HC SURGICAL SPECIALISTS LIMITED
Incorporated in the Republic of Singapore
Registration No. 201533429G

PROPOSED ACQUISITION OF 51.0% OF THE ISSUED AND PAID-UP SHARE CAPITAL IN HMC MEDICAL 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 Dr. Chee Hsing Gary Andrew, Dr. Lee Peng Khow, Foo Wai Lin Catherine, Goh Hin Hwa Grace and Wong Yuen Lan (collectively the "**Vendors**") to acquire 51.0% of the total issued and paid-up share capital of HMC Medical Pte. Ltd. ("**HMC**") (the "**Sale Shares**") for a total purchase consideration of S$673,000 payable in cash ("**Purchase Consideration**") (the "**Proposed Acquisition**").

As at the date of this announcement, HMC has a paid-up share capital consisting of 1,000 ordinary shares of S$1 each. The Vendors holds 100% of the total issued shares in HMC. The Vendors are independent from the Company's Directors, Chief Executive Officer and controlling shareholders. Following the completion of the Proposed Acquisition, HMC will be a subsidiary of the Company. HMC was incorporated on 17 Aug 2005 in the Republic of Singapore and operates a general practitioner clinic**.**

Based on the unaudited management accounts of HMC for the twelve months ended 30 June 2017 ("**12M2017**"), the loss before tax of HMC was approximately S$161,000 and the net tangible liability and net liability value of HMC as at 30 June 2017 was S$146,000 due to a one-off GST expense of approximately S$187,000 which were incurred for financial periods up to December 2016 but recorded in 12M2017 ("**GST Expenses**"). The GST Expenses arose from HMC's omission to register for, and subsequent errors in its submissions of, GST under the relevant regulations in Singapore. Excluding this one-off GST Expenses, the profit before tax of HMC for 12M2017 would be approximately S$26,000 and the net tangible asset and net asset value of HMC as at 30 June 2017 would be approximately S$41,000.

2. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with the Group's promise to bring "quality healthcare to your doorstep". HMC currently operates a clinic at Upper Thomson Road, where the Group has no presence, thereby increasing the Group's reach and market share. 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.

HMC will continue to be helmed by Dr. Chee Hsing Gary Andrew and Dr. Lee Peng Khow (collectively, the "**GPs**") as general practitioners. The GPs are experienced doctors, each with 25 years of experience in primary healthcare. The addition of the GPs 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 the GPs and HMC. Following the completion of the Proposed Acquisition, Dr. Chee Hsing Gary Andrew and Dr. Lee Peng Khow will also remain as shareholders of HMC, each with an equity interest of 24.5%.

3. PRINCIPAL TERMS OF THE SPA

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

(a) the GPs and HMC entering into a service contract relating to the employment of the GPs as general practitioners;

(b) the appointment of Dr. Heah Sieu Min (the Company's Executive Director and Chief Executive Officer) and Dr. Chia Kok Hoong (the Company's Executive Director and Medical Director) to be nominated by the Company, as directors of HMC;

(c) the resignation of Foo Wai Lin Catherine and Goh Hin Hwa Grace as directors of HMC; and

(d) each of the Company and the Vendors 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 Option to Re-purchase

Under the terms of the SPA, the Company shall grant the GPs an option to re-purchase all, and not some, of the Sale Shares from the Company at S$2, for a period of 1 month after the date falling 42 months from the commencement of Employment (as defined below).

Such consideration for the re-purchase of the Sale Shares by the GPs from the Company was arrived at on a willing buyer, willing seller basis, taking into account certain restructuring plans which are envisaged for HMC following the completion of the Proposed Acquisition and the potential recoverability of the Purchase Consideration 42 months after the commencement of Employment.

4. THE EMPLOYMENT AND SALE SHARES PUT OPTION

4.1 The Employment

Under the terms of the SPA, the GPs will be employed by HMC as general practitioners, subject to the terms and conditions of their respective service agreements as set out in the SPA, and as part of their employment, they shall manage HMC (the "**Employment**").

Pursuant to the Employment, the GPs shall manage HMC for a minimum of a 3.5-year period, and the Employment will be automatically renewed annually thereafter.

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 GPs have further agreed to pay the Company certain sums in the event they are unable to continue with the Employment in situations such as ill health.

4.2 Sale Shares Put Option (the "Put Option")

Under the terms of the SPA, subject to completion of the Proposed Acquisition, the GPs shall grant the Company the right to require them to re-purchase the Sale Shares (the "**Sale Shares Put Option**") at certain purchase consideration, should the Employment be terminated (A) by the GPs for any reason other than their inability to work due to illness or incapacitation or death; and (B) for cause pursuant to the terms of the GPs' service agreements with HMC.

