

## HC SURGICAL SPECIALISTS LIMITED

Incorporated in the Republic of Singapore

Registration No. 201533429G

---

### PROPOSED ISSUANCE OF A CONVERTIBLE BOND AND PROPOSED GRANT OF AN OPTION TO SUBSCRIBE FOR NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY

---

#### 1. INTRODUCTION

The Board of Directors (the "**Board**") of HC Surgical Specialists Limited (the "**Company**" and together with its subsidiaries and associated companies, the "**Group**") wishes to announce that the Company has, on 26 July 2019, entered into an investment agreement ("**Investment Agreement**") with Vanda 1 Investments Pte. Ltd. (the "**Investor**"), in relation to:-

- (a) the proposed issue by the Company of 5.5% convertible bonds to the Investor ("**Convertible Bond Issuance**") in the aggregate principal amount of S\$5,000,000 due 2022 ("**Convertible Bond**"), convertible in whole or in part into fully-paid ordinary shares in the capital of the Company ("**Conversion Shares**") at a conversion price of S\$0.5361 per Conversion Share ("**Conversion Price**"), which is subject to adjustments in accordance with the provisions of the Investment Agreement ("**Adjustment Events**"); and
- (b) the proposed grant by the Company of a share option ("**Option**") ("**Grant of Option**") to be exercised in whole or in part, carrying the right to subscribe for such number of ordinary shares in the capital of the Company ("**Option Shares**") for an aggregate consideration of S\$5,000,000 at the exercise price of S\$0.62 per Option Share ("**Option Price**"), which is subject to the Adjustment Events.

The Conversion Price represents a discount of 4.0% and the Option Price represents a premium of 11.0% over S\$0.5585, being the volume weighted average price for trades done on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 26 July 2019, which is the full market day for which trades were done immediately preceding the signing of the Investment Agreement.

Novus Corporate Finance Pte. Ltd. has acted as the financial adviser to the Company in respect of this investment.

#### 2. INFORMATION ON THE INVESTOR

The Investor is a Singapore-incorporated company, managed and controlled by Heliconia Capital Management Pte. Ltd. ("**Heliconia**"). Heliconia is an investment company incorporated in Singapore and a wholly-owned subsidiary of Temasek Holdings (Private) Limited ("**Temasek**"). Heliconia provides growth capital to Singapore's leading small and medium-sized enterprises to help them become globally competitive companies. Heliconia is an independently managed Temasek portfolio company. Temasek is not involved in Heliconia's business or operating decisions, including those regarding the transactions contemplated by the Investment Agreement.

The Investor is a strategic investor in the Company. As at the date hereof, the Investor and/or Heliconia is not related to any of the Directors, substantial shareholders of the Company or their respective associates. The Investor and/or Heliconia is not a restricted person under Rule 812(1) of the SGX-ST Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”). There is also no connection (including business relationships) between the Directors or substantial shareholders of the Company and the Investor and/or Heliconia, its directors and substantial shareholders. No person is proposed to be appointed to the Board in connection with the Investment Agreement.

As at the date of this announcement, the Investor and/or Heliconia does not have any shareholding interests in the Company. The Conversion Shares and the Option Shares, when issued, represent approximately 11.7% of the existing issued and fully-paid up ordinary shares (excluding treasury shares) (“**Shares**”) in the Company (“**Existing Shares**”), and would represent approximately 10.5% of the enlarged issued share capital (excluding treasury shares) of the Company after the issue and allotment of the Conversion Shares and the Option Shares (assuming the Investor fully converts the Convertible Bond and fully exercises the Option).

The allotment and issuance of the Conversion Shares and the Option Shares will not result in a transfer of controlling interest in the Company.

