

SINGAPORE MEDICAL GROUP LIMITED

(Company Registration No.: 200503187W)

THE PROPOSED ACQUISITION OF 50,000 SHARES REPRESENTING 10% OF THE TOTAL ISSUED AND PAID-UP SHARE CAPITAL OF CANCER CENTRE PTE. LTD. AS AN INTERESTED PERSON TRANSACTION WITH THE ALLOTMENT AND ISSUANCE OF 5,392,428 SHARES IN THE CAPITAL OF THE COMPANY AS CONSIDERATION

1. THE PROPOSED ACQUISITION

1.1 Introduction

The Board of Directors (the "**Board**") of Singapore Medical Group Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company had, on 20 April 2017, entered into a sale and purchase agreement (the "**SPA**") with Dr Wong Seng Weng (the "**Vendor**" or "**Dr Wong**"), to acquire an aggregate of 50,000 shares in Cancer Centre Pte. Ltd. ("**Cancer Centre**") representing 10% of the total issued and paid-up share capital of Cancer Centre (the "**Proposed Acquisition**"). As consideration for the Proposed Acquisition, the Company will allot and issue an aggregate of 5,392,428 shares in the capital of the Company (the "**Shares**") to the Vendor (the "**Consideration Shares**").

1.2 Shareholders' Approval

Approval of the shareholders of the Company (the "**Shareholders**") is being obtained for the Proposed Acquisition for the following reasons:-

- (a) The Consideration Shares are to be issued to a Director of the Company; and
- (b) as the Vendor is a Director of the Company, the Proposed Acquisition is an interested person transaction pursuant to Chapter 9 of the SGX-ST Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**").

More details of the above can be found in sections 1.5 and 1.7 of this Announcement.

A circular to Shareholders setting out more information on the Proposed Acquisition and convening an extraordinary general meeting (the "**EGM**") for the purposes of approving, *inter alia*, the Proposed Acquisition (the "**Circular**"), will be despatched in due course.

1.3 Rationale for the Proposed Acquisition

The Company recognises the performance and continuing potential of Cancer Centre and, in a bid to enhance shareholders' value, has decided to acquire 10% of the total issued and paid-up share capital of Cancer Centre from Dr Wong.

The Company also recognises the performance and efforts of Dr Wong as founder and director of Cancer Centre. The Company wishes to continue to encourage the performance of Dr Wong for his work as founder and director of Cancer Centre. As such, Dr Wong will retain a 10% equity stake in Cancer Centre upon completion of the Proposed Acquisition.

The Board believes that the issuance of the Consideration Shares to Dr Wong will further incentivise Dr Wong's work in Cancer Centre and align the Group's interests with that of Dr Wong's.

1.4 Information on Cancer Centre and the Vendor

Cancer Centre is a company incorporated in Singapore on 26 December 2007 with its principal activity being the provision of screening and treatment of general cancer services.

Cancer Centre currently operates its business at the following locations:-

- (a) **Paragon**
290 Orchard Road #17-05/06
Paragon Singapore 238859
- (b) **Mount Elizabeth Novena**
38 Irrawaddy Road #05-34/35
Mount Elizabeth Novena Specialist Centre
Singapore 329563

As at the date of this Announcement, Cancer Centre has an issued and paid-up share capital of S\$500,000 comprising 500,000 ordinary shares. The Company is a controlling shareholder of Cancer Centre, holding shares representing 80% of the total issued and paid-up share capital of Cancer Centre. As at the date of this Announcement, the shareholding in Cancer Centre is as follows:-

Shareholder	Number of shares in Cancer Centre	Shareholding Percentage
Singapore Medical Group Limited	400,000	80%
Dr Wong Seng Weng	100,000	20%

Dr Wong is an Executive Director of the Company and is a 2.50% Shareholder of the Company. He is also an Oncologist at Cancer Centre.

1.5 The Proposed Acquisition as an Interested Person Transaction

As mentioned in section 1.4 above, the Vendor is an Executive Director of the Company (the "Interested Person").

As such, the Vendor is an interested person within the meaning of Chapter 9 of the Catalist Rules and the Proposed Acquisition constitutes an "interested person transaction" as defined in Rule 904(5) of the Catalist Rules.

