

**CIRCULAR DATED 17 AUGUST 2016**

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your ordinary shares in the capital of Singapore Medical Group Limited (the "**Company**"), you should immediately forward this Circular together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Circular 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 relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), this being the SGX-ST Listing Manual Section B: Rules of Catalyst. The Sponsor has not independently verified the contents of this Circular.

**This Circular has not been examined or approved by the SGX-ST. The SGX-ST and the Sponsor assume no responsibility for the contents of this Circular, including the correctness of any of the statements or opinions made or reports contained in this Circular.**

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.



**SINGAPORE MEDICAL GROUP LIMITED**

(Incorporated in the Republic of Singapore on 10 March 2005)  
(Company Registration Number: 200503187W)

Independent Financial Adviser to the Independent Directors in relation to the Proposed Acquisition



**PRIMEPARTNERS CORPORATE FINANCE PTE. LTD.**

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 200207389D)

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO**

- (1) THE PROPOSED ACQUISITION OF 2,925,000 SHARES REPRESENTING 61.9% OF THE TOTAL ISSUED AND PAID-UP SHARE CAPITAL OF LIFESCAN IMAGING PTE. LTD. AS AN INTERESTED PERSON TRANSACTION WITH THE ALLOTMENT AND ISSUANCE OF 33,363,282 SHARES IN THE CAPITAL OF THE COMPANY AS CONSIDERATION**
- (2) THE PROPOSED GRANT OF OPTIONS UNDER THE SMG SHARE OPTION SCHEME TO BENG TECK LIANG, AN EXECUTIVE DIRECTOR AND A CONTROLLING SHAREHOLDER OF THE COMPANY AND THE ALLOTMENT AND ISSUANCE OF SHARES THEREUNDER**

**IMPORTANT DATES AND TIMES:**

Last date and time for lodgement of Proxy Form	:	30 August 2016 at 4.30 p.m.
Date and time of Extraordinary General Meeting	:	1 September 2016 at 4.30 p.m.
Place of Extraordinary General Meeting	:	290 Orchard Road #14-03, The Paragon, Singapore 238859

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## DEFINITIONS

In this Circular, the following definitions apply throughout unless the context otherwise requires:

- “Act”** : The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
- “Aggregate Consideration”** : The aggregate consideration of S\$8,541,000 payable by the Company to the Vendors in relation to the Proposed Acquisition
- “Agreement”** : The sale and purchase agreement dated 5 August 2016 entered into between the Company and the Vendors in relation to the Proposed Acquisition
- “Announcement”** : The announcement by the Company dated 5 August 2016 that the Company had entered into the Agreement with the Vendors in respect of the Proposed Acquisition on the SGXNET
- “Announcement Date”** : 5 August 2016
- “Audit Committee”** : The audit committee of the Company
- “Board”** : The board of Directors of the Company
- “Business Day”** : Means a day (other than a Saturday, a Sunday or a gazetted public holiday in Singapore) when banks in Singapore are open for business and **“Business Days”** shall be construed accordingly
- “Catalist Rules”** : The SGX-ST Listing Manual Section B: Rules of Catalist, as amended or modified from time to time
- “CDP”** : The Central Depository (Pte) Limited
- “Circular”** : This circular dated 17 August 2016 issued by the Company
- “Committee”** : The committee comprising all members of the remuneration committee of the Company from time to time, duly authorised and appointed by the Board pursuant to the SMG Share Option Scheme to administer the SMG Share Option Scheme.
- “Company”** : Singapore Medical Group Limited
- “Completion”** : The completion of the Proposed Acquisition in accordance with the terms of the Agreement
- “Completion Date”** : The date of Completion of the Proposed Acquisition
- “Consideration Shares”** : New ordinary shares of the Company to be issued to the Vendors as consideration for the Proposed Acquisition
- “Directors”** : The directors of the Company for the time being
- “EGM”** : Extraordinary general meeting
- “EPS”** : Earnings per share
- “FY2015”** : The financial year ended 31 December 2015
- “Group”** : The Company and its subsidiaries

