

SINGAPORE MEDICAL GROUP LIMITED

(Company Registration No.: 200503187W)

PROPOSED ACQUISITION OF SHARES IN SMG INTERNATIONAL (VIETNAM) PTE. LTD.

1. THE PROPOSED ACQUISITION

1.1 Introduction

The Board of Directors (the "**Board**") of Singapore Medical Group Limited ("**SMG**" or the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that SMG has, on 19 August 2021, entered into a sale and purchase agreement (the "**SPA**") with the other shareholders of SMG International (Vietnam) Pte. Ltd. ("**SIV**"), being V Investment Pte. Ltd., Mr Cheng Yong Liang, Dr Wong Seng Weng ("**Dr Wong**"), Mr Richard Yong Chin-Wee and Dr Ho Choon Hou ("**Dr Ho**", and collectively, the "**Vendors**"), in relation to the proposed acquisition by the Company of 850,000 issued and fully paid ordinary shares representing the remaining 50% of the issued and paid up share capital (the "**Sale Shares**") in SIV for an aggregate consideration of S\$3,040,000 (the "**Proposed Acquisition**"). SIV is a joint venture company incorporated pursuant to the joint venture agreement dated 15 December 2016.

On completion of the Proposed Acquisition ("**Completion**"), SIV will be a wholly-owned subsidiary of the Company.

None of the relative figures computed on the basis of Rule 1006 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalyst (the "**Catalist Rules**") exceeds 5%. However, as the consideration payable to certain Vendors will be satisfied partly in new ordinary shares in the capital of the Company ("**SMG Shares**"), the Proposed Acquisition is discloseable by virtue of Rule 1009 of the Catalyst Rules.

1.2 Information on SIV and its investment

SIV was incorporated in Singapore on 15 December 2016, and is a company limited by shares, with an issued and paid-up share capital of US\$1,700,000 comprising 1,700,000 ordinary shares which are held by the Company and the Vendors in the following proportion:-

Shareholders of SIV	Numbers of ordinary shares held in SIV	Percentage of shares to total issued capital (%)
Singapore Medical Group Limited	850,000	50.00
V Investment Pte. Ltd. ⁽¹⁾	120,000	7.06
Mr Cheng Yong Liang	245,000	14.41
Dr Wong Seng Weng ⁽²⁾	120,000	7.06
Mr Richard Yong Chin-Wee	245,000	14.41
Dr Ho Choon Hou ⁽³⁾	120,000	7.06
Total	1,700,000	100.00

Notes:-

- (1) V Investment Pte. Ltd. was incorporated in Singapore on 7 December 2016, and is a company limited by shares, with an issued and paid-up share capital of S\$2 comprising 2 ordinary shares which are held by the Mr Sim Mong Teck and Mr Gwee Yuan Kerr Ryan, with each holding 1 ordinary share. The directors of V Investment Pte. Ltd. are Mr Sim Mong Teck and Mr Gwee Yuan Kerr Ryan.
- (2) Dr Wong an Executive Director of the Company and has an interest in 2.25% of the Company's shares.
- (3) Dr Ho is a substantial shareholder of the Company who has an interest in 5.66% of the Company's shares.

SIV has a 32% equity interest in CityClinic Asia Investments Pte. Ltd. ("**CCAI**"), a Singapore incorporated entity which operates clinics in Vietnam through its wholly-owned subsidiary, CityClinic Vietnam Limited ("**CCVN**"). The Company also holds a direct equity interest of 10% in CCAI.

Upon completion of the Proposed Acquisition, the Group's effective interest in CCAI will increase from 26% to 42%, comprising a direct interest of 10% holds by the Company and an indirect interest held through SIV of 32%.

CCVN is primarily involved in the business of providing outpatient healthcare services and holds a 100% foreign investor licence for Vietnamese healthcare operations. CCVN operates 3 clinics under the clinic name "Careplus Clinic Vietnam" at Ho Chi Minh City, providing multi-disciplinary healthcare specialist services which focuses on health screening, women's health, pediatrics and diagnostic imaging for corporate and residential clientele.