The value at risk of the Proposed Acquisition is the Consideration Price (as defined in section 1.6.2 below), being S\$2.92 million. Based on the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2016 ("FY2016"), the audited consolidated net tangible assets ("NTA") of the Group was approximately S\$23.93 million. The value at risk of the Proposed Acquisition expressed as a percentage of the Group's latest audited consolidated NTA value for FY2016 is approximately 12.20%. As this value exceeds 5% of the Group's latest audited consolidated NTA value for FY2016, pursuant to Rule 906 of the Catalist Rules, the Proposed Acquisition is an interested person transaction which is subject to the approval of the Shareholders.

Accordingly, the Company will be convening the EGM to seek Shareholders' approval for the Proposed Acquisition.

Pursuant to Rule 917(5) of the Catalist Rules, the current total of all interested person transactions during the course of the financial year ending 31 December 2017, up to the date of this Announcement are as follows:-

Name of interested person	S\$'000
K S Beng Pte Ltd ^(a)	33
MW Medical Holdings Pte Ltd ^(b)	46
MW Medical Pte Ltd ^(b)	1
BB Ventures Pte Ltd ^(c)	11

Notes:

- (a) K S Beng Pte Ltd is wholly-owned by the immediate family members of Dr Beng Teck Liang, Chief Executive Officer, Executive Director and controlling Shareholder of the Company.
- (b) MW Medical Holdings Pte Ltd and MW Medical Pte Ltd are each owned by Dr Wong and his immediate family member.
- (c) BB Ventures Pte Ltd is owned by Dr Beng Teck Liang and his immediate family member.

Save as disclosed above, no other interested person transactions were entered into between the Company with the Interested Person or his associates.

1.6 Principal terms of the Proposed Acquisition

1.6.1 Conditions Precedent to the Completion of the Proposed Acquisition

Completion under the SPA is conditional upon the following conditions having been reasonably satisfied, complied with, or waived:-

- (a) the Company obtaining all applicable governmental or regulatory approvals, including but not limited to any SGX-ST requirements, for the transaction contemplated under the SPA; and
- (b) a listing and quotation notice for the listing and quotation of the Consideration Shares on the SGX-ST being obtained from the SGX-ST and not having been revoked or amended; and
- (c) the approval of the Shareholders for the Proposed Acquisition and any transaction contemplated under the SPA and other related transactions as may be required in relation thereto.

1.6.2 Consideration for the Proposed Acquisition

The consideration for the Proposed Acquisition was determined to be S\$2.92 million (the "**Consideration Price**"), based on a price of S\$58 per share in Cancer Centre, and will be satisfied by the allotment and issuance of 5,392,428 Consideration Shares to the Vendor at an issue price of approximately S\$0.5415 per Consideration Share.

The issue price per Consideration Share is determined based on the volume weighted average price of the Shares traded on the SGX-ST on 19 April 2017, being the market day preceding the date of the SPA.

The Consideration Shares represent 1.28% and 1.26% of the existing share capital and the enlarged share capital of the Company after the completion of the Proposed Acquisition respectively.

Details of the Proposed Acquisition are set out below:-

- (a) **Consideration Price:** S\$2.92 million
- (b) **Number of Consideration Shares to be allotted and issued to the Vendor:** 5,392,428
- (c) **Percentage shareholding of the Vendor in the share capital of the Company before the Proposed Acquisition:** 2.50%
- (d) **Resultant total percentage shareholding of the Vendor in the enlarged share capital of the Company after the Proposed Acquisition:** 3.73%

The Consideration Price was determined based on arm's length negotiations between the Company and Dr Wong, and arrived at after taking into account, *inter alia*, the net asset value and the earnings potential of Cancer Centre. As at 31 December 2016,

the net asset value and net tangible assets of Cancer Centre approximate S\$5.65 million. Cancer Centre generated net profit after tax of S\$2.92 million for the financial year ended 31 December 2016.

