

PROPOSED ACQUISITION OF THE REMAINING 49% OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF ISEC (PENANG) SDN. BHD.

1. INTRODUCTION

The Board of Directors of ISEC Healthcare Ltd. ("**Company**", and together with its subsidiaries, "**Group**") wishes to announce that its wholly-owned subsidiary, ISEC Sdn. Bhd. ("**Purchaser**"), has entered into a conditional sale and purchase agreement dated 2 April 2019 ("**SPA**") with:

- (a) Pearl Eye Specialists Sdn. Bhd. ("**Pearl Eye**");
- (b) Dr Alan Ang Jin Soon ("**Dr Ang**"), Dr Ung Chuin Tsiang ("**Dr Tsiang**") (as shareholders of Pearl Eye) ("**Pearl Eye Shareholders**"); and
- (c) Dr Adrian Tey Puat Kean ("**Dr Tey**", and together with Pearl Eye, "**Vendors**"),

in relation to the acquisition by the Purchaser of the remaining 49% of the entire issued and paid-up share capital of ISEC (Penang) Sdn. Bhd. ("**ISEC Penang**") from the Vendors ("**Sale Shares**"), for an aggregate consideration of RM13,651,524 (equivalent to approximately S\$4,535,390⁽¹⁾), subject to certain adjustments as agreed between the parties ("**Consideration**") ("**Proposed Acquisition**").

ISEC Sdn. Bhd. currently holds 51% of the issued and paid-up share capital of ISEC Penang. Following completion of the Proposed Acquisition ("**Completion**"), ISEC Penang will be an indirectly wholly-owned subsidiary of the Company.

2. INFORMATION ON ISEC PENANG AND THE VENDORS

- 2.1** ISEC Penang is incorporated in Malaysia on 29 February 2012 and has an issued and paid-up share capital of RM2,000,000 consisting of 2,000,000 ordinary shares. ISEC Penang is an indirect subsidiary of the Company, with the Purchaser holding 1,020,000 ordinary shares in ISEC Penang, representing 51% of the total number of shares in ISEC Penang. The Vendors are the legal and beneficial owners of 980,000 ordinary shares in ISEC Penang, representing 49% of the total number of shares in ISEC Penang.

ISEC Penang is principally engaged in the business of operating specialist eye clinics in Penang.

ISEC Penang's audited net asset value and net tangible assets ("**NTA**") as at 31 December 2018 is RM3,655,671 and its audited profits (before income tax, minority interests and extraordinary items) for the financial year ended 31 December 2018 ("**FY2018**") is RM2,884,757.

- 2.2** Pearl Eye is incorporated in Malaysia and is principally engaged in the business of Investment Holding. The Pearl Eye Shareholders are Dr Ang and Dr Tsiang, each holding a 50% equity interest in Pearl Eye.
- 2.3** Dr Tey is a medical doctor employed by ISEC Penang and is currently practising at International Specialist Eye Centre, Penang.

(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 : RM3.01 as published on Bank Negara Malaysia's website as at 5 p.m. on 1 April 2019.

- 2.4 The Vendors 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, none of the Vendors and Pearl Eye Shareholders hold any ordinary shares in the capital of the Company ("**Shares**") directly or indirectly, save that Dr Ang holds 30,000 Shares.

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 12.43 times of the audited profit after tax of ISEC Penang for FY2018 and after taking into account the historical performance and business prospects of ISEC Penang.

The Consideration will be satisfied by way of allotment and issue of an aggregate 15,639,275 new Shares ("**Consideration Shares**") to the Pearl Eye Shareholders and Dr Tey on the date of Completion at the Issue Price (as defined below) and based on the proportion of the Sale Shares held by each Vendor:

Vendor	No. of Sale Shares (% of total issued and paid-up share capital in ISEC Penang)	Consideration entitlement	Recipient of Consideration Shares	No. of Consideration Shares (% of enlarged share capital in the Company) ⁽²⁾⁽³⁾	Total No. of Shares held after the Proposed Acquisition (% of enlarged share capital in the Company) ⁽²⁾
Pearl Eye	680,000 (34%)	RM9,472,486	Dr Ang	5,425,871 (1.02%)	5,455,871 (1.02%)
			Dr Tsiang	5,425,871 (1.02%)	5,425,871 (1.02%)
Dr Tey	300,000 (15%)	RM4,179,038	Dr Tey	4,787,533 (0.90%)	4,787,533 (0.90%)
TOTAL	980,000 (49%)	RM13,651,524		15,639,275 (2.94%)	

3.2 Consideration Shares

The issue price for each Consideration Share is S\$0.29 (equivalent to approximately RM0.87) ("**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 days immediately prior to the date of the SPA (excluding the date of the SPA). As the Consideration Shares are allotted and issued to satisfy the Consideration, it will not result in any new cash proceeds for the Company.

(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 516,709,269 Shares in issue (excluding treasury shares) as at the date of this announcement and 532,348,544 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) Any discrepancy in the figures included in this announcement between the amounts listed and the total thereof is due to rounding. Accordingly, the figures shown as totals in this announcement may not be an arithmetic aggregation of the figures that precede them.

