

SINGAPORE MEDICAL GROUP LIMITED

(Company Registration No.: 200503187W)

PROPOSED ACQUISITION OF PHENIKS PTE. LTD.

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 1 March 2018, entered into a binding term sheet ("**Term Sheet**") with Dr Kenneth Lee Cheng San and Dr Low Chai Ling (the "**Vendors**"), in relation to the proposed acquisition of 85% of the issued and paid up shares in the share capital (the "**Sale Shares**") in Pheniks Pte. Ltd. (the "**Target Company**") (the "**Proposed Acquisition**").

2. INFORMATION ON THE VENDORS AND TARGET COMPANY

Each of the Vendors are aesthetic medical practitioners specialised in providing medical aesthetic related services for more than 15 years. The Vendors have been responsible for the management, operations and business of the Target Company since its establishment.

The Target Company was incorporated in Singapore on 10 October 2017, and is a company limited by shares, with an issued and paid-up share capital of S\$2 comprising 2 ordinary shares. It is engaged in the business of operating an aesthetic and plastic surgery clinic under the clinic name of SW1 Clinic. The clinic is located at 290 Orchard Road #13-01 Paragon Singapore 238859 and commenced its operation in December 2017.

The Target Company is still in the process of preparing its first set of management accounts since its incorporation date. As at the date of incorporation on 10 October 2017, the Target Company has a book value of S\$2, being the share capital of the Target Company.

3. PRINCIPAL TERMS OF THE TERM SHEET

3.1 Consideration

The Consideration for the Proposed Acquisition is an aggregate sum of up to S\$6.5 million, which was arrived at on a willing buyer and willing seller basis after arm's length negotiations between SMG and the Vendors, after taking into account, *inter alia*, the prevailing market conditions, the business prospects of the Target Company, and the capabilities and synergies between SMG and the Vendors.

The Consideration shall be satisfied by SMG as follows:

- (i) the issue and allotment of 6,055,364 new ordinary shares in the share capital of SMG ("**Shares**") (fractional shares being disregarded) to the Vendors, credited as fully paid up and ranking *pari passu* in all respects with all the other then existing Shares at the Issue Price as defined below (the "**Consideration Shares**");
- (ii) the payment of S\$1,000,000 in cash on the Completion Date to the Vendors in equal shares (the "**Completion Tranche Payment**");
- (iii) the payment of S\$1,000,000 in cash on the date falling on the first anniversary of the Completion Date to the Vendors in equal shares (the "**Subsequent Tranche Payment**"); and

- (iv) the payment of up to S\$1,000,000 in cash on the date falling on the third anniversary after the Completion Date or on such other date as may be agreed between the Parties, to the Vendors in equal shares (the "**Final Tranche Payment**").

The Completion Tranche Payment, Subsequent Tranche Payment and Final Tranche Payment (collectively the "**Cash Consideration**") are intended to be funded by a combination of SMG's internal resources, bank facilities and fund raising in the capital markets. SMG will update shareholders on any material developments and will make such announcements as and when appropriate.

The Consideration Shares shall be issued at S\$0.578 per Consideration Share (the "**Issue Price**") (representing a 2.5% premium to the volume weighted average price per Share for all trades done on SGX-ST on 27 February 2018, being the latest full market day on which the Shares were traded on SGX-ST before the date of the Term Sheet).

SMG will be making an application to the SGX-ST via its sponsor as soon as reasonably practicable after the signing of the share purchase agreement in relation to the Proposed Acquisition for the listing of, and quotation for, the Consideration Shares on Catalist and will make the relevant announcements upon receipt of the listing and quotation notice from the SGX-ST.

3.2 **Moratorium**

The Consideration Shares shall be subject to a moratorium for a period of one year commencing from the date of issue of the Consideration Shares ("**Moratorium Period**").