Based on SIV's management accounts for the six (6) months period ended 30 June 2021, SIV has a net asset value of S\$753,000 as at 30 June 2021 and net loss for the six (6) months period of S\$472,000. The loss was mainly due to CCVN's clinics being closed for two (2) months due to the lock down and curfew measures introduced by the Vietnamese government to curb the worsening COVID-19 situation at Ho Chi Minh City. The clinics' financial performance has started to recover since July 2021, especially since CCVN has been licensed to perform COVID-19 antigen rapid testing in Ho Chi Minh City and is on the Vietnamese Department of Health's official list of testing sites.

1.3 **Rationale for the Proposed Acquisition**

SIV was set up with the objective to explore and invest in potential growth and acquisition opportunities in Vietnam. While the Group saw potential in the Vietnamese healthcare market, it wanted to limit the potential risks associated with acquiring a new business which was then in the initial start-up phase, in addition to entering a new market. Consequently, SMG and the Vendors had agreed to jointly invest in CCAI via a joint venture entity, SIV, and made the investment on 5 January 2017. Since then, SMG has been involved in driving the overall strategy of CCAI's business at the CCAI board level. CCAI's business has grown from one (1) clinic to three (3) clinics and CCAI's revenue has grown from US\$300,000 in the financial year ended 2016 to US\$3,700,000 in the financial year ended 2020 despite the negative impact from COVID-19 in Vietnam.

Against the backdrop of rising demand for premium healthcare services driven by the rapidly advancing economy in Vietnam, the Group believes that Vietnam presents a unique opportunity for the Group's next phase of overseas growth.

Given that CCAI is well positioned to expand its business in Vietnam with a focus on the Group's core competencies, the Board is therefore of the view that the Proposed Acquisition is in the best interest of the Group as it allows the Group to increase its interest in CCAI, thereby potentially improving the future earnings of the Group. It also allows the Group to increase its

involvement in CCAI and facilitate business cooperation between the Company and CCAI to capture the market opportunities in Vietnam post COVID-19.

The Proposed Acquisition will also further cement the Group's aspirations as a regional healthcare player. As a significant portion of the Group's medical tourism has come from Vietnam historically, increasing involvement with CCAI will create a patient referral system that will enhance cross-selling opportunities in key specialist segments such as Oncology and Cardiology. Accordingly, the Proposed Acquisition will provide the Group with better access and control over Vietnamese patients that are seeking medical treatment in Singapore.

2. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

2.1 Consideration

The aggregate consideration for the Proposed Acquisition is S\$3,040,000 (the "**Consideration**"). The Consideration was arrived at on a willing buyer and willing seller basis after arm's length negotiations between the Company and the Vendors, after taking into account, *inter alia*:-

- (a) prevailing market conditions;
- (b) SIV's financial position and performance;
- (c) CCAI's financial performance and potential growth;
- (d) the potential of the healthcare sector in Vietnam; and
- (e) similar acquisitions made by other comparable healthcare providers.

No valuation was conducted in relation to the Proposed Acquisition.

The consideration of S\$429,176 payable to Dr Wong and the consideration of S\$429,176 payable to Dr Ho will be satisfied entirely in cash. The consideration payable to the other Vendors, being Mr Cheng Yong Liang, Mr Richard Yong Chin-Wee and V Investment Pte. Ltd., will be satisfied partly in cash and partly in new SMG Shares. A breakdown of the payment of the Consideration to each of the Vendors is as follows:-

Vendor	Cash consideration ("Cash Consideration") (S\$)	New SMG Shares ("Consideration Shares")		Total Consideration (S\$)
		(S\$)	Number of Shares	
Dr Wong Seng Weng	429,176	0	0	429,176
Dr Ho Choon Hou	429,176	0	0	429,176
V Investment Pte. Ltd.	214,588	214,588	668,499	429,176
Mr Cheng Yong Liang	438,118	438,118	1,364,852	876,236
Mr Richard Yong Chin-Wee	438,118	438,118	1,364,852	876,236
Total	1,949,176	1,090,824	3,398,203	3,040,000

The issue and allotment of the Consideration Shares to Mr Cheng Yong Liang, Mr Richard Yong Chin-Wee and V Investment Pte. Ltd. does not fall under Rule 812 of the Catalist Rules.

2.2 Consideration Shares

The Consideration Shares, when issued and allotted, shall rank *pari passu* in all respects with the then existing SMG Shares.

