

PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF INDAH SPECIALIST EYE CENTRE SDN. BHD.

1. INTRODUCTION

The Board of Directors of ISEC Healthcare Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that its wholly-owned subsidiary, ISEC Sdn. Bhd. (the "**Purchaser**"), has entered into a conditional sale and purchase agreement dated 7 January 2020 ("**SPA**") with Lee Peng Hwa ("**LPH**"), Woi You Wan ("**WYW**"), Lim Siew Geok ("**LSG**"), Loh Swee Seng ("**LSS**"), Siow Yun Ching ("**SYC**") and Tan Siow Wei ("**TSW**") (collectively, the "**Vendors**"), in relation to the acquisition by the Purchaser of the entire issued and paid-up share capital of Indah Specialist Eye Centre Sdn. Bhd. ("**Indah Specialist**") from the Vendors ("**Sale Shares**"), for an aggregate consideration of RM37,360,000 (equivalent to approximately S\$12,289,474¹) ("**Consideration**"), subject to adjustment following Completion (as defined below) if there are any Pre-Completion Losses (as defined below) ("**Proposed Acquisition**").

2. INFORMATION ON INDAH SPECIALIST AND THE VENDORS

2.1 Indah Specialist is incorporated in Malaysia on 9 February 2012 and has an issued and paid-up share capital of RM1,000 consisting of 1,000 ordinary shares. The Vendors are the legal and beneficial owners of the entire issued and paid-up share capital in Indah Specialist.

Indah Specialist is in the business of operating a multiple sub-specialist eye centre in Johor Bahru, Malaysia.

Indah Specialist's audited net asset value and net tangible assets ("**NTA**") as at 30 June 2019 is RM6,051,886 and its audited net profits (before income tax, minority interests and extraordinary items) for the financial year ended 30 June 2019 is RM3,999,654.

2.2 Each of LSS, SYC and TSW is a medical doctor employed by Indah Specialist and is currently practising at Indah Specialist.

2.3 The Vendors are business partners and are not related to any of the Company's directors, controlling shareholders of the Company ("**Shareholders**") or their respective associates. As at the date of this announcement, save that LPH has an interest (directly or indirectly) in 80,000 ordinary shares in the capital of the Company ("**Shares**"), none of the Vendors hold any Shares directly or indirectly.

3. THE PROPOSED ACQUISITION

3.1 Consideration

The Consideration for the Sale Shares was arrived at on a willing-buyer, willing-seller basis, based on approximately a multiple of 13 times of Indah Specialist's adjusted and normalised profit after tax based on its audited accounts for the period between 1 July 2018 to 30 June 2019 and on the basis that (a) Indah Specialist's NTA as at 30 September 2019 shall be no less than RM2,240,000; (b) the Vendors shall not be entitled to any dividends arising from earnings of

¹ Unless otherwise indicated, the RM amounts in this announcement have been translated into S\$ amounts based on an exchange rate (middle rate) of S\$1 : RM3.04 as published on Bank Negara Malaysia's website as at 5 p.m. on 6 January 2020.

Indah Specialist between the period from 1 October 2019 until Completion; and (c) if the Company incurs losses between the period from 1 October 2019 until Completion (“**Pre-Completion Losses**”), the Vendors shall refund to the Purchaser an amount equivalent to the Pre-Completion Losses. In connection with paragraph 3.1(a), Indah Specialist’s NTA as at 30 September 2019 will be subject to special audit prior to Completion.

The Consideration of RM37,360,000 will be satisfied in the following manner and as set out in the table below:

- (a) RM17,932,800 of the Consideration (“**Cash Portion**”) shall be payable in cash in the following manner and as set out in the table below:
- (i) on completion of the Proposed Acquisition (“**Completion**”), the Purchaser shall pay RM2,689,920 to LPH, RM2,689,920 to WYW and RM5,379,840 to LSG (being 60% of the Cash Portion);
 - (ii) within 12 months after the date of Completion, the Purchaser shall pay RM1,344,960 to LPH, RM1,344,960 to WYW and RM2,689,920 to LSG (being 30% of the Cash Portion); and
 - (iii) within 24 months after the date of Completion, the Purchaser shall pay RM448,320 to LPH, RM448,320 to WYW and RM896,640 to LSG (being 10% of the Cash Portion); and
- (b) RM19,427,200 of the Consideration shall be satisfied by way of allotment and issue of an aggregate 17,950,913 new Shares (“**Consideration Shares**”) to the Vendors on the date of Completion at the Issue Price (as defined below) as set out in the table below.