<b>“HY2016”</b>	:	The six month period ended 30 June 2016
<b>“IFA”</b>	:	PrimePartners Corporate Finance Pte. Ltd., the independent financial adviser appointed by the Company to advise the Independent Directors on the Proposed Acquisition
<b>“IFA Letter”</b>	:	The letter from the IFA addressed to the Independent Directors as set out in Appendix A to this Circular
<b>“Independent Directors”</b>	:	Directors who are considered not to be interested for the purposes of making a recommendation to the Shareholders in respect of the Proposed Acquisition
<b>“Independent Valuer”</b>	:	Deloitte & Touche Financial Advisory Services Pte. Ltd., the independent valuer appointed by the Company to value the shares in Lifescan for the purposes of the Proposed Acquisition
<b>“Latest Practicable Date”</b>	:	The latest practicable date prior to the printing of this Circular, being 10 August 2016
<b>“Lifescan”</b>	:	Lifescan Imaging Pte. Ltd.
<b>“Lifescan ATA”</b>	:	The asset transfer agreement entered into between Lifescan and Pacific Cancer Centre Pte. Ltd. on 3 August 2015 for the acquisition of its radiology business
<b>“LPS”</b>	:	Loss per Share
<b>“Market Day”</b>	:	A day on which the SGX-ST is open for trading in securities
<b>“NAV”</b>	:	Net asset value, being total assets less total liabilities
<b>“Notice of EGM”</b>	:	The notice of the EGM set out on page 59 of this Circular
<b>“NTA”</b>	:	Net tangible assets, being net assets less intangible assets
<b>“Options”</b>	:	The right to subscribe for ordinary shares in the capital of the Company granted or to be granted to any person selected to participate in the SMG Share Option Scheme
<b>“PCCPL Radiology Business”</b>	:	The imaging and radiology business of Pacific Cancer Centre Pte. Ltd.
<b>“Proposed Acquisition”</b>	:	The proposed acquisition by the Company of 61.9% of issued and paid-up share capital in Lifescan
<b>“Proposed Transactions”</b>	:	The Proposed Acquisition and the Proposed Grant of Options
<b>“Proxy Form”</b>	:	The proxy form in respect of the EGM as set out in this Circular
<b>“Rule 1006”</b>	:	Rule 1006 of the Catalist Rules
<b>“Sale Shares”</b>	:	The ordinary shares in Lifescan that will be sold by the Vendors to the Company pursuant to the Agreement
<b>“SGXNET”</b>	:	The corporate announcement system maintained by the SGX-ST for the submission of announcements by listed companies
<b>“SGX-ST”</b>	:	The Singapore Exchange Securities Trading Limited

<b>“Shareholders”</b>	:	The registered holders of the Shares, except that where the registered holder is CDP, the term “Shareholders” shall, in the relation to such Shares, mean the Depositors in the Depository Register and whose Securities Accounts maintained with CDP are credited with those Shares
<b>“Shares”</b>	:	Ordinary shares in the issued share capital of the Company
<b>“SMG Share Option Scheme”</b>	:	The Singapore Medical Group Limited Share Option Scheme, as approved by shareholders of the Company at an EGM held on 30 April 2014
<b>“Sponsor”</b>	:	CIMB Bank Berhad, Singapore Branch
<b>“Substantial Shareholder”</b>	:	A person (including a corporation) who holds directly or indirectly 5% or more of the issued capital in the Company
<b>“Valuation Letter”</b>	:	The valuation letter from the Independent Valuer on the valuation of the entire issued share capital of Lifescan as set out in Appendix B to this Circular
<b>“Vendors”</b>	:	Ong Wee Song, Cheng Yong Liang, Tony Tan Choon Keat, Wong Seng Weng, Beng Teck Liang, Chong Wei Wen, John Huang Yung Shui and Kenneth Sheah Ban Joo
<b>“Vendor Consideration Price”</b>	:	The consideration price paid to each Vendor in relation to the Proposed Acquisition as set out in Section 2.3.2 of this Circular
<b>“S\$” and “cents”</b>	:	Singapore dollars and cents respectively, being the lawful currency of Singapore
<b>“%” or “per cent.”</b>	:	Percentage or per centum

The terms **“Depositor”**, **“Depository Register”** and **“Depository Agent”** shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time.

