

SINGAPORE MEDICAL GROUP LIMITED

(Company Registration No.: 200503187W)

SUBSCRIPTION OF 540,000 ORDINARY SHARES REPRESENTING NOT LESS THAN 32.0% OF THE TOTAL ISSUED AND PAID-UP SHARES OF CITYCLINIC ASIA INVESTMENTS PTE. LTD. BY SMG INTERNATIONAL (VIETNAM) PTE. LTD.

Unless otherwise defined herein, capitalised terms used in this announcement shall have the meanings given to them in the announcement dated 15 December 2016 in relation to the joint venture in Singapore and the announcement dated 4 January 2017 in relation to the increase in issued and paid-up capital of SMG International (Vietnam) Pte. Ltd. (collectively, the "Announcements").

1. INTRODUCTION

The Board of Directors (the "**Board**") of Singapore Medical Group Limited (the "**Company**", and together with its subsidiaries and associated companies, the "**Group**") refers to the Announcements and wishes to announce that SMG International (Vietnam) Pte. Ltd. ("**SMGIV**"), the company incorporated pursuant to the joint venture agreement dated 15 December 2016, has on 5 January 2017 entered into a conditional subscription agreement (the "**SA**") with CityClinic Asia Investments Pte. Ltd. ("**CCAI**") in respect of the Subscription (as defined herein). The subscription by SMGIV will represent not less than 32.0% of the total issued and paid-up share capital of CCAI (the "**Subscription**").

2. INFORMATION ON CCAI

CCAI is a private company limited by shares incorporated in Singapore on 10 February 2014 and it is primarily involved in the business of providing business and management consultancy services, and investment holding. CCAI owns 100% equity interest in CityClinic Vietnam Limited ("**CCVN**"), a company incorporated in Vietnam in 2015. 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 a clinic, Careplus Clinic Vietnam, providing multi-disciplinary healthcare specialist services which focuses on health screening, women's health, pediatrics and diagnostic imaging for corporate and residential clientele in the Tan Binh District in Ho Chi Minh City and has over 50 medical professionals across 11 specialties. CCVN obtained its operating licence in December 2015 and the clinic commenced its operations in the first quarter of 2016. Thus, the loss incurred by CCAI and its subsidiary (the "**CCAI Group**") in 2015 mainly relates to initial set-up costs of the clinic.

CCAI is owned by two (2) corporate and nineteen (19) individual shareholders. Prior to the Subscription, CCAI's issued and paid-up share capital comprises of 1,146,350 ordinary shares. Upon Completion (as defined herein), its issued and paid-up share capital will increase to 1,686,350 ordinary shares.

3. RATIONALE FOR THE SUBSCRIPTION

The Subscription represents a good opportunity for the Group to expand and diversify its businesses and operations into the Vietnam market, which will allow it to achieve a more consistent and sustainable financial growth.

Currently, Vietnamese patients are referred to the Group through its network and form a significant portion of the Group's international patients. After the completion of the Subscription, the Group will be able to tie up and complement its services with CCAI and increase its Vietnamese patients' referrals through partnership and branding. Further, both the Group and CCAI offer multi-disciplinary specialist healthcare services that are similar.

Therefore, the Subscription is a natural progression in the growth of the Group's business in Vietnam.

Hence, the Subscription will allow the Group to gain access to the healthcare services market and enhances the Group's services provided to the Vietnamese patients, thereby creating synergy for the Group.

4. PRINCIPAL TERMS OF THE SUBSCRIPTION UNDER THE SA

4.1 **Subscription:** The Subscription will be for a total of 540,000 new ordinary shares in the share capital of CCAI (the "**Subscription Shares**") and the consideration payable by SMGIV for the Subscription Shares will be an aggregate of USD1,620,000 (the "**Consideration**") calculated on the basis of USD3 for each Subscription Share (the "**Subscription Price**") which will be satisfied wholly in cash in the manner set out in Paragraph 4.1.1.