Name of Vendor	No. of Sale Shares & % of total issued and paid up share capital of Indah Specialist	Purchase Consideration entitlement (RM)	Cash Portion	No. of Consideration Shares to be issued and allotted		Total No. of Shares held in the enlarged share capital in the Company ²
				No. of Consideration Shares to be represented by physical share scrips	No. of Consideration Shares to be represented by scripless shares	
LPH	200 (20%)	7,472,000	4,483,200	2,209,343	552,336	2,761,679 (0.50%)
WYW	200 (20%)	7,472,000	4,483,200	2,209,343	552,336	2,761,679 (0.50%)
LSG	400 (40%)	14,944,000	8,966,400	4,418,687	1,104,671	5,523,358 (1.00%)
LSS	75 (7.5%)	2,802,000	-	2,071,259	517,815	2,589,074 (0.47%)
SYC	75 (7.5%)	2,802,000	-	2,071,259	517,815	2,589,074 (0.47%)
TSW	50 (5%)	1,868,000	-	1,380,839	345,210	1,726,049 (0.31%)
TOTAL	1,000 (100%)	37,360,000	17,932,800	14,360,730	3,590,183	17,950,913 (3.26%)

² References in this announcement to the total number of issued Shares and the enlarged total number of issued Shares are to a total of 532,348,544 Shares in issue (excluding treasury Shares) as at the date of this announcement and 550,299,457 Shares in issue (excluding treasury Shares and taking into account the issue of the Consideration Shares pursuant to the SPA), respectively, unless the context otherwise requires.

3.2 Consideration Shares

The issue price for each Consideration Share is S\$0.356 (equivalent to approximately RM1.08) ("**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 30 trading days immediately prior to the date of the SPA (excluding the date of the SPA) ("**VWAP**"), provided that the Issue Price shall be S\$0.360 if the VWAP exceeds S\$0.360. As the Consideration Shares are allotted and issued to satisfy the Consideration, it will not result in any new cash proceeds for the Company.

The Consideration Shares, when allotted and issued, shall be free from all claims, pledges, mortgages, charges, liens and encumbrances and shall rank in all respects *pari passu* with the then existing Shares, save for any dividends that may be paid at any time between the date of Completion and the date occurring six (6) months after the date of Completion (both dates inclusive).

The Consideration Shares will represent approximately 3.37% of the total number of issued Shares as at the date of this announcement and approximately 3.26% of the enlarged total number of issued Shares, assuming no new Shares are issued by the Company between the date of this announcement and the date of Completion (both dates inclusive).

3.3 Moratorium on the Consideration Shares

Each of the Vendors has undertaken to the Purchaser not to, during the 5-year period commencing from the date of Completion ("**Moratorium Period**"), sell, transfer, assign, charge or howsoever deal with 80% of the Consideration Shares issued to each of the Vendors ("**Moratorium Shares**"), and at the end of every 12-month period (first period commencing from the date of Completion), 20% of the total Moratorium Shares will be released from the moratorium until no more Consideration Shares are subject to such moratorium.

3.4 Conditions Precedent

Completion is subject to certain conditions precedent being satisfied or waived in accordance with the SPA, including, *inter alia*, the following:

- (a) if required, the approval of the Shareholders in respect of the allotment and issue of the Consideration Shares in connection with the Proposed Acquisition; and
- (b) the approval of the SGX-ST being obtained in respect of the listing and quotation of all the Consideration Shares.