1.6.3 Completion under the SPA

On completion under the SPA, the following shall take place:-

1.6.3.1 the Vendor shall deliver to the Company the following:-

- (a) the share certificate(s) in respect of the Sale Shares;
- (b) valid and registrable transfers in respect of all the Sale Shares duly executed by the Vendor transferring the legal and beneficial ownership of all the Sale Shares to the Company;
- (c) duly passed resolution(s) of the Board of Directors of Cancer Centre approving the transfer of the Sale Shares; and
- (d) all such other documents as may be necessary to transfer the full legal and beneficial title in the Sale Shares to the Company and as the Company may reasonably require to complete the purchase of the Sale Shares.

1.6.3.2 the Company shall, against receipt of the above, allot and issue such number of Consideration Shares as set out in Section 1.6.2 to to the Vendor by issuing a share certificate in relation to the Consideration Shares in favour of CDP, despatching the same to CDP, and instructing CDP to credit the Consideration Shares into the securities account of the Vendor (or his nominee).

1.7 **Allotment and Issuance of Consideration Shares to the Vendor**

Rule 805(1) of the Catalist Rules provides that an issuer must obtain prior approval of shareholders in general meeting for the issue of shares unless such issuance of shares is covered under a general mandate obtained from shareholders of the Company. Further, Rule 804 of the Catalist Rules states that except in the case of an issue made on a pro rata basis to shareholders or a scheme referred to in Part VIII of Chapter 8 of the Catalist Rules, no director of an issuer, or associate of the director may participate directly or indirectly in an issue of equity securities or convertible securities unless shareholders in general meeting have approved the specific allotment. Such directors and associates must abstain from exercising any voting rights on the matter.

The Company will be seeking approval from independent Shareholders for the allotment and issuance of the Consideration Shares to the Vendor at the EGM pursuant to Section 161 of the Companies Act (Cap. 50) of Singapore and Rule 805(1) and Rule 804 of the Catalist Rules for the following reasons:-

- (a) the allotment and issuance of the Consideration Shares to the Vendor for the Proposed Acquisition is not in reliance of the general mandate obtained from Shareholders at the annual general meeting of the Company on 25 April 2016; and
- (b) the Consideration Shares will be allotted and issued to Dr Wong, who is a Director of the Company.

1.8 **Relative Figures Under Chapter 10 of The Catalist Rules**

Relative figures of the Proposed Acquisition under Listing Rule 1006 of the Catalist Rules, based on the Company's latest announced financial results for FY2016, 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 ⁽²⁾ attributable to the assets acquired, compared with the Group's net profits ⁽²⁾	10.6% ⁽³⁾
(c)	Aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	1.3% ⁽⁴⁾
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	1.3% ⁽⁵⁾
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved 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 ⁽¹⁾

Notes:

- (1) This basis is not applicable to the Proposed Acquisition.
- (2) Pursuant to Rule 1002(3)(b) of the Catalist Rules, "net profits" means profit before income tax, minority interests and extraordinary items.
- (3) The net profit attributable to the Proposed Acquisition is determined based on the latest announced net profit of the Group of approximately S\$3,043,000 for FY2016.
- (4) The market capitalisation is calculated based on the volume weighted average price of S\$0.5415 on 19 April 2017, being the last market day on which the shares of the Company were traded, preceding the date of the SPA.
- (5) The number of equity securities to be issued by the Company as consideration for the Proposed Acquisition is 5,392,428 new Shares.

Based on the above figures, the Proposed Acquisition is a discloseable transaction under Rule 1010 of the Catalist Rules.

1.9 Listing Approval

In addition, CIMB Bank Berhad, Singapore Branch, acting as Sponsor to the Company, will be submitting an additional listing application to the SGX-ST on behalf of the Company for the listing of and quotation for 5,392,428 Consideration Shares on Catalist. An announcement will be made in due course to notify the Shareholders when the listing and quotation notice from the SGX-ST is obtained.

1.10 Financial Effects of the Proposed Acquisition

The financial effects of the Proposed Acquisition on the Company as set out below are for illustrative purposes only and do not reflect the actual financial performance or position of the Group after the Proposed Acquisition. The financial effects of the Proposed Acquisition set out

below have been prepared based on the Group's audited consolidated financial statements for FY2016 and the unaudited financial statements of Cancer Centre for FY2016.