4.1.1 Subject to the fulfilment of the Conditions Precedent, the Subscription will be fulfilled by way of tranches (collectively the "**Subscription Tranches**" and each a "**Subscription Tranche**") in the following manner:-

4.1.1.1 USD351,000 payable by SMGIV for 117,000 Subscription Shares upon the execution of the SA and upon the fulfillment of all the First Tranche CPs (as defined herein) (the "**First Tranche Subscription**");

4.1.1.2 USD702,000 payable by SMGIV for 234,000 Subscription Shares subject to the satisfactory completion of legal, financial and business due diligence review with regard to the operations, business, management and affairs of St. Luke Clinic¹ and upon the fulfillment of all the St Luke Clinic Tranche CPs (as defined herein) (the "**St. Luke Clinic Subscription**");

4.1.1.3 USD351,000 payable by SMGIV for 117,000 Subscription Shares subject to the completion of a detailed business plan for CCVN for the financial year 2017 that is approved by SMGIV and the Board of CCAI, and upon the fulfillment of all the FY2017 Business Plan Tranche CPs (as defined herein) (the "**FY2017 Business Plan Subscription**"); and

4.1.1.4 USD216,000 payable by SMGIV for 72,000 Subscription Shares upon the completion of a detailed 3-year business and expansion plan for CCVN that is approved by SMGIV and the Board of CCAI, and upon the fulfillment of all the 3-year Business Plan Tranche CPs (as defined herein) (the "**3-year Business Plan Subscription**").

4.1.2 The Consideration was determined based on arm's length negotiations between SMGIV and CCAI, and arrived at after taking into account, *inter alia*, the net asset value and the earnings potential of the CCAI Group. As at 31 December 2015, the net asset value and net tangible assets of the CCAI Group approximate USD676,000 (after adjusting for the conversion of convertible loan notes of USD850,000 to shares of CCAI prior to the Subscription). The CCAI Group generated a net loss after tax of USD380,000 for the financial year ended 31 December 2015.

4.1.3 The Subscription will be funded through SMGIV's internal resources. The Group will not provide further funding to SMGIV in relation to the Subscription except for its subscription of 850,000 ordinary shares in the share capital of SMGIV, representing 50.0% of the total issued and paid up share capital of SMGIV, for a total consideration of USD850,000.

¹ St Luke Clinic is a clinic in Vietnam that may be acquired by CCVN.

- 4.2 **Material Conditions Precedent:** The material conditions precedent to the Subscription are as follows ("**Conditions Precedent**"):-
- 4.2.1 **First Tranche CPs:** The obligation of SMGIV to subscribe for Subscription Shares in the First Tranche Subscription and to undertake its obligations set out in the SA is subject to the following Conditions Precedent being fulfilled (the "**First Tranche CPs**"):-
- 4.2.1.1 the completion of legal, tax and financial due diligence to the satisfaction of SMGIV;
 - 4.2.1.2 the representations and warranties in the SA being true, complete, and accurate in all material respects as at the date of completion of the First Tranche Subscription;
 - 4.2.1.3 the approval of the Board of SMGIV and shareholders of SMGIV (where necessary) being obtained for the entry into the SA and for the transactions contemplated therein;
 - 4.2.1.4 all necessary governmental or regulatory filings, permits or approvals having been made or obtained in connection with the SA and the transactions contemplated therein; and
 - 4.2.1.5 the execution of a shareholders' agreement between CCAI and its shareholders (the "**SHA**").
- 4.2.2 **St. Luke Clinic Tranche CPs:** The obligation of SMGIV to subscribe for Subscription Shares in the St. Luke Clinic Subscription and to undertake its obligations set out in the SA is subject to the following Conditions Precedent being fulfilled (the "**St. Luke Clinic Tranche CPs**"):-
- 4.2.2.1 the representations and warranties in the SA being true, complete and accurate in all material respects as at the date of completion for the St. Luke Clinic Subscription;
 - 4.2.2.2 the approval of the Board of SMGIV and shareholders of SMGIV (where necessary) being obtained for the entry into the SA and for the transactions contemplated therein; and
 - 4.2.2.3 all necessary governmental or regulatory filings, permits or approvals having been made or obtained in connection with the SA and the transactions contemplated therein.
- 4.2.3 **FY2017 Business Plan Tranche CPs:** The obligation of SMGIV to subscribe for Subscription Shares in the FY2017 Business Plan Subscription and to undertake its obligations set out in the SA is subject to the following Conditions Precedent being fulfilled (the "**FY2017 Business Plan Tranche CPs**"):-
- 4.2.3.1 the representations and warranties in the SA being true, complete and accurate in all material respects as at the date of completion for the FY2017 Business Plan Subscription;
 - 4.2.3.2 the approval of the Board of SMGIV and shareholders of SMGIV (where necessary) being obtained for the entry into the SA and for the transactions contemplated therein; and
 - 4.2.3.3 all necessary governmental or regulatory filings, permits or approvals having been made or obtained in connection with the SA and the transactions contemplated therein.

