

DISPOSAL OF A SUBSIDIARY

1. INTRODUCTION

The Board of Directors of Singapore Medical Group Limited (the “Company” together with its subsidiaries, the “Group”) wishes to announce that its wholly-owned subsidiary, SMG International Partners Pte Ltd (“SMGIP”), has on 21 April 2014 entered into a sale and purchase agreement with King Hung International Investment Limited (“KHI”), pursuant to which SMGIP disposed its wholly-owned subsidiary, Singapore Medical Group (HK) Limited (“SMGHK”) for a cash consideration of S\$450,000 to KHI (the “Disposal”). Following the Disposal, SMGHK ceased to be a subsidiary of the Group.

2. INFORMATION ON SMGHK AND RATIONALE FOR THE DISPOSAL

SMGHK, which was incorporated in Hong Kong, is an investment holding company and its sole investment is the 50% equity shareholding in Zhong Ji Shi Jia Co., Ltd (the “JV Company”). The remaining 50% equity of the JV Company is owned by Mei Gao Shi Technology & Development Co. Ltd.

The JV Company is a company registered in the People’s Republic of China (“PRC”) with a total investment capital of RMB17 million. The principal activities of the JV Company, together with its subsidiary, are those relating to the provision of medical related services in PRC. The subsidiary currently operates an eye surgery clinic in Beijing, PRC

As at 31 December 2013, the Group has, via SMGHK, invested a total of S\$1.7 million in the JV Company. The JV Company has been making losses since the commencement of its business in June 2012. For the financial year ended 31 December 2013 (“FY2013”), the loss after tax attributed by SMGHK together with the JV Company to the Group is approximately S\$458,000. In view of the continued losses incurred and the lower than expected sales from the eye surgery clinic, the Group has provided an impairment loss of approximately S\$872,000 in relation to its investment in the JV Company in FY2013 and both the net tangible assets value and the net assets value of SMGHK together with the JV Company as at 31 December 2013 is approximately S\$351,000.

Following a thorough operations review of the Group and after taking into consideration of PRC’s challenging and competitive market and its proximity which posed operations control difficulties for the Group, the management has decided to divest this unprofitable investment and concentrate its efforts to extending Singapore’s healthcare services and quality into the Southeast Asian region.

3. CONSIDERATION FOR THE DISPOSAL

The cash consideration of S\$450,000 which will be paid in full upon completion was arrived at a willing buyer and willing seller basis and after taking into consideration of the carrying amount of the JV Company as at 31 December 2013. No valuation was conducted for the JV Company in relation to the Disposal. The Disposal is expected to result in a net gain of approximately S\$99,000.

The proceeds from the Disposal will be used for the general working capital of the Company.

There are no other material conditions attaching to the Disposal.

4. FINANCIAL EFFECTS

The pro forma financial effects of the Disposal on the Group set out below are for illustrative purposes only and are therefore, not indicative of the actual financial performance or position of the Group. The financial effects set out below have been prepared based on the audited consolidated financial statements of the Group for the year ended 31 December 2013 ("FY2013") and on the following basis:

- (i) the effect of the Disposal on the losses per share ("LPS") of the Group is based on the assumption that the Disposal had been effected at the beginning of FY2013, being 1 January 2013; and
- (ii) the effect of the Disposal on the consolidated net tangible assets("NTA") per share of the Group shown below is based on the assumption that the Disposal had been effected as at 31 December 2013.

(a) Loss per share ("LPS")

The effects of the Disposal on the LPS of the Group for FY2013 are as follows:-

| | Before the Disposal | After the Disposal |
|---------------------------------------|---------------------|--------------------|
| Net loss after tax(S\$'000) | (6,442) | (5,885) |
| Loss per share (cents) ⁽¹⁾ | (4.4) | (4.0) |

Notes:-

(1) The loss per share is calculated by dividing the net loss after tax attributable to owners of the Company by the weighted average number of ordinary shares in issue of 145,736,000.

(b) NTA

The effects of the Disposal on the NTA per share of the Group as at 31 December 2013 are as follows:-

| | Before the Disposal | After the Disposal |
|--------------------------------------|---------------------|--------------------|
| NTA (S\$'000) | (3,172) | (3,073) |
| NTA per share (cents) ⁽¹⁾ | (2.2) | (2.1) |

Notes:-

(1) NTA per share is calculated based on 145,736,000 ordinary shares outstanding as at 31 December 2013.

(c) Gearing ratio

The effects of the Disposal on the gearing ratio of the Group as at 31 December 2013 are as follows:-

| | Before the Disposal | After the Disposal |
|----------------------|---------------------|--------------------|
| Borrowings (S\$'000) | 2,244 | 2,244 |
| Net Equity (S\$'000) | (3,172) | (3,073) |
| Gearing ratio | (0.70) | (0.73) |

5. REQUIREMENTS OF THE LISTING MANUAL SECTION B: RULES OF CATALIST OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE "SGX-ST") ("CATALIST RULES") IN RELATION TO THE DISPOSAL

For the purposes of Chapter 10 of the Catalist Rules, the relative figures for the Disposal computed on the bases set out in Rule 1006 of the Catalist Rules based on the latest announced consolidated financial statements of the Group for FY2013 are as follows:

| | Bases of calculation | Size of relative figures |
|-----|---|--------------------------|
| (a) | The net asset value of the assets to be disposed of, compared with the Group's net asset value | -11% ⁽¹⁾ |
| (b) | The net profits attributable to the assets acquired or disposed compared with the Group's consolidated net profits | 8% ⁽²⁾ |
| (c) | The aggregate value of the consideration given, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares | 1% ⁽³⁾ |
| (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 |
| (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 | Not applicable |

Notes:-

(1) SMGHK is at a net assets position of approximately S\$351,000 whereas the Group is at net liabilities position of approximately S\$3.172 million as at 31 December 2013.

(2) The net profits used for the computation is taken from the loss before income tax, minority interests and extraordinary items of approximately S\$6.09 million as stated in the audited financial statements of the Company for FY2013. SMGHK recorded pre-tax loss of approximately S\$458,000 for FY2013.

The Company's market capitalisation of S\$35.9 million was computed based on the Company's existing issued share capital of 218,604,000 and the volume weighted average price of the Company's shares of S\$0.1622 per share on 16 April 2014, being the latest available market day where the shares were traded preceding the date of sale and purchase agreement.

Having regard to the relative figures computed under Rule 1006 (a), (b) and (c), the Disposal constitutes a discloseable transaction pursuant to Chapter 10 of the Catalist Rules.

6. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Disposal.

KHI is a company incorporated in the British Virgin Islands. None of the directors, controlling shareholders or substantial shareholders of the Company is related to KHI.

7. DOCUMENTS FOR INSPECTION

A copy of the sale and purchase agreement in respect of the Disposal is available for inspection during normal business hours at the registered office of the Company for a period of three (3) months from the date of this announcement.

By Order of the Board

Dr Beng Teck Liang
Chief Executive Officer
21 April 2014

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor (the "Sponsor"), Asian Corporate Advisors Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange

Securities Trading Limited (the “**Exchange**”). The Sponsor has not independently verified the contents of this announcement, including the correctness of any of the figures used, statements or opinions made.

This announcement has not been examined or approved by the Exchange and the Exchange 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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