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 (other than the Permitted ISECH Dividends) that may be declared or paid, the record date for which falls on or before the date occurring three (3) months after the date of the SPA. For this purpose, the "**Permitted ISECH Dividends**" means the dividends announced by the Company on 26 February 2019 towards the Consideration Shares in the sum of S\$275,251.

The Consideration Shares will represent approximately 3.03% of the total number of issued Shares as at the date of this announcement and approximately 2.94% 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 Dr Tey and the Pearl Eye Shareholders 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 70% of the Consideration Shares issued to them ("**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 Dr Tey, Dr Ang and Dr Tsiang will terminate his/her existing contract of employment with ISEC Penang and enter into a new employment agreement with ISEC Penang for a fixed term of 5 years commencing from the date of Completion.

4. RATIONALE FOR THE PROPOSED ACQUISITION

The Group held 66% of the total issued and paid-up share capital in ISEC Penang since its incorporation in 2012 and had in 2016 completed a transfer of 15% stake in ISEC Penang to one of the Vendors, Dr Tey, such stake constituting his Sale Shares under the Proposed Acquisition. ISEC Penang's performance improved steadily, maintaining a stable increase in income stream and profit track record for the last four (4) financial years. ISEC Penang recorded approximately RM2.88 million in audited profits (before income tax, minority interests and extraordinary items) for FY2018 (compared to approximately RM1.56 million in 2017).

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

The Proposed Acquisition will result in the Purchaser increasing its shareholding in ISEC Penang from 51% to 100% thus enabling the Group to enjoy and consolidate in full the future earnings from ISEC Penang.

The Group considers 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 settlement in the form of equity will align the interests of the Pearl Eye Shareholders and Dr Tey 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⁾	4.20% ⁽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)	2.83% ⁽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	3.03% ⁽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" is defined as profit or loss before income tax, minority interests and extraordinary items.
- (2) Computed based on the net profits attributable to the Sale Shares of approximately RM1,413,531 (equivalent to S\$469,612) based on the audited accounts of ISEC Penang for FY2018 and the net profits attributable of the Group of S\$11,193,000 based on the Group's latest announced financial statements for FY2018.
- (3) Computed based on the Consideration of RM13,651,524 (equivalent to S\$4,535,390) and the Company's market capitalisation of S\$160,179,873 as at 1 April 2019 (being the market day preceding the date of the SPA). The market capitalisation of the Company is determined by multiplying the number of Shares in issue (being 516,709,269 Shares, excluding treasury shares) by the weighted average price of S\$0.31 of such Shares transacted on 1 April 2019 (being the market day preceding the date of the SPA), which is higher than the Group's net asset value per Share of S\$0.13 as at 31 December 2018.
- (4) Computed based on the aggregate 15,639,275 Consideration Shares and the total of 516,709,269 Shares (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 do not exceed 5%, the Proposed Acquisition is a "Non-Discloseable Transaction" for the purposes of Chapter 10 of the Catalist Rules. However, as the Consideration is wholly 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 the latest announced consolidated accounts of the Group for FY2018 and 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 and net gearing 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 ⁽¹⁾	After the Proposed Acquisition ⁽²⁾
NTA (S\$)	28,675,000	29,270,109
Number of Shares (excluding treasury shares)	516,709,269	532,348,544
NTA per Share (In Singapore cents)	5.55	5.50

Notes:

- (1) Before the Proposed Acquisition, based on the latest announced consolidated accounts of the Group for FY2018.
- (2) Computed based on the NTA attributable to the Vendors of RM1,791,279 (equivalent to S\$595,109) based on the audited accounts of ISEC Penang for FY2018.

6.2 EPS

	FY2018	
	Before the Proposed Acquisition ⁽¹⁾	After the Proposed Acquisition ⁽²⁾
Profit after tax attributable to Shareholders (S\$'000)	8,407,000	8,771,875
Weighted average no. of Shares (excluding treasury Shares)	516,709,269	532,348,544
Basic EPS (in Singapore cents)	1.63	1.65

Notes:

- (1) Before the Proposed Acquisition, based on the latest announced consolidated accounts of the Group for FY2018.
- (2) Computed based on the profit after tax attributable to the Vendors of RM1,098,272 (equivalent to S\$364,875) based on the audited accounts of ISEC Penang for FY2018.

7. FURTHER INFORMATION RELATING TO THE ISSUE OF CONSIDERATION SHARES

7.1 2018 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 25 April 2018 pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and Rule 806 of the Catalyst Rules.

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 Catalyst. 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. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Group and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading, and where this announcement contains a profit forecast or guarantee, the Directors are satisfied that the profit forecast or guarantee has been stated after due and careful enquiry. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

11. 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
2 April 2019

*This announcement has been prepared by the Company and its contents have been reviewed by PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**") for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalyst. 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.

The contact person for the Sponsor is Ms Gillian Goh, Director, Head of Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).