

SINGAPORE MEDICAL GROUP LIMITED

(Company Registration No.: 200503187W)

PROPOSED ACQUISITION OF BABIES AND CHILDREN SPECIALIST CLINIC 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, together with SMG Kids Clinic Pte. Ltd., a wholly-owned subsidiary of SMG (the "**Purchaser**"), on 17 October 2017, entered into a share purchase agreement ("**Share Purchase Agreement**") with Dr Ng Pau Ling Simon (the "**Seller**"), in relation to the proposed acquisition of the entire issued and paid up shares in the share capital (the "**Sale Shares**") in Babies and Children Specialist Clinic Pte. Ltd. (the "**Target Company**") by the Purchaser (the "**Proposed Acquisition**").

2. INFORMATION ON THE SELLER AND TARGET COMPANY

2.1 Background of the Seller and Target Company

The Seller is a pediatrician who specialises in neonatology. He owns 100% of the shareholding interest in the Target Company, and has been responsible for its management, operations and business since its establishment.

The Target Company was incorporated in Singapore on 9 July 2007, and is a company limited by shares, with an issued and paid-up share capital of S\$10 comprising of 10 ordinary shares. It is engaged in the business of operating a pediatrics clinic under the clinic name of Babies and Children Specialist Clinic Pte. Ltd. The clinic is located at 820 Thomson Road, #02-02, Mount Alvernia Medical Centre Block A, Singapore 574623, Singapore (the "**Operating Clinic**").

2.2 Value of the Target Company

The book value and net tangible asset value of the Target Company will be at least S\$50,000. No independent valuation was conducted on the Target Company.

2.3 Net Profits of the Target Company

Based on the latest completed financial year of the Target Company, the net profits after taxation of the Target Company was approximately S\$1.0 million.

3. PRINCIPAL TERMS OF THE SHARE PURCHASE AGREEMENT

3.1 Consideration

The Consideration for the Proposed Acquisition is an aggregate sum of S\$7.9 million, which was arrived at on a willing buyer and willing seller basis after arm's length negotiations between SMG and the Seller, 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 Seller.

The Consideration shall be satisfied by SMG as follows:

- (i) The payment of S\$1,422,000 (the "**Completion Tranche Payment**") to the Seller on the Completion Date under the Share Purchase Agreement (the "**Completion Date**");
- (ii) the payment of S\$1,422,000 (the "**Subsequent Tranche Payment**") to the Seller on the date falling on the first anniversary of the Completion Date;
- (iii) the payment of S\$1,106,000 (the "**Final Tranche Payment**") to the Seller on the date falling on the secondary anniversary of the Completion Date; and
- (iv) the balance by the issue and allotment of 6,336,221 new ordinary shares in the share capital of SMG ("**Shares**") (fractional shares being disregarded) to the Seller, 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**") within one (1) month of the Completion Date.

The Completion Tranche Payment, Subsequent Tranche Payment and Final Tranche Payment (collectively the "**Cash Consideration**") is 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\$0.6234 per Consideration Share (the "**Issue Price**") (representing the volume weighted average price per Share for all trades done on SGX-ST for the full market day before the date of the Share Purchase Agreement).

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 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 **Security**

As security for the payment of the Subsequent Tranche Payment and the Final Tranche Payment in accordance with paragraph 3.1 above, the Purchaser shall create, in favour of the Seller, a fixed charge (the "**Share Charge**") over all its rights, title and interest in and to such number of shares representing 30% of all the issued shares in the share capital of the Target Company from time to time (the "**Target Shares**"), with effect from completion of the sale and purchase of the Sale Shares in accordance with the Share Purchase Agreement ("**Completion**").

The Seller shall discharge and release from the Share Charge such number of shares equivalent to 20% and 10% of the total number of Target Shares upon payment of the Subsequent Tranche Payment and Final Tranche Payment respectively.

3.3 **Moratorium**

The Consideration Shares shall be subject to a six (6) months moratorium period commencing on the date of issue of the Consideration Shares under the Share Purchase Agreement ("**Moratorium Period**").