### 3. PRINCIPAL TERMS OF THE CONVERTIBLE BOND AND THE OPTION

Pursuant to the Investment Agreement, the principal terms of the Convertible Bond are summarised as follows:

Principal Sum	S\$5,000,000
Interest	5.5% p.a. payable annually in arrears
Status of the Convertible Bond	The Convertible Bond constitutes direct, unconditional and unsubordinated obligations of the Company. The payment obligations of the Company under the Convertible Bond shall, at all times, rank at least equally with all of the Company’s other present and future unsecured and unsubordinated obligations.
Title and Transfer	The Convertible Bond shall be issued in the name of the Investor.  Save for permitted transfers to the Investor's affiliates in accordance with the Investment Agreement, the Convertible Bond is non-transferrable and accordingly, the Investor shall not be entitled to sell, transfer, assign, dispose of, realise, create any encumbrance over or enter into any agreement that will directly or indirectly constitute or will be deemed as a disposal of all or any part of the Convertible Bond.
Conversion Right and Conversion Period	The right of the Investor to convert all or part of the outstanding principal amount (“ <b>Designated Principal Amount</b> ”) of the Convertible Bond (in whole or in single denominations of S\$1,000,000) (“ <b>Conversion Right</b> ”) may be exercised at any time, at the option of the Investor, from the Convertible Bonds Closing Date (as defined below) until the date falling three (3) years of the Convertible Bonds Closing Date.  The conversion of the Convertible Bond and the exercise of the Option are independent and mutually exclusive events.

Conversion Price	S\$0.5361 per Conversion Share, subject to adjustments pursuant to the Adjustment Events.
Adjustment Events	<p>The Conversion Price and number of Conversion Shares to be issued are subject to certain anti-dilution adjustments under certain circumstances provided for in the Investment Agreement, including, <i>inter alia</i>:</p> <p>(a) any consolidation, subdivision, or reclassification of Shares;</p> <p>(b) issue by the Company of Shares credited as fully-paid by way of capitalisation of profits or reserves; and</p> <p>(c) issuance of securities in specific events.</p> <p>The issue of, among others, the Option, the grant of any new options or awards pursuant to the Company's existing HCSS Performance Share Plan and HCSS Employee Share Option Scheme adopted on 28 September 2016, the issuance of Shares pursuant to arrangements with certain employees in connection with the Group's acquisition of business and any issuance of Shares at an issue price above the Conversion Price pursuant to future agreements in relation to the Group's acquisition of securities, assets or businesses, shall not result in any adjustments.</p>
Conversion Shares and Status	<p>The number of Conversion Shares (rounded down to the nearest whole number) to be issued on any conversion of the whole or part of the Convertible Bond shall be determined as follows:</p> $\text{Number of Conversion Shares (rounded down to the nearest whole number)} = \frac{\text{Designated Principal Amount}}{\text{Conversion Price}}$ <p>Assuming that there are no Adjustment Events which will result in adjustments to the Conversion Price and that the Conversion Right is fully exercised in respect of the entire principal amount of the Convertible Bond, the maximum number of Conversion Shares of 9,326,618 Shares, when allotted and issued, will represent approximately 6.3% of the Existing Shares, 5.9% of the enlarged share capital of 158,132,348 Shares, after the full conversion of the Convertible Bond, and approximately 5.6% of the enlarged share capital of 166,196,864 Shares assuming the full conversion of the Convertible Bond and the full exercise of the Option.</p> <p>The Conversion Shares, when issued, will be duly authorised, validly issued and fully-paid Shares, which are free from encumbrances and will rank <i>pari passu</i> in all respects with the then existing Shares of the Company, save that they will not rank for any dividends, rights, allotments or other distributions, the record date of which falls before the date of issue of the Conversion Shares.</p>
Maturity and redemption	The maturity date of the Convertible Bond shall be the date falling three (3) years of the Convertible Bonds Closing Date (" <b>Bond Maturity Date</b> ").