The terms **“associate”** and **“controlling shareholders”** shall have the meanings ascribed to them respectively in the Catalist Rules.

The terms **“subsidiaries”**, **“Substantial Shareholders”** and **“related corporations”** shall have the meanings ascribed to them respectively in the Act.

Except where specifically defined, the terms **“we”**, **“us”** and **“our”** in this Circular refer to the Group.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall, where applicable, include corporations.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures that precede them.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and not otherwise defined in this Circular shall have the same meaning assigned to it under the Act or any statutory modification thereof, as the case may be.

Any reference to a time of day and date in this Circular is made by reference to Singapore time and date unless otherwise stated.

# SINGAPORE MEDICAL GROUP LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration Number 200503187W)

## Directors:

Mr. Tony Tan Choon Keat (Non-Executive Chairman)  
Dr Beng Teck Liang (Executive Director and Chief Executive Officer)  
Dr Wong Seng Weng (Executive Director)  
Mr. Ho Lon Gee (Independent Director)  
Mr. Jimmy Yim Wing Kuen (Independent Director)

## Registered Office:

290 Orchard Road  
#13-01 The Paragon  
Singapore 238859

17 August 2016

To: The Shareholders of Singapore Medical Group Limited

Dear Sir/Madam

(1) **THE PROPOSED ACQUISITION OF 2,925,000 SHARES REPRESENTING 61.9% OF THE TOTAL ISSUED AND PAID-UP SHARE CAPITAL OF LIFESCAN IMAGING PTE. LTD. AS AN INTERESTED PERSON TRANSACTION WITH THE ALLOTMENT AND ISSUANCE OF 33,363,282 SHARES IN THE CAPITAL OF THE COMPANY AS CONSIDERATION FOR THE PROPOSED ACQUISITION**

(2) **THE PROPOSED GRANT OF OPTIONS UNDER THE SMG SHARE OPTION SCHEME TO BENG TECK LIANG, AN EXECUTIVE DIRECTOR AND A CONTROLLING SHAREHOLDER OF THE COMPANY**

## 1. INTRODUCTION

1.1 The Directors propose to seek the approval of Shareholders at an extraordinary general meeting of the Company to be held on 1 September 2016, 4.30 p.m. at 290 Orchard Road, #14-03, The Paragon, Singapore 238859 to seek Shareholders' approval for:-

- (a) the proposed acquisition of 2,925,000 shares representing 61.9% of the total issued and paid-up share capital of Lifescan Imaging Pte. Ltd. ("**Lifescan**") as an interested person transaction and the allotment and issuance of 33,363,282 shares in the capital of the Company as consideration (the "**Proposed Acquisition**"); and
- (b) the proposed grant of Options under the SMG Share Option Scheme to Beng Teck Liang, an executive Director and a controlling Shareholder of the Company (the "**Proposed Grant of Options**"),

(collectively, the "**Proposed Transactions**").

1.2 The purpose of this Circular is to provide Shareholders with the relevant information relating to the Proposed Transactions and to seek Shareholders' approval for the resolutions relating thereto at the EGM.

## 2. THE PROPOSED ACQUISITION

### 2.1 Background

On 5 August 2016, the Company announced the entry into the Agreement, being a sale and purchase agreement entered into between the Vendors to acquire an aggregate of 2,925,000 shares, representing 61.9% of the total issued and paid-up share capital of Lifescan. As consideration for the Proposed Acquisition, the Company will allot and issue the Consideration Shares to the Vendors, being an aggregate of 33,363,282 Shares.