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

- (a) not exceeding 50% of the total number of Consideration Shares during the six (6) month period starting on the first day after the expiry of the Moratorium Period ("**First Post-Moratorium Period**"); and

- (b) equal to all the Consideration Shares after the expiry of the First Post-Moratorium Period.

3.4 **Consultancy Agreement**

The Seller shall, through his nominated corporate entity, enter into a consultancy agreement with the Target Company, Purchaser and SMG to operate and manage the business as carried on by the Target Company (the "**Consultancy Agreement**"). Subject to completion under the Share Purchase Agreement, the Consultancy Agreement shall commence on the Completion Date or such other date as may be agreed between the parties and continue for an initial term of 5 years, which may be extended if parties agree.

3.5 **Conditions Precedent**

The obligation of the parties under the Share Purchase Agreement to complete the Proposed Acquisition are conditional upon, *inter alia*, the following salient conditions being satisfied, fulfilled or waived, as the case may be, before Completion:

3.5.1 Conditions to be satisfied by the Seller

- (a) the results of a due diligence exercise over the Target Company being satisfactory to the Purchaser in its sole and absolute discretion, provided always that if there are any unsatisfactory results from the due diligence exercise, the Purchaser shall submit written notice containing the details of the unsatisfactory results to the Seller and grant the Seller a period of at least fourteen (14) days prior to Completion to remedy such unsatisfactory results;
- (b) all licences required from the Ministry of Health in the name of the Target Company for the operation of the Operating Clinic being obtained;
- (c) all approvals, waivers or consents as may be required by the Seller to enable the Purchaser to be registered as the holder of any and all of the Sale Shares, and to give effect to the transactions contemplated under the Share Purchase Agreement, the Consultancy Agreement and the Share Charge (the "**Transaction Documents**") being obtained and where any waiver, consent or approval is subject to conditions, such conditions being satisfactory to the Purchaser in its sole and absolute discretion and if required to be fulfilled by a particular date, being so fulfilled, and such approvals, waivers or consents remaining valid and in full force and effect;
- (d) the Seller and the Target Company not having received notice of any claim, action, injunction, order, directive or notice restraining or prohibiting the entering into or the consummation of the transactions contemplated by the Transaction Documents or seeking damages or other recourse in respect thereof, or notice that any of the foregoing is pending or threatened as at the Completion Date;
- (e) there being no event having occurred which has or could reasonably be expected to have a material adverse effect on the business, operations, assets, financial condition or prospects of the Target Company; and
- (f) the Seller having delivered to the Purchaser the Consultancy Agreement duly executed by the Seller and the Target Company;

3.5.2 Conditions to be satisfied by the Purchaser

- (a) SMG obtaining all approval(s) in connection with Transaction Documents from the board of directors and/or shareholders of SMG in a general meeting, as may be necessary for the transactions contemplated herein, and such

approval remaining valid and in full force and effect and not having been withdrawn or revoked as at the Completion Date;

- (b) the allotment, issue to the Seller, subscription by the Seller and listing of the Consideration Shares not being prohibited by any statute, order, rule, regulation, directive or request promulgated or issued after the date of the Share Purchase Agreement by any legislative, executive or regulatory body or authority of Singapore or elsewhere, which is applicable to the Target Company and/or SMG;
- (c) the Purchaser and SMG having delivered to Seller the Consultancy Agreement duly executed by the Purchaser and SMG; and

3.5.3 Other Conditions

- (a) there being no applicable laws having been enacted, amended or proposed which would prohibit, materially restrict or materially delay the implementation of the transactions contemplated in the Share Purchase Agreement or the operations of the Target Company.

If any of the conditions set out above has not been satisfied, (or where capable of waiver, waived by the Purchaser or the Seller as the case may be) on or before the Longstop Date under the Share Purchase Agreement (being 30 November 2017, or such other date as may be mutually agreed in writing between the parties to the Share Purchase Agreement), the Share Purchase Agreement shall automatically terminate with immediate effect.