	<p>The Company may not redeem the Convertible Bond at its option prior to the Bond Maturity Date.</p> <p>In the event (a) that any entity within the Group or any of its medical staff are deemed to be liable in any suit, proceeding or similar action that could result in a material adverse effect on the financial condition, earnings, reputation or assets of the Company, or (b) of a delisting of the Shares from the SGX-ST, or where the Shares are suspended for a period of 45 trading days or more on the SGX-ST, the Investor will have the right to require the Company to redeem all of the Bonds at a redemption amount equal to 116.5% of the principal amount of the Bonds less the aggregate amount of interest previously paid on the Bonds.</p>
Conditions precedent to the Convertible Bond Issuance	<p>The issue of the Convertible Bond shall be conditional upon, <i>inter alia</i>, the following:-</p> <p>(a) the approval of the shareholders of the Company for the issue of the Convertible Bond, the Option, the Conversion Shares and the Option Shares being obtained (including a general mandate obtained from such shareholders), and such shareholders' approval remaining in full force and effect and not having been revoked or varied; and</p> <p>(b) the approval in-principle from the SGX-ST for the listing and quotation of the Conversion Shares and Option Shares on Catalist having been obtained and such approval being in full force and effect as at the Convertible Bonds Closing Date, and not having been revoked or varied, and where such approval is subject to conditions, such conditions being reasonably acceptable to the parties, and to the extent that any such conditions are required to be fulfilled on or before the Convertible Bonds Closing Date, such conditions having been fulfilled or waived by the SGX-ST.</p>
Convertible Bonds Closing Date	<p>The later of (a) the date falling six weeks from the date of the Investment Agreement, and (b) the date falling seven business days after the written notification from the Company to the Investor of the receipt of the approval in-principle from the SGX-ST for the listing and quotation of the Conversion Shares and the Option Shares, or such other date as may be agreed to in writing between the Investor and the Company.</p>
Long-Stop Date	<p>If any of the conditions precedent to the Convertible Bond Issuance is not satisfied or waived (as the case may be) before the date falling two (2) months from the date of the Investment Agreement (or such other date as the parties may agree in writing), the Investment Agreement shall terminate.</p>
Governing Law	<p>Singapore law</p>

Pursuant to the Investment Agreement, the principal terms of the Option are summarised as follows:-

Option Shares Consideration	S\$5,000,000
Title and Transfer	<p>The Option is granted in the name of the Investor.</p> <p>Save for permitted transfers to the Investor's affiliates in accordance with the Investment Agreement, the Option is non-transferable, and accordingly, the Investor shall not be entitled to sell, transfer, assign, dispose of, realise, create any encumbrance over or enter into any agreement that will directly or indirectly constitute or will be deemed as a disposal of all or any part of the Option.</p>
Exercise Right of Option	<p>The Option may be exercised in whole or in part at any time from the period commencing on the Convertible Bonds Closing Date and expiring on the third anniversary of the Convertible Bonds Closing Date (both dates inclusive), provided that the relevant portion of the Option Shares Consideration payable by an Investor at each completion of the Investor's subscription of the Option Shares ("<b>Designated Option Shares Consideration</b>") shall be in integral multiples of S\$1,000,000.</p> <p>The conversion of the Convertible Bond and the exercise of the Option are independent and mutually exclusive events.</p>
Option Price	S\$0.62 per Option Share, subject to adjustments pursuant to the Adjustment Events.
Adjustment Events	<p>The Exercise Price and number of Option Shares to be issued are subject to certain anti-dilution adjustments under certain circumstances provided for in the Investment Agreement, including, <i>inter alia</i>:-</p> <ul style="list-style-type: none"> <li>(a) any consolidation, subdivision, or reclassification of Shares;</li> <li>(b) issue by the Company of Shares credited as fully-paid by way of capitalisation of profits or reserves; and</li> <li>(c) issuance of securities in specific events.</li> </ul> <p>The issue of, among others, the Convertible Bond, the grant of any new options or awards pursuant to the Company's existing HCSS Performance Share Plan and HCSS Employee Share Option Scheme adopted on 28 September 2016, the issuance of Shares pursuant to arrangements with certain employees in connection with the Group's acquisition of business, and any issuance of Shares at an issue price above the Conversion Price pursuant to future agreements in relation to the Group's acquisition of securities, assets or businesses, shall not result in any adjustments.</p>
Aggregate Gross Proceeds (assuming that the Option is fully exercised)	S\$5,000,000