The Consideration Shares shall be issued at S\$0.321 per Consideration Share (the "**Issue Price**") (being the average of the closing market prices of the ordinary shares in the issued and paid-up capital of the Company (the "**SMG Shares**") over the last five (5) full market days on which the SMG Shares were traded on the SGX-ST immediately preceding the date of the SPA) (representing a 1.8% premium to the volume weighted average price of S\$0.3153 per SMG Share for all trades done on SGX-ST on 19 August 2021, being the date of the SPA).

The Company's Sponsor, UOB Kay Hian Private Limited, will be making an application on behalf of the Company to the SGX-ST for the admission of and the listing and quotation of the Consideration Shares to the Catalist. The Proposed Acquisition would result in the allotment and issue of 3,398,203 Consideration Shares of the Company, representing approximately 0.7% of the enlarged issued and paid-up share capital of the Company (excluding treasury shares). The Company will make the necessary announcements once the approval-in-principle for the listing and quotation of the Consideration Shares of the Company has been obtained from the SGX-ST.

The Consideration Shares will be issued pursuant to the general share issue mandate (the "**General Mandate**") granted to the Directors by the shareholders of the Company by way of an ordinary resolution at the annual general meeting of the Company held on 26 April 2021. As the number of SMG Shares that may be issued other than on a pro-rata basis under the General Mandate is 241,305,337, the issue and allotment of the Consideration Shares would be within the limits of the General Mandate.

Pursuant to the allotment and issue of the Consideration Shares, the Company's issued and paid-up share capital will increase from 482,788,906 ordinary shares (excluding treasury shares) ("**Existing Share Capital**") to 486,187,109 ordinary shares (excluding treasury shares) ("**Enlarged Share Capital**"). The number of Consideration Shares to be issued represents 0.7% of the Existing Share Capital and the Enlarged Share Capital of the Company after the completion of the Proposed Acquisition, respectively.

2.3 Source of Funds

The Cash Consideration of S\$1,949,176 is intended to be funded wholly by the Company's internal resources.

2.4 Material conditions

The Completion of the Proposed Acquisition is conditional upon, *inter alia*, the certain conditions being satisfied, fulfilled or waived, as the case may be, before Completion, including (i) the Company obtaining the approval in-principle from the SGX-ST for the listing and quotation of the Consideration Shares; and (ii) the representations and warranties provided by the Vendors in the SPA remaining true in all material respects and not misleading in any material respect as at the date of the SPA and at Completion.

The Consideration Shares shall be subject to a moratorium for a period of six (6) months commencing from the date of issue of the Consideration Shares.

3. THE PROPOSED ACQUISITION AS AN INTERESTED PERSON TRANSACTION

Dr Wong is our Executive Director and has an interest in 2.25% of the Company's shares. Dr Wong is the legal and beneficial owner of 120,000 Sale Shares. As such, the purchase of Sale Shares from Dr Wong constitutes an interested person transaction. The Cash Consideration of S\$429,176 payable to Dr Wong represents 1.4% of the Group's latest audited net tangible assets of S\$29.6 million.

The current total of all interested person transactions with Dr Wong during the course of the financial year ending 31 December 2021, up to the date of this Announcement are as follows:-

Name of interested person	S\$'000
MW Medical Holdings Pte. Ltd. ⁽¹⁾	96
MW Medical Pte. Ltd.	4

Note:-

(1) MW Medical Holdings Pte. Ltd. and MW Medical Pte. Ltd. are owned by Dr Wong Seng Weng, an Executive Director of the Company.

During the course of the financial year ending 31 December 2021 up to the date of this Announcement, the total value of all interested person transactions entered into by the Group is approximately S\$300,000.

Save for Dr Wong, none of the Vendors are "interested persons" for purposes of Chapter 9 of the Catalist Rules.

4. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The financial effects of the Proposed Acquisition are for illustrative purposes only and do not purport to be indicative or a projection of the results and financial position of the Company and the Group after the Proposed Acquisition.

The financial effects of the Proposed Acquisition are based on SIV's and the Group's most recently audited financial statements for the financial year ended 31 December 2020 ("FY2020").

