation.

5. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

- 5.1 Based on the latest announced unaudited consolidated financial statements of the Group for the six-month period ended 31 December 2022 ("HY2022"), the relative figures of the Investment on the bases set out in Rule 1006 of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist Rules ("Catalist Rules") are as follows:

<u>Rule 1006</u>	<u>Bases</u>	<u>Relative Figures</u>
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable.
(b)	The net profits ⁽ⁱ⁾ attributable to the assets acquired, compared with the Group's net profit.	7.5% ⁽ⁱⁱ⁾
(c)	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.	22.8% ⁽ⁱⁱⁱ⁾
(d)	Number of equity securities issued by the Company as consideration for an acquisition compared with the number of equity securities previously in issue.	Not applicable.
(e)	Aggregate volume or amount of proved and probable reserves to be disposal of, compared with the aggregate of the group's proved and probable reserves.	Not applicable.

Notes:

- (i) "Net profits" means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.
- (ii) Computed based on the unaudited net profits of the Target Company for the six-month period ended 31 December 2022 of S\$126,606 (based on the Group's vested stake of 2.26%), and the unaudited net profits of the Group for HY2022 of S\$1,677,000.

- (iii) Computed based on the Purchase Price of RMB 40,000,000 (approximately S\$7,630,080 and the Company's market capitalisation of approximately S\$33,517,277, which is determined by multiplying the number of ordinary shares in the issued share capital of the Company ("**Shares**") in issue (excluding treasury shares) of 171,006,516 by the volume weighted average price of S\$0.196 per Share on 7 June 2023, being the last market day immediately preceding the effective date of the Subscription Agreement, on which Shares were traded.

As the relative figure computed on the bases set out in Rules 1006(b) and (c) exceeds 5% but does not exceed 75%, the Investment constitutes a "discloseable transaction" under Chapter 10 of the Catalyst Rules.

6. PRO FORMA FINANCIAL EFFECTS OF THE INVESTMENT

6.1 The following financial effects of the Investment on the Group are for illustrative purposes only and do not reflect either the actual financial effects of the Investment on the Group or the future financial performance and/or position of the Group immediately following Completion.

6.2 For illustrative purposes only, the financial effects of the Investment have been prepared based on the latest audited financial statements of the Group for the financial year ended 30 June 2022 and based on the following assumptions:

- (a) the Investment had been completed on 30 June 2022 for the purposes of illustrating the financial effects on net tangible assets ("**NTA**") per Share of the Company;
- (b) the Investment had been completed on 1 July 2021 for the purposes of illustrating the financial effects on the earnings per Share ("**EPS**") of the Company; and
- (c) the NTA per Share and EPS per Share are computed based on 179,623,416 Shares as at 30 June 2022.

6.3 NTA

	Before the Investment	After the Investment
Net Tangible Asset Value (S\$)	15,703,000	15,703,000
Total number of issued shares ('000)	179,623	179,623
Net Tangible Asset per share (S\$)	0.09	0.09

**Net Tangible Asset Value refers to net tangible assets attributable to equity holders of the Company.*

6.4 EPS

	Before the Investment	After the Investment
Earnings attributable to owners of the Company (S\$)	3,901,000	3,901,000

Weighted average number of issued shares ('000)	179,623	179,623
Earnings per Share (Singapore cents)	2.17	2.17

7. SERVICE CONTRACTS

No person is proposed to be appointed to the Board in connection with the Investment. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

8. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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

9. DOCUMENTS FOR INSPECTION

Copies of the Subscription Agreement, Confirmation Letter, SHA (as supplemented), SGPC SHA, Investment Consultancy Agreement and MOU are available for inspection at the registered office of the Company at 601 Macpherson Road, #06-20/21, Grantral Mall, Singapore 368242 during normal business hours for a period of three (3) months commencing from the date of this announcement.

By Order of the Board

Lee Mun Kam Bernard
Executive Director and Chief Executive Officer

13 June 2023

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 ("**SGX-ST**") Listing Manual Section B: Rules of Catalyst.

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.

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