Should the Put Option be exercised, the GPs will be required to buy back the Sale Shares 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 of S$673,000 will be satisfied in full in the following manner: (i) S$73,000 cash payment to the Vendors upon the signing of the SPA; and (ii) S$600,000 cash payment to the Vendors upon completion of the Proposed Acquisition or such date to be agreed to by the Company and the Vendors.

The Purchase Consideration was arrived at on a willing buyer willing seller basis, taking into account the future potential of HMC and the synergistic benefits for 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.

6. IPO PROCEEDS

Subsequent to the Proposed Acquisition, the status on the use of the IPO net proceeds is as follows:

Use of IPO net proceeds	**Amount allocated (S$'000)**	**Amount allocated after Reallocation(1) (S$'000)**	**Amount utilised (S$'000)**	**Balance (S$'000)**
Expand business operations locally and regionally	2,800	4,000	(3,832)(2)	168
Expand surgical facilities	1,200	1,200	-	1,200
Working capital	2,180	980	-	980
Total	6,180	6,180	(3,832)	2,348

Notes:

(1) S$1.2 million of the IPO net proceeds initially allocated for the Group's working capital had been reallocated to expand the Group's business operations locally and regionally. Please refer to the Company's announcement on 1 June 2017 for further details.

(2) Utilised for the following:-
   (a) investment in joint venture – S$800,000;
   (b) acquisition of Julian Ong Endoscopy & Surgery Pte. Ltd. – S$1,569,100;
   (c) acquisition of Medical L & C Services Pte. Ltd. – S$790,160; and
   (d) acquisition of HMC – S$673,000.

7. RELATIVE FIGURES

Based on the Group's latest announced audited financial statements for the financial year ended 31 May 2017 ("**FY2017**"), the relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited Section B: Rules of Catalist ("**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)	**(A) Including IPO expenses**	**(B) Excluding IPO expenses**
The net profits attributable to the assets acquired(2), compared with the Group's net profits.	-5.34% (3)	-2.94% (4)
1006(c)		
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.	0.65% (5)	
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) 51% of the net loss attributable to HMC for 12M2017 of S$161,000 is approximately S$82,000.

(3) Based on 51% of the net loss attributable to HMC for 12M2017 and the net profits of the Group for FY2017 of S$1,537,000.

(4) Based on 51% of the net loss attributable to HMC for 12M2017 and the adjusted net profits of the Group for FY2017 (i.e., excluding the Company's IPO expenses in FY2017 of S$1,258,000) of S$2,795,000.

(5) Computed based on the Purchase Consideration of S$673,000 and the market capitalisation of the Company of approximately S$104,050,072, which is determined by multiplying the issued share capital, excluding treasury shares, of the Company of 149,175,730 shares with the volume weighted average price of such shares transacted on the date preceding the date of SPA of S$0.6975 per share.

The Company is of the view that the relative figure under Catalist Rule 1006(b), adjusted for the Company's IPO expenses, is more meaningful given that the IPO expenses are non-recurring.

However, if the Company's IPO expenses are to be included in the computation of net profits, the only relative figure which exceeds 5% but less than 75% is Catalist Rule 1006(b). The Company has therefore announced the Proposed Acquisition in accordance with the requirements for a "discloseable transaction" pursuant to the Catalist Rules.

The negative relative figure under Catalist Rule 1006(b) was due to HMC's unaudited loss before tax of S$161,000 in 12M2017. Such losses were due to the GST Expenses of S$187,000 which are one-off, as explained in Section 1 above. Excluding the one-off GST Expenses, HMC would have recorded a profit before tax of S$26,000 in 12M2017. Further, the Proposed Acquisition is not expected to have a significant adverse impact on the financial position and results of the Group and will not result in an adverse change in the risk profile of the Group. Accordingly, the negative ratio under Catalist Rule 1006(b) is not regarded as meaningful.

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:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA attributable to equity holders of the Company (S$'000)	10,409	9,585
Number of ordinary shares in issue (excluding treasury shares) ('000)	149,176	149,176
NTA per share (Singapore cents)	6.98	6.43

(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:

	Before the Proposed Acquisition	After the Proposed Acquisition
Profit attributable to equity holders of the Company (S$'000)	1,308	1,226
Number of ordinary shares in issue (excluding treasury shares) ('000)	149,176	149,176
EPS (Singapore cents)	0.88	0.82

Note: For comparative and illustrative purposes, the number of ordinary shares before and after the Proposed Acquisition used to derive both the Group's NTA per share and EPS were computed based on 149,175,730 ordinary shares (excluding treasury shares) of the Company 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

2 January 2018

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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