1.10.1 Earnings per Share ("EPS")

The effects of the Proposed Acquisition on the EPS of the Group for FY2016, assuming that the Proposed Acquisition had been effected at the beginning of FY2016, are summarised below:

EPS	Before the Proposed Acquisition	After the Proposed Acquisition
Earnings ⁽¹⁾ (S\$'000)	2,423	2,745
Weighted average number of issued shares ('000)	286,945	292,337 ⁽²⁾
EPS - Basic (cents)	0.84	0.94

Notes:

- (1) Represents net profit attributable to the Shareholders of the Company.
- (2) Pursuant to the allotment and issuance of 5,392,428 new Shares in the capital of the Company as consideration for the Proposed Acquisition.

1.10.2 NTA

The effects of the Proposed Acquisition on the NTA per share of the Group for FY2016, assuming that the Proposed Acquisition had been effected as at 31 December 2016, are summarised below:

NTA	Before the Proposed Acquisition	After the Proposed Acquisition
Consolidated NTA (S\$'000) ⁽¹⁾	23,287	23,852 ⁽²⁾
Number of issued shares ('000)	311,033	316,425 ⁽³⁾
Consolidated NTA per share (cents)	7.49	7.54

Notes:

- (1) Represents consolidated NTA attributable to the Shareholders of the Company.
- (2) The following assumptions have been made in the computation of the consolidated NTA:-
 - (a) the carrying value of assets and liabilities of Cancer Centre as at 31 December 2016 is assumed to be approximately fair value; and
 - (b) the Consideration Shares' fair value is assumed to be approximately S\$2.92 million.
- (3) Pursuant to the allotment and issuance of 5,392,428 Shares in the capital of the Company as consideration for the Proposed Acquisition.

1.10.3 Other Financial Information

Based on the management accounts of Cancer Centre for FY2016, the net profit attributable to the Sale Shares is approximately S\$292,000, and the net tangible assets attributable to the Sale Shares is approximately S\$565,000.

1.11 **Directors' Service Contracts**

No person has been proposed to be appointed as an executive 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.

1.12 **Independent Financial Adviser**

The Company will be appointing an independent financial adviser to provide an opinion on whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders (the "**IFA Opinion**"). The Audit Committee of the Board will be obtaining the IFA Opinion before forming its view on the Proposed Acquisition which will be announced in due course.

2. **INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

Save for Dr Wong who is interested in the Proposed Acquisition, none of the other Directors and to the best of the Directors' knowledge, none of the controlling Shareholders of the Company or their respective associates has any interest, direct or indirect, in the Proposed Acquisition.

Dr Wong will abstain from voting on the ordinary resolution relating to the Proposed Acquisition at the EGM.

3. **EXTRAORDINARY GENERAL MEETING**

The Company will be seeking specific approval of independent Shareholders at the EGM for the Proposed Acquisition as an interested person transaction and the allotment and issuance of the Consideration Shares to Dr Wong (who is a Director of the Company) pursuant to the Proposed Acquisition.

The Circular containing, *inter alia*, the notice of EGM and the details of the aforementioned Proposed Acquisition will be despatched to the Shareholders in due course.

4. **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the Company's registered office at 290 Orchard Road, #13-01, The Paragon, Singapore 238859 for a period of three (3) months commencing from the date of this Announcement:

- (a) the Constitution of the Company;
- (b) the SPA; and
- (c) the annual report of the Company for FY2016.

5. **CAUTIONARY STATEMENT**

Shareholders and potential investors should exercise caution when trading in Shares, and where in doubt as to the action they should take, they should consult their financial, tax or other advisors.

6. **RESPONSIBILITY STATEMENT BY THE DIRECTORS**

The Directors of the Company (who may each have delegated detailed supervision of this Announcement) collectively and individually accept full responsibility for the accuracy of the

information given in this announcement and confirm, after making all reasonable enquiries that, as at the date hereof, to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition and the Group. The Directors are not aware of any facts the omission of which would make any statement in this Announcement misleading. 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.

By Order of the Board

Beng Teck Liang
Executive Director and Chief Executive Officer

20 April 2017

*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.

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