

SINGAPORE PAINCARE HOLDINGS LIMITED

Company Registration No.: 201843233N
(Incorporated in the Republic of Singapore)

PROPOSED ACQUISITION OF 40% OF THE TOTAL ISSUED SHARE CAPITAL OF KCS ANAESTHESIA SERVICES PTE. LTD.

1. INTRODUCTION

- 1.1 The Board of Directors (the “**Board**”) of Singapore Paincare Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has on 30 November 2020 entered into a conditional sale and purchase agreement (“**SPA**”) with Dr Kong Chee Seng (“**Dr Kong**”) to acquire 40 ordinary shares of KCS Anaesthesia Services Pte. Ltd. (“**KCS**” or “**Target Company**”) (“**Sale Shares**”) representing 40% of the total issued share capital of the Target Company, on the terms and conditions of the SPA (“**Proposed Acquisition**”).
- 1.2 In connection with the Proposed Acquisition, the Company has also entered into the following agreements and deed with Dr Kong:
- (i) A call and put option deed dated 30 November 2020 (“**Call & Put Option Deed**”) pursuant to which Dr Kong has granted to the Company:
 - (a) a call option (“**Call Option**”) for all ordinary shares in the issued share capital of the Target Company held by Dr Kong as at the date of exercise of the Call Option (“**Call Option Shares**”); and
 - (b) a put option (“**Put Option**”) for all ordinary shares in the issued share capital of the Target Company held by the Company as at the date of exercise of the Put Option (“**Put Option Shares**”).
 - (ii) A shareholders’ agreement dated 30 November 2020 (“**SHA**”) pursuant to which the Company and Dr Kong have, *inter alia*, set out their rights and obligations as shareholders of the Target Company. The SHA shall take effect upon the completion of the Proposed Acquisition (“**SPA Completion**”).
 - (iii) An employment contract dated 30 November 2020 pursuant to which Dr Kong will be employed as an executive director and anaesthesiologist of the Target Company (“**Employment Contract**”).

2. INFORMATION ON THE TARGET COMPANY AND DR KONG

- 2.1 The Target Company is a company incorporated in Singapore. As at the date of this announcement, the Target Company has an issued and paid-up share capital of S\$100, comprising of 100 ordinary shares. Dr Kong currently holds 100% of the total issued shares in the Target Company. The Target Company is in the business of providing anaesthesia services and procedures.

- 2.2 Based on the unaudited financial statements of the Target Company for its financial year ended 29 February 2020 (“**KCS FY2020**”), the profit before income tax and net profit after tax of the Target Company for KCS FY2020 were S\$1,270,453 and S\$1,071,901 respectively and the net tangible asset value and net asset value of the Target Company as at 29 February 2020 were both S\$500,782.
- 2.3 Dr Kong is licensed anaesthesiologist with the Target Company. Dr Kong holds a Bachelor’s degree in Medicine and Surgery (MBBS) from University of London, United Kingdom and is admitted as a Fellow of the Royal College of Anaesthesia, United Kingdom. Dr Kong is an independent third party and not related to the Group, the Directors, the Company’s substantial shareholders or controlling shareholders, and/or their respective associates. To the best of the Company’s knowledge, as at the date of this announcement, Dr Kong does not have any shareholding interests, directly or indirectly, in the Company.
- 2.4 On completion of the Proposed Acquisition, the Company and Dr Kong will own 40% and 60% of the total issued share capital of the Target Company respectively, and the Target Company will become an associated company of the Company.

3. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is part of the Group’s strategy to expand its business locally to become a one-stop centre for pain care treatment. The Group believes that the acquisition of a stake in the Target Company would allow the Group to include the provision of anaesthesia services and procedures, which is complementary to the Group’s existing pain care services. The Call Option will also provide the Group the opportunity to fully invest in the Target Company should the partnership with Dr Kong progress successfully. The Group believes that through the Proposed Acquisition, the Group would be able to take a step towards gaining access to a wider spectrum of pain treatments and have the potential to increase its patient base.