4. **RATIONALE FOR THE PROPOSED ACQUISITION**

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

- (a) the Seller is a reputable senior neonatologist, who, upon the entry into the Consultancy Agreement with a 5-year tenure, is committed to working with the other paediatricians in the Group to (i) further grow the Group's pediatric practice, and (ii) identify and mentor talented paediatricians within the Group; and
- (b) the Operating Clinic is situated within a hospital and such location is expected to provide both synergistic advantages and cross-selling opportunities to the Group's existing Obstetrics & Gynaecology practice.

5. **FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION**

5.1 **General**

The proforma financial effects of the Proposed Acquisition on the net tangible assets ("**NTA**") per share and the earnings per share ("**EPS**") of the Group are set out below. The proforma financial effects have been prepared based on the audited consolidated financial results of the Group for the financial year ended 31 December 2016. The proforma financial effects are purely for illustration purposes only and are therefore not necessarily indicative of the actual financial position of the Group after Completion.

5.1.1 NTA

For illustrative purposes only, the proforma financial effects of the Proposed Acquisition on the Group's NTA per share, assuming that the Proposed Acquisition had been completed on 31 December 2016, being the end of the most recently completed financial year, are set out below:

NTA	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$'000)	23,287	23,257 ⁽¹⁾
Number of issued shares ('000)	311,033	317,369 ⁽²⁾
NTA per share (cents)	7.49	7.33

Notes:

- (1) The NTA has been determined after deducting the estimated transaction expenses.
- (2) Pursuant to the allotment and issuance of 6,336,221 Shares in the capital of SMG as consideration for the Proposed Acquisition.

5.1.2 Earnings per Share ("**EPS**")

For illustrative purposes only, the proforma financial effects of the Proposed Acquisition on the consolidated earnings of the Group, assuming that the Proposed Acquisition had been completed on 1 January 2016, being the beginning of the most recently completed financial year, are set out below:

EPS	Before the Proposed Acquisition	After the Proposed Acquisition
Profits attributable to the owners of SMG (S\$'000)	2,423	3,378 ⁽¹⁾
Weighted average number of issued shares ('000)	286,945	293,281 ⁽²⁾
EPS - Basic (cents)	0.84	1.15

Notes:

- (1) This has been determined after deducting the estimated transaction expenses.
- (2) Pursuant to the allotment and issuance of 6,336,221 Shares in the capital of SMG as consideration for 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, 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⁾

Rule 1006	Bases	Relative Figures (%)
(b)	Net profits ⁽²⁾ attributable to the assets acquired, compared with the Group's net profits	39.5% ⁽³⁾
(c)	Aggregate value of the consideration given, compared with SMG's market capitalisation based on the total number of issued shares excluding treasury shares	2.8% ⁽⁴⁾
(d)	Number of equity securities issued by SMG as consideration for an acquisition, compared with the number of equity securities previously in issue	1.4% ⁽⁵⁾

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) Based on the net profits of the Target Company and the net profits of the Group for the latest completed financial year ended 31 December 2016, being S\$1.2 million and S\$3.0 million respectively.
- (4) Based on the Consideration and market capitalisation of SMG of S\$281.8 million, which is determined by multiplying the issued share capital of SMG of 452,039,451 Shares in issue with the weighted average price of S\$0.6234 transacted on the Catalist of SGX-ST on 16 October 2017 (being the last market day for which the Shares were traded prior to the day the Share Purchase Agreement was entered into).
- (5) The number of equity securities to be issued by SMG as consideration for the Proposed Acquisition is 6,336,221 new Shares.

6.2 As the relative figure under Rule 1006(b) of the Catalist Rules exceeds 5% but is less than 75%, the Proposed Acquisition constitutes a "discloseable transaction" as defined in Chapter 10 of the Catalist Rules.

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 Share Purchase Agreement 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

19 October 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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