3.5 Entry into new employment agreements and termination of existing ones

Pursuant to the terms of the SPA, on the date of Completion, each of LSS, SYC and TSW will terminate his/her existing contract of employment with Indah Specialist. LSS will enter into a new employment agreement with Indah Specialist for a fixed term of two (2) years commencing from the date of Completion with an option to renew for a further one (1) year. Each of SYC and TSW will enter into a new employment agreement with Indah Specialist for a fixed term of five (5) years commencing from the date of Completion.

4. RATIONALE FOR THE PROPOSED ACQUISITION

Indah Specialist has maintained a stable increase in income stream and profit track record for the last three financial years. Indah Specialist recorded approximately RM3,999,654 in audited profits (before income tax, minority interests and extraordinary items) for the financial year ended 30 June 2019 (compared to approximately RM2,504,232 for the financial year ended 30 June 2018).

Indah Specialist is expected to provide the Group with a growing stream of recurring income and cash flow in Johor Bahru where the demand for specialised and quality medical eye care services is expected to increase.

The Group considers partial settlement of the Consideration by way of the allotment and issue of Consideration Shares to be advantageous to the Group given that it would conserve the Group's cash reserves. In addition, such partial settlement in the form of equity will align the interests of each of LSS, SYC and TSW with the Group and is in the long-term interest of the Group.

5. RELATIVE FIGURES UNDER CHAPTER 10 OF THE CATALIST RULES

The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the 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. This basis is not applicable to an acquisition of assets	Not Applicable. This is an acquisition of assets.
(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profit ⁽¹⁾	13.71% ⁽²⁾
(c)	The aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued shares in the share capital of the Company (excluding treasury shares)	6.41% ⁽³⁾
(d)	The number of equity securities issued by the Company as consideration for the Proposed Acquisition, compared with the number of equity securities previously in issue	3.37% ⁽⁴⁾
(e)	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 assets by a mineral, oil and gas company, but not to an acquisition of such assets	Not Applicable. The Company is not a mineral, oil or gas company.

Notes:

- (1) "Net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (2) Computed based on the adjusted and normalised net profits attributable to the Sale Shares of approximately RM3,823,654 (equivalent to S\$1,257,781) for the financial year ended 30 June 2019 and the annualised net profits attributable to the Group of S\$9,173,333 based on the Group's latest announced financial statements for the third quarter ended 30 September 2019.
- (3) Computed based on the Consideration of RM37,360,000 (equivalent to S\$12,289,474) and the Company's market capitalisation of S\$191,645,476 as at 3 January 2020 (being the last market day on which the Shares were traded preceding the date of the SPA). The market capitalisation of the Company is determined by multiplying the number of Shares in issue (being 532,348,544 Shares, excluding treasury Shares) by the weighted average price of S\$0.360 of such Shares transacted on 3 January 2020 (being the last market day on which the Shares were traded preceding the date of the SPA), which is higher than the Group's net asset value per Share of S\$0.12 as at 30 September 2019.
- (4) Computed based on the aggregate of 17,950,913 Consideration Shares and the total of 532,348,544 (excluding treasury Shares) in issue as at the date of the SPA.

As the relative figures computed on the applicable bases as set out in Rule 1006 of the Catalist Rules exceed 5%, the Proposed Acquisition is a "Discloseable Transaction" for the purposes of Chapter 10 of the Catalist Rules. In addition, as the Consideration is partially satisfied in Consideration Shares, the Proposed Acquisition is being announced under Rule 1009 of the Catalist Rules.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

For illustrative purposes only, the financial effects of the Proposed Acquisition set out below were prepared based on (i) the latest announced consolidated accounts of the Group for the financial year ended 31 December 2018 (“**FY2018**”) and (ii) the latest announced consolidated accounts of the Group for FY2018 after excluding treasury Shares and including new Shares issued for the acquisition of non-controlling interest in ISEC (Penang) Sdn. Bhd. as announced by the Company on 2 April 2019 (“**ISEC Penang Acquisition**”), subject to the following assumptions:

- (a) the computations are purely for illustrative purposes only and do not reflect the actual financial result and the financial position of the Company and/or the Group after the Proposed Acquisition;
- (b) for purposes of computing the effect of the NTA per Share of the Group, it is assumed that the Proposed Acquisition was completed on 31 December 2018;
- (c) for purposes of computing the effect of the Proposed Acquisition on the earnings per Share (“**EPS**”), it is assumed that the Proposed Acquisition was completed on 1 January 2018; and
- (d) the expenses in connection with the Proposed Acquisition have been excluded.