4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION AND THE CALL & PUT OPTION DEED

4.1 Sale and Purchase of the Sale Shares and Purchase Price

- (a) Pursuant to the terms of the SPA, Dr Kong shall sell to the Company, and the Company shall acquire from Dr Kong, the Sale Shares free from all encumbrances and with all rights attached thereto for a purchase consideration of S\$2,400,000 (“**Purchase Price**”) payable in cash on SPA Completion by way of wire transfer of immediately available funds to an account designated by Dr Kong.
- (b) The SPA Completion shall take place on or before **2 December 2020** (the “**Completion Date**”), or such other date as the Company and Dr Kong may mutually agree in writing.
- (c) The Purchase Price was arrived at on a willing-buyer, willing-seller basis, after negotiations which were conducted at arm’s length between the Company and Dr Kong and taking into consideration factors such as the net asset value, and past revenue and net profit of the

Target Company, and the synergies between the Target Company, Dr Kong and the Group.

- (d) The Purchase Price for the Sale Shares shall be fully funded through the net proceeds from the Company's initial public offer ("**IPO**") in July 2020. Please refer to paragraph 5 below for more information.

4.2 Conditions Precedent

- (a) SPA Completion is subject to the satisfaction, at or prior to SPA Completion, of each of the following conditions ("**Conditions**"):
 - (i) all the representations and warranties given by Dr Kong being true, accurate and not misleading as at the Completion Date;
 - (ii) the parties entering into the SHA;
 - (iii) no order or injunction issued by any court of competent jurisdiction, no decision, determination or order issued by any regulatory authority and no other legal restraint preventing any of the transactions contemplated by the SPA is in effect; and
 - (iv) the Company having obtained the necessary approvals from the board, shareholders and/or relevant authorities (where applicable) for the sale and purchase of the Sale Shares.
- (b) Unless the fulfilment of a relevant condition applicable to a party is expressly waived by the other party, if a party does not fulfil any of the Conditions that is applicable to it prior to the Completion Date or such other date as the parties shall mutually agree in writing, the SPA shall terminate and no party shall have any claim against the other parties for costs, damages, compensation or otherwise, save for any claim by the innocent party against the defaulting party arising from an antecedent breach of the terms thereof.

4.3 Call & Put Option Deed

- (a) *Profit Target Period and Profit Target*

For the purposes of the Call & Put Option Deed:

"Profit Target" means an aggregate net operating profit after tax of the Target Company of not less than S\$3,000,000 for the thirty-six months period commencing from 1 March 2020 and ending on 28 February 2023 ("**Profit Target Period**"). The quantum of the Profit Target was derived after reviewing the track record and financial performance of the Target Company.

“Profit Target Statement” means the statement setting out the aggregate net operating profit after tax of the Company for the Profit Target Period.

(b) *Call Option*

- (i) Pursuant to the Call & Put Option Deed, Dr Kong grants the Company the Call Option, on the exercise of which Dr Kong shall become bound to sell the Call Option Shares, and the Company or its nominee(s) shall become bound to complete the purchase of the Call Option Shares.
- (ii) The Company may, at any time during the period commencing on 28 February 2023, and ending on the date falling three (3) calendar months thereafter, exercise the Call Option by giving a written exercise notice to Dr Kong (the **“Call Option Notice”**).
- (iii) The aggregate exercise price for Call Option Shares (**“Call Exercise Price”**) shall be computed as follows:

$$\text{No. of Call Option Shares} \times (8 \times Z)$$

“Z” being the average earnings per ordinary share in the issued capital of the Target Company based on the audited financial statement of the Target Company for the financial years ending 29 February 2021, 2022 and 2023. For the purpose hereof, earnings per share shall be the average of the aggregate net profit of the Target Company after tax (but excluding any extraordinary, exceptional or non-recurring items) for the financial years ending 29 February 2021, 2022 and 2023 divided by the total number of issued shares.

(c) *Put Option*

- (i) Pursuant to the Call & Put Option Deed, Dr Kong grants the Company the Put Option, on the exercise of which Dr Kong shall become bound to acquire the Put Option Shares and the Company or its nominee(s) shall become bound to complete the sale of the Put Option Shares.
- (ii) The Put Option may be exercised by the Company during any of the following periods:
 - (1) where the Profit Target is not achieved, the period commencing on the date the Profit Target Statement is issued, and ending on the date falling six (6) calendar months thereafter (**“Put Option Period A”**);
 - (2) where the employment of Dr Kong under the Employment Contract is terminated for any reason other than his inability to work due to illness or incapacitation or death within 36 calendar months from the

commencement of the Employment Contract ("**Effective Date**"), and provided that the Call Option has not been exercised, the date commencing from the termination of such employment and ending on the date falling three (3) calendar months thereafter ("**Put Option Period B**"); and

- (3) where the employment of Dr Kong under the Employment Contract is terminated after the expiry of 36 calendar months but within 108 calendar months from the Effective Date for any reason other than his inability to work due to illness or incapacitation or death, and provided that the Call Option has been exercised, the date commencing from the termination of such employment and ending on the date falling three (3) calendar months thereafter ("**Put Option Period C**").

