

ISEC HEALTHCARE LTD.
(Company Registration No. 201400185H)
(Incorporated in Singapore on 2 January 2014)
(the “**Company**”)

**ANNOUNCEMENT ON RESPONSES TO QUERIES RECEIVED FROM
THE SGX-ST ON 18 APRIL 2022**

The Board of Directors (the “**Board**”) of ISEC Healthcare Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the announcement made by the Company on 7 April 2022 in relation to the proposed acquisition of IE Centre Sdn. Bhd and Kampar Eye Sdn. Bhd. (the “**Proposed Acquisition**”) and proposed subscription of 50% plus 1 ordinary share in each of ME Centre Sdn Bhd, TE Centre Sdn Bhd and Taiping Eye Sdn Bhd (the “**Proposed Subscription**”) (the “**Announcement**”).

The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) had on 18 April 2022 issued queries on the Announcement. The Company sets out the queries received from the SGX-ST and the Company's responses to the queries below.

Unless otherwise defined in this announcement, capitalised terms shall have the meanings assigned to them in the Announcement.

	Query	Response
1.	Is the completion of the Proposed Acquisition and Proposed Subscription inter-conditional? If so, considering that ME Centre, TE Centre and Taiping Eye have not commenced operations/business, what did the Purchaser consider in agreeing to acquire the 5 clinics as a bundle?	<p>The completion of the Proposed Subscription and completion of the Proposed Acquisition while not expressed in the share purchase and subscription agreement (“SPSA”) as inter-conditional, are required to occur simultaneously.</p> <p>The Vendors for IE Centre Sdn Bhd (“IE Centre”) and Kampar Eye Sdn Bhd (“Kampar Eye”), namely entities which are to be acquired under the Proposed Acquisition, are (save for one vendor, Tan Hooi Ngea) also the current shareholders of ME Centre, TE Centre and Taiping Eye.</p> <p>These shareholders are Shin Hoy Choong (“Dr Shin”) (who is also the sole shareholder of Taiping Eye), Yong Ked Sheong (“Dr Yong”), Cheng Heng Liang (“Dr Cheng”), Chan Suet Mei (“Dr Chan”) and Jane Foo Mei Li (“Dr Foo”).</p> <p>Each of Dr Shin, Dr Yong, Dr Cheng, Dr Chan and Dr Foo (collectively “the Doctors”) will terminate his/her existing contract of employment or employment</p>

	Query	Response
		<p>arrangements with each of IE Centre or Kampar Eye and enter into new employment agreements with IE Centre or Kampar Eye (where applicable) for a fixed term of five (5) years commencing from the Completion Date.</p> <p>It would therefore be in the interest of the Group to also subscribe for shares in, and have a majority and controlling shareholding interest in, each of ME Centre, TE Centre and Taiping Eye so the interests of the Group are aligned with those of the said Doctors in these entities.</p> <p>As part of their growth plans prior to the Proposed Subscription, the said Doctors were already in the process of setting up three new clinics (being ME Centre, TE Centre and Taiping Eye) in towns within Perak, Malaysia when the Group negotiated with them. Their objective is to reach out to patients in these towns and to refer patients encountering more complicated or complex eye conditions to IE Centre.</p> <p>To align the said Doctors' objectives to the Group's objectives and to ensure the said Doctors are committed to the establishment and operations of these three clinics, which serve to complement the business activities in IE Centre and Kampar Eye, the Group agreed to acquire a controlling stake via subscription in each of ME Centre, TE Centre and Taiping Eye of such number of ordinary shares comprising 50% plus 1 ordinary share of the enlarged share capital of each of the aforesaid companies.</p>
2.	<p>"Based on IE Centre's audited financial statements as at 30 June 2021, Kampar Eye's audited financial statements as at 31 December 2021, each of ME Centre's, TE Centre's and Taiping Eye's unaudited financial statements as at 31</p>	<p>The breakdown of the total net profits attributable to each of the 5 clinics as</p>