Following the expiry of the Moratorium Period, the Vendors may dispose of (whether in a single or series of transactions) such number of the Consideration Shares:

- (i) not exceeding 50% of the total number of Consideration Shares during the period of one year starting on the first day after the expiry of the Moratorium Period ("**50% Moratorium Period**"); and
- (ii) equal to all the Consideration Shares after the expiry of the 50% Moratorium Period.

3.3 **Conditions Precedent**

The completion ("**Completion**") of the Proposed Acquisition are conditional upon, *inter alia*, the following salient conditions being satisfied, fulfilled or waived, as the case may be, before the Completion:

- (i) the satisfactory completion of a legal, financial and business due diligence review by SMG in respect of the operations, business, management and affairs of the Target Company (including the resolution of all issues relating to the Target Company on terms satisfactory to SMG);
- (ii) the receipt of all consents and approvals required under any and all applicable laws or from any court, governmental agency, regulatory authority or third party which may be necessary or desirable in respect of the purchase of the Sale Shares;
- (iii) the Vendors having entered into consultancy agreements with the Target Company to provide their full-time services exclusively to the Target Company for a minimum term of 5 years, on terms acceptable to SMG, which shall include certain assignments of intellectual property rights belonging to each doctor to the Target Company absolutely; and
- (iv) the registration of the trade name of SW1 and such other marks as the Purchaser may direct as trademarks in the name of the Company with the Intellectual Property Office of Singapore.

4. RATIONALE FOR THE PROPOSED ACQUISITION

The Board believes that the Proposed Acquisition is in the best interests of SMG as:

- (i) the Vendors are reputable medical aesthetic practitioners, who, upon the entry into the consultancy agreement with a 5-year tenure, will be committed to working with the Group to grow the Group's aesthetic and plastic surgery practices in Singapore and the region; and
- (ii) the clinic is expected to provide both synergistic advantages and cross-selling opportunities to the Group's existing women's health business.

5. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The Target Company is a newly incorporated company and has no material historical track record. Hence the Company is unable to provide the financial effects of the Proposed Acquisition

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

- 6.1 Relative figures of the Proposed Acquisition under Listing Rule 1006 of the SGX-ST Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"), based on the Company's latest audited financial statements for the financial year ended 31 December 2016, being the most recently completed financial year for which consolidated financial statements are available, 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 ⁽¹⁾
(b)	Net profits attributable to the assets acquired, compared with the Group's net profits	Not applicable ⁽²⁾
(c)	Aggregate value of the consideration given, compared with SMG's market capitalisation based on the total number of issued shares excluding treasury shares	2.5% ⁽³⁾
(d)	Number of equity securities issued by SMG as consideration for an acquisition, compared with the number of equity securities previously in issue	1.3% ⁽⁴⁾

Notes:

- (1) This basis is not applicable to the Proposed Acquisition.
- (2) The Target Company is a newly incorporated company and has no material historical track record. Hence the Company is unable to provide the relative figures.
- (3) Based on the market capitalisation of SMG of S\$259.2 million, which is determined by multiplying the issued share capital of SMG comprising 459,415,672 Shares in issue with the weighted

average price of S\$0.5641 transacted on Catalist on 27 February 2018 (being the last market day for which the Shares were traded prior to the day the Term Sheet was entered into).

- (4) The number of equity securities to be issued by SMG as consideration for the Proposed Acquisition is 6,055,364 new Shares.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or controlling shareholders of SMG has any interest, direct or indirect (other than through their shareholdings in SMG), in the Proposed Acquisition.

8. DIRECTORS' SERVICE CONTRACTS

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

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Term Sheet are available for inspection during normal business hours at the Company's corporate office at 290 Orchard Road, #14-03, The Paragon, Singapore 238859 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

1 March 2018

*This Announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "**Sponsor**"), for compliance with the Catalist Rules. The Sponsor has not independently 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 correctness of any of the statements or opinions made or reports contained in this Announcement.

The contact person for the Sponsor is Mr Eric Wong, Director, Investment Banking, Singapore. The contact particulars are 50 Raffles Place #09-01, Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.