(iii) The exercise price for the Put Option is as follows:

- (1) In relation to the Put Option Period A, the aggregate exercise price for Put Option Shares under a Put Option Notice ("**Put Exercise Price**") shall be computed as follows:

$$\text{Purchase Price} + (0.05 \times \text{Purchase Price} \times 3)$$

- (2) In relation to the Put Option Period B, and where the Call Option has not been exercised, the Put Exercise Price shall be as follows:

(aa) where the employment of Dr Kong under the Employment Contract is terminated within 12 months from the Effective Date, an amount equivalent to 300% of the Purchase Price;

(bb) where the employment of Dr Kong under the Employment Contract is terminated after 12 months but within 24 months from the Effective Date, an amount equivalent to 275% of the Purchase Price; and

(cc) where the employment of Dr Kong under the Employment Contract is terminated after 24 months but within 36 months from the Effective Date, an amount equivalent to 250% of the Purchase Price.

- (3) In relation to the Put Option Period C, and where the Call Option has been exercised, the Put Exercise Price shall be as follows:

(aa) where the employment of Dr Kong under the Employment Contract is terminated after 36 months but within 48 months from

the Effective Date, an amount equivalent to 300% of the aggregate Call Exercise Price paid;

- (bb) where the employment of Dr Kong under the Employment Contract is terminated after 48 months but within 60 months from the Effective Date, an amount equivalent to 275% of the aggregate Call Exercise Price paid;
- (cc) where the employment of Dr Kong under the Employment Contract is terminated after 60 months but within 72 months from the Effective Date, an amount equivalent to 250% of the aggregate Call Exercise Price paid;
- (dd) where the employment of Dr Kong under the Employment Contract is terminated after 72 months but within 84 months from the Effective Date, an amount equivalent to 225% of the aggregate Call Exercise Price paid;
- (ee) where the employment of Dr Kong under the Employment Contract is terminated after 84 months but within 96 months from the Effective Date, an amount equivalent to 200% of the aggregate Call Exercise Price paid; and
- (ff) where the employment of Dr Kong under the Employment Contract is terminated after 96 months but within 108 months from the Effective Date, an amount equivalent to 175% of the aggregate Call Exercise Price paid.

The Board is of the view that the Put Option under paragraph 4.3(c)(ii)(1) ("**Exit Option**") is in the interest of the Group as it provides the Group with an option to exit its investment in the Target Company. Based on negotiations between the Company and Dr Kong, Dr Kong had agreed to grant the Exit Option provided that the condition for exercising the Exit Option is specified. In accepting the non-fulfilment of the Profit Target as a condition to the exercise of the Exit Option, the Board has considered the track record and past financial performance of the Target Company and the potential of the Target Group's business to grow and expand.

Notwithstanding the Exit Option, Dr Kong has not, pursuant to the terms of the SPA or the Call & Put Option Deed, warranted or represented to the Company that the Profit Target will be achieved, and that any compensation for the Company's acquisition in the Sale Shares shall be payable should such Profit Target not be achieved. Further, while the Company had taken into account the past financial performance of the Target Company in arriving at the Purchase Price, the Company had not taken the Profit Target into consideration in arriving at the Purchase Price.

Under the Exit Option, in the event the Profit Target is not met, the Company has the option to require Dr Kong to purchase the Sale Shares at the Purchase Price plus an interest at five per cent (5%) per annum for the Profit Target Period. For more details please refer to paragraph 4.3(c)(iii)(1)

above. The interest of five per cent per annum is based on the past average cost of borrowings from banks. The Company may elect to exercise the Exit Option if it determines that it is no longer in the interest of the Group to continue being vested in the Target Company. Should the Company elect not to exercise the Exit Option, no compensation is payable to the Company by Dr Kong, nor would there be any adjustment to the Purchase Price.