	Query	Response
	<p>December 2021, the net profits attributable to the assets acquired for the Proposed Transaction is approximately RM4,301,000.”</p> <p>Please provide breakdown of the total net profits of RM4,301,000 attributable to each of the 5 clinics.</p>	<p>follows (taking into account adjustments and normalisations)¹:</p> <p>IE Centre: net profit of RM3,768,000</p> <p>Kampar Eye: net profit of RM710,000</p> <p>ME Centre: net loss of RM87,000</p> <p>TE Centre: net loss of RM39,000</p> <p>Taiping Eye: net loss of RM51,000</p>
3.	<p>Please clarify who owns the remaining 50% shareholding in ME Centre, TE Centre and Taiping Eye.</p>	<p>Upon the subscription of 50% plus 1 ordinary share of the enlarged share capital of each of the three entities by ISEC Sdn Bhd (the “Purchaser”), the remaining shareholding will be held by Dr Shin, Dr Yong, Dr Cheng, Dr Chan and Dr Foo of ME Centre and TE Centre, save in the case of Taiping Eye, which Dr Shin holds solely, pending transfers to be made to the other Doctors subject to ISEC Sdn Bhd’s approval to such transfers.</p>
4.	<p>Please provide rationale for investing in ME Centre, TE Centre and Taiping Eye at this point as they have not commenced any business as they have not obtained the licence to operate or provide a private healthcare facility or service pursuant to the PHFSA.</p>	<p>Please refer to the Company’s response to Query 1 above.</p>
5.	<p>The Purchase Consideration for the Proposed Acquisition of approximately RM56.75 million was arrived based on a PE of 12.5 times.</p> <p>Please provide the Board’s considerations and assessment on the Purchase Consideration, including</p>	<p>Given that the PE multiples of the Group’s past acquisitions in Malaysia and Singapore were in the range of 12 to 13 times, the Board considers that the multiple of 12.5 times for the Proposed Acquisition would be reasonable.</p>

¹ The net profit attributable to IE Centre is computed based on the audited financial statements as at 30 June 2021, pro-rated to the corresponding 12-month period ended 31 December 2021, including adjustments and normalisations.

The net profit attributable to Kampar Eye is based on the audited financial statements for the financial year ended 31 December 2021, including adjustments and normalisations.

The net profits attributable to each of ME Centre, TE Centre and Taiping Eye is based on the unaudited financial statements of the respective entities as at 31 December 2021.

	Query	Response
	<p>whether the 12.5 times PE is a market norm for such acquisitions.</p>	<p>In arriving at the Purchase Consideration, the Company had additionally considered the valuation of similar acquisitions made of other comparable medical practices in Malaysia and Singapore. The 12.5 times PE falls within the range of precedent transactions undertaken by the Group and by other listed healthcare providers..</p> <p>As stated in paragraph 4.1.3 of the Announcement, the issue price for each Consideration Share is S\$0.303 (equivalent to approximately RM0.94) ("Issue Price"), as determined based on the volume weighted average price of the Shares traded on the Singapore Exchange Securities Trading Limited ("SGX-ST") in the thirty (30) trading days immediately prior to the date of the SPSA (excluding the date of the SPSA) ("VWAP").</p> <p>As stated in paragraph 3 of the Announcement, the Group also considers partial settlement of the Purchase Consideration by way of the allotment and issue of Consideration Shares to be advantageous to the Group as it would conserve the Group's cash reserves and delivers long-term benefit to the Company.</p> <p>The issuance of Consideration Shares also serves to align the interests of the Doctors and that of the Company and its shareholders.</p>
<p>6.</p>	<p>It was stated that the NTA of IE Centre and Kampar Eye as at 30 November 2021 will be subject to special audit forthwith after the date of the SPSA.</p> <p>Please clarify why there is a need for a "special audit", and what is the scope of such "special audit".</p> <p>Please clarify who will be conducting the special audit.</p>	<p>The special audit in relation to the financial statement audit for the financial period up to 30 November 2021 which is not the financial year-end of IE Centre or Kampar Eye. The purpose for the special audit is to provide the Group with reasonable assurance of the financial positions and financial performances of IE Centre and Kampar Eye Centre, specifically for the purpose of this Proposed Acquisition. The financial periods covered for such audit for IE Centre and Kampar Eye are 1 July 2021</p>