<p>Number of Option Shares and Status</p>	<p>The number of Option Shares to be issued pursuant to any exercise of the Option in whole or in part (rounded down to the nearest whole number) shall be calculated in accordance with the following formula:</p> $\text{Number of Option Shares (rounded down to the nearest whole number)} = \frac{\text{Designated Option Shares Consideration}}{\text{Option Price}}$ <p>Assuming that there are no adjustments to the Option Price pursuant to Adjustment Events and that the Option is exercised in full by the Investor, the maximum number of Option Shares of 8,064,516 Shares, when allotted and issued, will represent approximately 5.4% of the Existing Shares, 5.1% of the enlarged share capital of 156,870,246 Shares assuming full exercise of the Option, and 4.9% of the enlarged share capital of 166,196,864 Shares assuming the full conversion of the Convertible Bond and the full exercise of the Option.</p> <p>The Option Shares, when issued, will be duly authorised, validly issued and fully-paid Shares, which are free from encumbrances and will rank <i>pari passu</i> in all respects with the then existing Shares of the Company, save that they will not rank for any dividends, rights, allotments or other distributions, the record date of which falls before the date of issue of the Option Shares.</p>
<p>Conditions precedent to the Exercise of the Option</p>	<p>The issue of the Option Shares pursuant to the exercise of the Option shall be conditional upon, <i>inter alia</i>, the following:-</p> <ul style="list-style-type: none"> <li>(a) the approval of the shareholders of the Company for grant of the Convertible Bond, the Option and the issue of the Conversion Shares and Option Shares being obtained (including a general mandate obtained from such shareholders), and such shareholders' approval remaining in full force and effect and not having been revoked or varied; and</li> <li>(b) the approval in-principle from the SGX-ST for the listing and quotation of the Conversion Shares and Option Shares on Catalist having been obtained and such approval being in full force and effect as at the Convertible Bonds Closing Date, and not having been revoked or varied, and where such approval is subject to conditions, such conditions being reasonably acceptable to the parties, and to the extent that any such conditions are required to be fulfilled on or before the Convertible Bonds Closing Date, such conditions having been fulfilled or waived by the SGX-ST.</li> </ul>

#### 4. RATIONALE

The Company identified Heliconia as a placee through its strategic business networks. Heliconia, through the funds it manages, provides growth capital to Singapore's leading enterprises to help them become globally competitive companies. With Heliconia's strategic networks, both locally and overseas, the Group believes that this new alliance and financing will help to strengthen our presence in the healthcare industry through acquisitions and potential overseas expansion.

#### 5. USE OF PROCEEDS

The estimated net proceeds, after deducting estimated expenses, from the issue and subscription of the Convertible Bond and assuming the full exercise of the Option, will be an aggregate amount of approximately S\$9,969,000 ("**Net Proceeds**"). The Group, after taking into account its working capital position, intends to apply 100% of the Net Proceeds to finance the Group's business expansion and to grow the existing business. The Company intends to extend its regional presence with this capital raising exercise with a keen interest in expansion into Vietnam. With Heliconia's investment, the Company hopes to tap on Heliconia's network in Vietnam to expand its presence in the country's fast-growing healthcare market.

Pending the deployment of the Net Proceeds, the Group may place the Net Proceeds in fixed deposits with banks or other financial institutions or use the Net Proceeds for investment in short-term money market instruments, as the Directors may deem fit.

The Company will make periodic announcements on the use of the Net Proceeds as and when such proceeds are materially disbursed in accordance with Catalist Rule 704(30).