In view of the above, in particular the negotiations with Dr Kong on the Exit Option and the rationale for the Exit Option, the Board has determined that no safeguard to the exercise of the Exit Option is necessary.

5. USE OF IPO PROCEEDS

As the Company has no immediate and definite plans to utilise the IPO net proceeds allocated for the Group's working capital, the Company has reallocated all of the amount initially allocated for the Group's working capital, to expand the Group's business operations locally and regionally instead (the "Reallocation"). The Company is of the view that the reallocated proceeds would be better utilised to expand its business operations, including the Proposed Acquisition.

Subsequent to the Reallocation and the SPA Completion, the status on the use of the IPO net proceeds will be as follows:

	Amount allocated (S\$'000)	Amount allocated after Reallocation (S\$'000)	Amount utilised (S\$'000)	Balance (S\$'000)
Expand range of pain care services	1,100	-	-	1,100
Expand our business operations locally and regionally	1,400	1,041	(2,400)	41
Working capital	1,041	(1,041)	-	-
Total	3,541	-	(2,400)	1,141

6. RELATIVE FIGURES FOR THE PROPOSED ACQUISITION

Based on the latest announced audited financial statements of the Group for the financial year ended 30 June 2020 ("FY2020"), the relative figures of the Proposed Acquisition 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:

Rule 1006	Bases	Relative figure (%)
(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 ⁽¹⁾ attributable to the Sale Shares, compared with the Group's net profits.	21.16% ⁽²⁾

(c)	The 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.	6.51% ⁽³⁾
(d)	The 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)	The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves. This basis is applicable to a disposal of mineral, oil or gas 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 including discontinued operations that have not been disposed and before income tax and non-controlling interests.
- (2) Based on the unaudited net profits before tax of the Target Company of S\$1,270,453 for KCS FY2020 and multiplied by 40%, and the audited net profits before tax of the Group for FY2020 of S\$2,401,760.
- (3) Based on the Purchase Price of S\$2,400,000 and the Company's market capitalisation of approximately S\$36,876,687, 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 179,623,416 by the volume weighted average price of S\$0.2053 per Share on 26 November 2020, being the last market day immediately preceding the date of the SPA that the Shares were traded.

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

7. PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

7.1 The financial effects of the Proposed Acquisition on the Group are for illustrative purposes only and do not reflect either the actual financial effects of the Proposed Acquisition on the Group or the future financial performance and/or position of the Group immediately following the completion of the Proposed Acquisition.

For illustrative purposes only, the financial effects of the Proposed Acquisition have been prepared based on the latest announced audited financial statements of the Group for FY2020 and the unaudited financial statements of the Target Company for KCS FY2020, and based on the following assumptions:

- (a) the Proposed Acquisition had been completed on 30 June 2020 for the purposes of illustrating the financial effects on net tangible assets ("NTA") per share of the Group;

- (b) the Proposed Acquisition had been completed on 1 July 2019 for the purposes of illustrating the financial effects on the earnings per share ("**EPS**") of the Group; and
- (c) the NTA per Share and EPS per Share are computed based on 179,623,416 Shares in issue and the weighted average number of ordinary shares in issue of 121,164,712 Shares respectively, as at the date of this announcement.

7.2 NTA

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$'000)	4,410	4,410
NTA per Share (cents)	2.46	2.46

7.3 EPS

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profits after tax attributable to shareholders of the Company (S\$'000)	1,878	2,306
EPS (cents)	1.55	1.90

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 Proposed Acquisition other than through their respective shareholdings (if any) in the Company.

9. **SERVICE CONTRACTS**

No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

10. **DOCUMENT FOR INSPECTION**

A copy of each of the SPA and the Call & Put Option Deed is available for inspection at the registered office of the Company at 150 Orchard Road, #07-18 Orchard Plaza, Singapore 238841 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

30 November 2020

Singapore Paincare Holdings Limited (the "**Company**") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 30 July 2020. The initial public offering of the Company was sponsored by Novus Corporate Finance Pte. Ltd. (the "**Sponsor**").

This announcement has been prepared by the Company and reviewed by the Sponsor, in compliance with Rule 226(2)(b) of 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.

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