- 4.2.4 **3-year Business Plan Tranche CPs:** The obligation of SMGIV to subscribe for Subscription Shares in the 3-year Business Plan Subscription and to undertake its obligations set out in the SA is subject to the following Conditions Precedent being fulfilled (the "**3-year Business Plan Tranche CPs**"):-
- 4.2.4.1 the representations and warranties in the SA being true, complete and accurate in all material respects as at the date of completion for the 3-year Business Plan Subscription;
 - 4.2.4.2 the approval of the Board of SMGIV and shareholders of SMGIV (where necessary) being obtained for the entry into the SA and for the transactions contemplated therein; and
 - 4.2.4.3 all necessary governmental or regulatory filings, permits or approvals having been made or obtained in connection with the SA and the transactions contemplated therein.
- 4.3 **Completion:** Completion of each Subscription Tranche shall take place when the respective conditions of each Subscription Tranche (as set out in Paragraph 4.2 above) has been fulfilled ("**Completion**").
- 4.3.1 CCAI shall use its best endeavours to ensure the satisfaction of the First Tranche CPs and the St. Luke Clinic Tranche CPs within 60 days from the date of the SA (unless otherwise extended by SMGIV).
 - 4.3.2 CCAI shall use its best endeavours to ensure the satisfaction of the FY2017 Business Plan Tranche CPs and the 3-year Business Plan Tranche CPs within 90 days from the date of the SA (unless otherwise extended by SMGIV).
- 4.4 **Bonus Shares:** CCAI will allot and issue 477,650 new ordinary shares in the share capital of CCAI (the "**Bonus Shares**") to SMGIV if the following actions set out below are undertaken by SMGIV in the one (1) year period following the completion of the First Tranche Subscription:
- 4.4.1 provide management input with weekly review calls;
 - 4.4.2 procure that its senior management conducts monthly visits to Ho Chi Minh City;
 - 4.4.3 provide training on matters such as marketing on a quarterly basis;
 - 4.4.4 provide hosting and training of employees of CCVN in Singapore;
 - 4.4.5 arrange for a specialist to conduct seminars in Ho Chi Minh City on a quarterly basis;
 - 4.4.6 provide a suite of LASIK equipment on a lease basis, together with necessary training;
 - 4.4.7 provide technical assistance on the design of medical centres;
 - 4.4.8 provide assistance to CCAI and/or CCVN in obtaining loans from banks; and
 - 4.4.9 set up a patient referral system between SMGIV and CCVN.

5. PRINCIPAL TERMS OF THE SHAREHOLDERS' AGREEMENT

- 5.1 **Shareholders' Agreement:** SMGIV and the existing shareholders of CCAI have entered into a SHA as at the date of this announcement to regulate their rights and obligations in relation to, and affairs of CCAI.

- 5.2 **Management of CCAI:** It is contemplated in the SHA that before the issuance of Bonus Shares, the Board of CCAI (the "**New CCAI Board**") shall comprise five (5) directors. This New CCAI Board will consist of two (2) directors appointed by SMGIV. After the issuance of Bonus Shares, SMGIV shall be entitled to appoint up to three (3) directors to the New CCAI Board.
- 5.3 **Deeds of Power of Attorney:** Ms. Pang May Yee and Mr. Attila Vajda, two of the shareholders of CCAI, will execute irrevocable deeds of power of attorney (the "**Deeds of POA**"), naming SMGIV as each of their attorneys to ensure that SMGIV controls not less than 50.5% of the voting rights in CCAI. The Deeds of POA shall take effect immediately upon the Completion of the last of (i) First Tranche Subscription, (ii) St. Luke Clinic Subscription and (iii) FY2017 Business Plan Subscription, and shall remain in full force and effect until SMGIV directly holds 50.5% of the issued and paid-up share capital of CCAI.

6. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

For the purpose of Chapter 10 of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalyst (the "**Catalist Rules**"), the relative figures for the Subscription computed on the bases set out in Rule 1006 of the Catalist Rules based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2015 ("**FY2015**") are as follows:-

Rule 1006	Bases	Relative Figures (%)
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable ⁽¹⁾
(b)	The net profits ⁽²⁾ attributable to the assets acquired, compared with the Group's net profits ⁽²⁾ .	Not meaningful ⁽³⁾
(c)	The 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.	0.9 ⁽⁴⁾
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable ⁽¹⁾
(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 Subscription.
- (2) Pursuant to Rule 1002(3)(b) of the Catalist Rules, "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (3) The relative figure computed is a negative figure of 233.9% based on the audited net loss before tax of the CCAI Group of USD457,000 for FY2015 and the Group's audited net profit of S\$43,000 for FY2015.
- (4) The relative figure is calculated using the total cash consideration of USD850,000 that will be paid for SMG's aggregate subscription of shares in SMGIV, representing 50.0% equity interests in the SMGIV against the market capitalisation, which is calculated based on the volume weighted average price of S\$0.46 on 4 January 2017, being the last market day on which the shares of the Company were traded, preceding the date of this announcement.

As the relative computation under Rule 1006(c) is less than 5% and after consulting the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on the relative computation under Rule 1006(b) (which reflected a figure that was “not meaningful”), the Subscription does not fall within the classification of a major transaction or a very substantial acquisition or reverse takeover under Rule 1014 and Rule 1015 of the Catalist Rules respectively.

7. FURTHER INFORMATION RELATING TO THE SUBSCRIPTION

7.1 Financial Effects of the Subscription

The financial effects of the Subscription on the Group as set out below are for illustrative purposes only and do not reflect the actual financial performance or position of the Group after the Subscription. The financial effects of the Subscription set out below have been prepared based on the Group's audited consolidated financial statements for FY2015 and the audited financial statements of the CCAI Group for FY2015.

7.1.1 Earnings or Loss per Share (“EPS” or “LSP”)

The effects of the Subscription on the EPS of the Group for FY2015, assuming that the Subscription had been effected at the beginning of FY2015, are summarised below:

EPS	Before the Subscription	After the Subscription
Earnings/(Loss) ⁽¹⁾ (S\$'000)	(148)	(232) ⁽²⁾
Weighted average number of issued shares ('000)	275,135	275,135
EPS/LPS - Basic and Diluted (cents)	(0.05)	(0.08)

Notes:

- (1) Represents net profit/(loss) attributable to the shareholders of the Company.
- (2) Loss attributable to the shareholders of the Company after the Subscription was derived based on the CCAI Group's net loss after tax of USD380,000 for FY2015 mainly arising from the initial set-up costs of the clinic.

7.1.2 NTA

The effects of the Subscription on the NTA per share of the Group for FY2015, assuming that the Subscription had been effected as at 31 December 2015, are summarised below:

NTA	Before the Subscription	After the Subscription
Consolidated NTA ⁽¹⁾ (S\$'000)	10,962	10,962
Number of issued shares ('000)	276,029	276,029
Consolidated NTA per share (cents)	3.97	3.97

Notes:

- (1) Represents consolidated NTA attributable to the shareholders of the Company.

7.2 Interest of Directors and Controlling Shareholders

The following director and substantial shareholder of the Company have disclosed their respective interests in SMGIV:

- (a) Dr. Wong Seng Weng, the Executive Director of the Company, holds a direct interest in 120,000 ordinary shares in SMGIV, representing 7.1% of the share capital of SMGIV; and
- (b) Dr. Ho Choon Hou, a substantial shareholder of the Company, holds a direct interest in 120,000 ordinary shares in SMGIV, representing 7.1% of the share capital of SMGIV.

Save for Dr. Wong Seng Weng and Dr. Ho Choon Hou, none of the other directors of the Company 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 Subscription other than through their respective interests (if any) in the Company.

7.3 Directors' Service Contracts

No person has been proposed to be appointed as an director of the Company in connection with the Subscription. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

8. SA AND SHA AVAILABLE FOR INSPECTION

A copy of the SA and SHA 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.

By Order of the Board

Beng Teck Liang
Executive Director and Chief Executive Officer

5 January 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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