4.1 Net tangible asset ("NTA") per share

Assuming that the Proposed Acquisition had been completed on 31 December 2020, the NTA per share of the Group would be as follows:-

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$ '000)	29,599	33,061 ⁽¹⁾
Number of issued shares (excluding treasury shares)	482,610,675	486,008,878
NTA per share (cents)	6.13	6.80

Note:-

- (1) Included gain of S\$2,370,000 arising from re-measurement of the Company's existing 50% equity shares in SIV from its carrying amount to fair value in accordance with the Singapore Financial Reporting Standards (International) 3 Business Combination, assuming the fair value of the 50% equity shares in SIV is S\$3,040,000.

4.2 Earnings per share ("EPS")

Assuming that the Proposed Acquisition had been completed on 1 January 2020, the EPS of the Group would be as follows:-

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit attributable to shareholders (S\$ '000)	8,730	10,856 ⁽¹⁾
Weighted average number of shares	482,643,103	486,041,306
EPS (cents)	1.81	2.23

Note:-

- (1) Included gain of S\$2,370,000 arising from re-measurement of the Company's existing 50% equity shares in SIV from its carrying amount to fair value in accordance with the Singapore Financial Reporting Standards (International) 3 Business Combination, assuming the fair value of the 50% equity shares in SIV is S\$3,040,000.

5. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE CATALIST RULES

Relative figures of the Proposed Acquisition under Listing Rule 1006 of Catalist Rules, based on the Company's latest announced unaudited financial statements for the financial period ended 30 June 2021, are set out below.

Rule 1006	Bases	Relative Figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable
(b)	Net loss attributable to the assets acquired, compared with the Group's net profits	-2.6 ⁽¹⁾
(c)	Aggregate value of the consideration given, compared with SMG's market capitalisation based on the total number of issued shares excluding treasury shares	2.0 ⁽²⁾
(d)	Number of equity securities issued by SMG as consideration for an acquisition, compared with the number of equity securities previously in issue	0.7 ⁽³⁾
(e)	Not applicable as this transaction is not an acquisition of a mineral, oil or gas assets.	

Notes:-

- (1) Based on the 50% equity shares of SIV's unaudited loss before tax of S\$472,000 and the Group's unaudited profit before tax of S\$8,944,000 for the financial period ended 30 June 2021.
- (2) Based on aggregate value of consideration of S\$3,066,000 and the Company's market capitalisation of S\$153,479,000 on 18 August 2021, being the last market day on which the Shares were traded before the date of the SPA. The aggregate value of consideration comprises (i) the cash consideration of S\$1,949,000; and (ii) the value of consideration shares of S\$1,117,000 calculated based on higher of net asset value per share of the Group as at 30 June 2021 of S\$0.3287 or volume weighted average share price on 18 August 2021 of S\$0.3179 and number of Consideration Shares of 3,398,203. The Company's market capitalisation is calculated based on

the volume weighted average share price on 18 August 2021 and the Company's current issued and paid-up share capital of 482,788,906 shares (excluding treasury shares).

- (3) Based on number of Consideration Shares of 3,398,203 and the Company's current issued and paid-up share capital of 482,788,906 shares (excluding treasury shares).

Under Rule 1007(1) of the Catalist Rules, if any of the relative figures computed pursuant to Rule 1006 involves a negative figure, Chapter 10 of the Catalist Rules may still be applicable to the transaction in accordance with the applicable circumstances. As the relative figures computed under Rule 1006(c) and 1006(d) are less than 5% and the net loss attributable to the asset to be acquired amounts to less than 5% of the consolidated net profit of the Group, paragraph 4.3(a) of Practice Note 10A is applicable and the Proposed Acquisition is deemed as a non-discloseable transaction.

6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed herein, 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.

7. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the SPA will be available for inspection during normal business hours at the Company's corporate office at 1004 Toa Payoh North #06-03/07 Singapore 318995 for a period of three (3) months commencing from the date of this announcement.

By Order of the Board

Dr Beng Teck Liang
Executive Director and Chief Executive Officer
19 August 2021

*This Announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, UOB Kay Hian Private Limited (the "**Sponsor**"), for compliance with the relevant rules of the SGX-ST Listing Manual Section B: Rules of Catalist.*

This Announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes 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 Mr Lance Tan, Senior Vice President at 8 Anthony Road, #01-01, Singapore 229957, Telephone: +65 6590 6881.