#### 6. AUTHORITY TO ISSUE THE CONVERSION SHARES AND THE OPTION SHARES

The Conversion Shares and the Option Shares will be issued pursuant to the general mandate ("**Share Issue Mandate**") approved by the shareholders of the Company ("**Shareholders**") at the Annual General Meeting held on 27 September 2018.

The Share Issue Mandate authorises the Directors to allot and issue new Shares and/or convertible securities of not more than 100% of the total number of issued share capital of 149,175,730 Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company as at the date of the Share Issue Mandate, of which the aggregate number of Shares to be issued other than on a *pro rata* basis to existing shareholders shall not be more than 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the Share Issue Mandate.

No Shares were previously issued under the Share Issue Mandate prior to the date of the Investment Agreement and as such, the total number of Shares that may be issued pursuant to the Share Issue Mandate is 149,175,730 Shares, of which the number of Shares to be issued other than on a *pro rata* basis is 74,587,865 Shares.

Assuming (1) the Convertible Bond is fully converted, (2) the Option is fully exercised, by the Investor in accordance with the terms of the Investment Agreement, and (3) there are no Adjustment Events, based on the Conversion Price of S\$0.5361 and the Option Price of S\$0.62, up to an aggregate of 17,391,134 new Shares (comprising 9,326,618 Conversion Shares and 8,064,516 Option Shares) will be issued, and accordingly, the proposed issuance and allotment of the Conversion Shares and the Option Shares is within the limits of the Share Issue Mandate. Accordingly, specific shareholder approval from Shareholders for the issuance and allotment of the Conversion Shares and the Option Shares is not required.

## **7. NO PROSPECTUS OR OFFER INFORMATION STATEMENT**

The Convertible Bond Issuance and the Grant of Option (and the issuance and allotment of the Conversion Shares and the Option Shares) will be undertaken by way of a private placement pursuant to the exemption of Section 272B of the Securities and Futures Act (Chapter 289) of Singapore. As such, no prospectus or offer information statement will be issued by the Company and/or lodged with the SGX-ST in connection therewith.

## **8. APPROVALS**

The Company, through its sponsor, PrimePartners Corporate Finance Pte. Ltd., will be making an application to the SGX-ST for the listing and quotation of the Conversion Shares and the Option Shares on Catalist. The Company will make the necessary announcements once the listing and quotation notice in respect of the Conversion Shares and the Option Shares has been obtained.

## **9. DIRECTORS' OPINION**

The Directors are of the opinion that after taking into consideration the Group's present banking facilities, the working capital available to the Group is sufficient to meet its present requirements. Nonetheless, the Company has decided to enter into the Investment Agreement for strategic reasons as set out in paragraph 4 above

## **10. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

None of the Directors or the controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the above transactions, other than through their respective directorships and/or shareholdings in the Company.

## **11. CAUTIONARY STATEMENT**

Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully. Shareholders of the Company are advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, Shareholders of the Company should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

By Order of the Board

Dr. Heah Sieu Min  
Executive Director and Chief Executive Officer

29 July 2019



## **About HC Surgical Specialists Limited**

HC Surgical Specialists Limited (the “Company”) was incorporated on 1 September 2015 in Singapore and listed on Catalist of the Singapore Exchange Securities Trading Limited on 3 November 2016. The Company and its subsidiaries are a medical services group primarily engaged in the provision of endoscopic procedures, including gastroscopies and colonoscopies, and general surgery services with a focus on colorectal procedures across a network of 16 clinics located throughout Singapore.

---

This announcement has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, PrimePartners Corporate Finance Pte. Ltd. (the “Sponsor”) in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by the SGX-ST. 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.

The contact person for the Sponsor is Ms. Ling Yuet Shan, Manager, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and Email: [sponsorship@ppcf.com.sg](mailto:sponsorship@ppcf.com.sg)).