6.1 NTA

	As at 31 December 2018	
	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$)	28,675,000 ⁽¹⁾	23,512,895 ⁽²⁾
Number of Shares (excluding treasury Shares)	532,348,544 ⁽³⁾	550,299,457
NTA per Share (In Singapore cents)	5.39	4.27

Notes:

- (1) Before the Proposed Acquisition, based on the latest announced consolidated accounts of the Group for FY2018.
- (2) After the Proposed Acquisition, based on the latest announced consolidated accounts of the Group for FY2018, adjusted for the minimum NTA of RM2,240,000 (equivalent to S\$736,842) to be retained by Indah Specialist on Completion and excluded the Cash Portion of RM17,932,800 (equivalent to S\$5,898,947).
- (3) Before the Proposed Acquisition, based on the latest announced consolidated accounts of the Group for FY2018 after excluding treasury Shares and including new Shares issued for the ISEC Penang Acquisition.

6.2 EPS

	FY2018	
	Before the Proposed Acquisition	After the Proposed Acquisition
Profit after tax attributable to Shareholders (S\$'000)	8,407,000 ⁽¹⁾	9,352,449
Weighted average no. of Shares (excluding treasury Shares)	525,959,425 ⁽²⁾	543,910,338
Basic EPS (in Singapore cents)	1.60	1.72

Notes:

- (1) Before the Proposed Acquisition, based on the latest announced consolidated accounts of the Group for FY2018.
- (2) Before the Proposed Acquisition, based on the latest announced consolidated accounts of the Group for FY2018 after excluding treasury Shares and including new Shares issued for the ISEC Penang Acquisition.

7. FURTHER INFORMATION RELATING TO THE ISSUE OF CONSIDERATION SHARES

7.1 2019 General Share Issue Mandate

The allotment and issue of the Consideration Shares is pursuant to the authority under the general share issue mandate of the Company granted by the Shareholders at the annual general meeting of the Company held on 24 April 2019 (“**AGM**”) pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and Rule 806 of the Catalist Rules (“**General Mandate**”).

The General Mandate authorises the Directors to allot and issue not more than 516,709,269 Shares, being 100% of the total number of issued Shares (excluding treasury Shares) as at the date of the AGM, of which the aggregate number of Shares that may be issued other than on a pro-rata basis to existing Shareholders must not be more than 258,354,634 Shares, being 50% of the total number of issued Shares (excluding treasury Shares) as at the date of the AGM.

No Shares were previously issued under the General Mandate prior to the date of this announcement. Accordingly, the allotment and issue of 17,950,913 Consideration Shares falls within the limits of the General Mandate.

7.2 Additional Listing Application

An application to the SGX-ST will be made by the Company through its sponsor, PrimePartners Corporate Finance Pte. Ltd., for the listing of and quotation for the Consideration Shares on Catalist. The Company will make the necessary announcement in due course upon receipt of the listing and quotation notice from the SGX-ST.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or the substantial Shareholders of the Company has an interest, direct or indirect, in the Proposed Acquisition, other than through their respective shareholding interests, direct or indirect, in the Company.

9. NO SERVICE CONTRACT

No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition.

10. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA will be made available for inspection by the Shareholders at the registered office of the Company at 101 Thomson Road, #09-04 United Square, Singapore 307591 during normal business hours for three (3) months from the date of this announcement.

Dr. Wong Jun Shyan
Executive Director and Chief Executive Officer
7 January 2020

*This announcement has been prepared by the Company and its contents have been reviewed by 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 information, statements or opinions made or reports contained in this announcement.

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