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	<p>What is the implication on the Purchase Consideration in the event the NTA amount is less than the RM2.91 million as stated in the announcement?</p>	<p>to 30 November 2021 and 1 January 2021 to 30 November 2021 respectively.</p> <p>The special audit is to be conducted in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act 2016 in Malaysia and will be conducted by existing external auditors of IE Centre and Kampar Eye as commissioned by ISEC Sdn. Bhd.</p> <p>In the event the NTA amount for IE Centre is less than the RM2.91 million, the Vendors would have to refund the shortfall to the Purchaser.</p>															
<p>7.</p>	<p>Please provide a consolidated table showing the shareholdings of each Vendor in the Company after the completion of the Proposed Acquisition of IE Centre and Kampar Eye.</p>	<p>Below is a consolidated table showing the shareholdings of each Vendor in the Company after the Completion of the Proposed Acquisition of IE Centre and Kampar Eye:</p> <table border="1" data-bbox="846 1024 1325 1856"> <thead> <tr> <th data-bbox="846 1024 967 1392">Name of Vendor</th> <th data-bbox="967 1024 1159 1392">No. of Consideration Shares to be issued and allotted</th> <th data-bbox="1159 1024 1325 1392">Percentage of Shares held out of the enlarged share capital of the Company following Completion</th> </tr> </thead> <tbody> <tr> <td data-bbox="846 1392 967 1507">Shin Hoy Choong</td> <td data-bbox="967 1392 1159 1507">13,127,831</td> <td data-bbox="1159 1392 1325 1507">2.3%</td> </tr> <tr> <td data-bbox="846 1507 967 1623">Tan Hooi Ngea</td> <td data-bbox="967 1507 1159 1623">-</td> <td data-bbox="1159 1507 1325 1623">-</td> </tr> <tr> <td data-bbox="846 1623 967 1738">Yong Ked Sheong</td> <td data-bbox="967 1623 1159 1738">4,376,652</td> <td data-bbox="1159 1623 1325 1738">0.8%</td> </tr> <tr> <td data-bbox="846 1738 967 1856">Cheng Heng Liang</td> <td data-bbox="967 1738 1159 1856">2,625,991</td> <td data-bbox="1159 1738 1325 1856">0.4%</td> </tr> </tbody> </table>	Name of Vendor	No. of Consideration Shares to be issued and allotted	Percentage of Shares held out of the enlarged share capital of the Company following Completion	Shin Hoy Choong	13,127,831	2.3%	Tan Hooi Ngea	-	-	Yong Ked Sheong	4,376,652	0.8%	Cheng Heng Liang	2,625,991	0.4%
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		Chan Suet Mei	1,167,107	0.2%
		Jane Foo Mei Li	583,554	0.1%
		TOTAL	21,881,135	3.8%
8.	<p>Will the Vendors be involved in the management of the Company upon completion of the Proposed Acquisition?</p>	<p>Dr Shin has been the Medical Director for IE Centre and Kampar Eye.</p> <p>Upon completion of the Proposed Acquisition, he will be continuing his role as the Medical Director for the clinics, with a supervisory role responsible for overseeing the administration and operations of the clinics, and for the role mentioned above, will be part of the management team of the Company, subject to the necessary approvals being obtained.</p> <p>Other than as stated above, none of the Vendors will have a management role in the Company upon completion of the Proposed Acquisition.</p>		
9.	<p>The Prohibited Period of the Non-competition and Non-solicitation means the period commencing from the Completion Date and ending on the earlier of (a) the 5th anniversary of the Completion Date, or (b) 24 months from the date each Vendor ceases to be employees of each Target Company. Each of the Vendor (being Dr Shin, Dr Yong, Dr Cheng, Dr Chan and Dr Foo) will enter into new employment agreements with IE Centre or Kampar Eye for a fixed term of 5 years commencing from the Completion Date.</p> <p>Please clarify if there are any clauses in the employment contracts that allow each of the Vendor to resign before the completion of the 5 years term.</p>	<p>Save in the case of disability or death, the employment contracts do not contain any clause that allow each of the Doctors to resign before his/her completion of the 5 years term without incurring the obligation to compensate the relevant employer.</p> <p>The relevant employer however has certain limited rights to terminate the Doctors' employment contracts during the 5-year fixed employment term, including for serious misconduct, dishonesty, fraud, breach of professional or ethical conduct and revocation or suspension of Practising Certificate. If such termination by the relevant employer occurs within the earlier portion of the 5-year period, then the 24 months option would apply i.e. the Prohibited Period would then end 24 months after date of termination of the Doctor's employment contract.</p>		

	Query	Response
	<p>How is does the 5 year fixed employment term gel with the “24 months option” in the Prohibited Period?</p> <p>How is the earlier option of 24 months in the Prohibited Period in the best interest of the Company?</p>	<p>The 24 months option is not an option which the Doctors can exercise. Save in the case of a Doctor’s disability, the Company is the party who determines the applicability of this 24 months option since the Company controls the relevant employer, and decide on the exercise of the termination right. In the event the Company has to terminate a Doctor before the 5th year anniversary is reached, there is at least a 24-month Prohibited Period which applies to the Doctor whose contract has been terminated by the Company which would be in the best interest of the Company as this safeguard ensures that the Doctors will not hold conflicting interests with that of the Group during the Prohibited Period.</p>

By Order of the Board

Dr. Lee Hung Ming
Executive Vice Chairman
20 April 2022

This announcement has been reviewed by the Company’s sponsor, PrimePartners Corporate Finance Pte. Ltd. (the “Sponsor”). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the “Exchange”) and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

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