As announced on 20 July 2015, the Company had entered into a joint venture agreement with certain individuals to invest in an imaging and radiology business. At that time, the Company subscribed for shares amounting to 40% of the share capital of Lifescan, with the balance 60% being held by the other individual joint venture partners. More information on Lifescan can be found in Section 2.3 of this Circular.

## 2.2 Shareholders' Approval

Shareholders' approval is being sought for the Proposed Acquisition for the following reasons:-

- (a) the Consideration Shares to be issued to the Vendors involve the issuance of Shares to certain Directors of the Company; and
- (b) as certain Vendors are Directors and controlling Shareholders of the Company, the Proposed Acquisition is an interested person transaction pursuant to Chapter 9 of the Catalist Rules.

## 2.3 The Proposed Acquisition as a Discloseable Transaction

### 2.3.1 Information on Lifescan and the Vendors

Lifescan is a company incorporated in Singapore on 26 June 2015 with its principal activities being that of operating an x-ray laboratory and diagnostic imaging clinic, and owns assets for such purpose, including medical diagnostic imaging equipment such as x-ray machines, computerised tomography (CT) scanners and magnetic resonance imaging (MRI) machines.

Lifescan currently operates its business at 290 Orchard Road, #07-18/19/20, The Paragon, Singapore 238859.

Lifescan also owns 49% of the equity interest in Novena Radiology Pte Ltd ("**NRPL**"), a company incorporated in Singapore primarily involved in the business of providing diagnostic imaging services. NRPL operates from 2 premises, i.e. Novena Specialist Centre and Novena Medical Centre, in Singapore. The remaining 51% equity interest in NRPL is owned by the Company.

As at the Latest Practicable Date, Lifescan has an issued and paid-up share capital of S\$4,725,000 comprising 4,725,000 ordinary shares.

As mentioned in Section 2.1 above, the Company had entered into a joint venture agreement with certain individuals to invest in an imaging and radiology business. As announced on 3 August 2015, Lifescan had entered into an asset transfer agreement with Pacific Cancer Centre Pte. Ltd. to acquire its imaging and radiology business (the "**Lifescan ATA**").

As announced on 15 March 2016, Lifescan's share capital was increased by way of an allotment and issuance of 1,000,000 ordinary shares to the then existing shareholders of Lifescan. On 4 August 2016, John Huang Yung Shui and Kenneth Sheah Ban Joo (both of whom are radiologists of Lifescan) each subscribed for 112,500 shares in Lifescan, representing 2.4% of the total issued and paid-up capital of Lifescan individually as at the date of the subscription.

Following such issuance of shares in Lifescan to John Huang Yung Shui and Kenneth Sheah Ban Joo, the Company currently holds shares representing 38.1% of the total issued and paid-up share capital of Lifescan, and is a controlling shareholder of Lifescan.



As at the Latest Practicable Date, the shareholdings in Lifescan is as follows:-

Shareholder	Number of shares	Shareholding Percentage
Singapore Medical Group Limited	1,800,000	38.1%
Ong Wee Song	450,000	9.5%
Cheng Yong Liang	459,000	9.7%
Tony Tan Choon Keat	445,500	9.4%
Wong Seng Weng	450,000	9.5%
Beng Teck Liang	445,500	9.4%
Chong Wei Wen	450,000	9.5%
John Huang Yung Shui	112,500	2.4%
Kenneth Sheah Ban Joo	112,500	2.4%

The Vendors are individuals and include:-

- (a) Mr. Tony Tan Choon Keat ("**Mr Tony Tan**") who is the non-executive chairman of the Company. Being a 20.3% Shareholder, he is a controlling Shareholder of the Company;
- (b) Dr Beng Teck Liang ("**Dr Beng**") who is the chief executive officer and an executive Director of the Company. Being a 17.9% Shareholder, he is a controlling Shareholder of the Company; and
- (c) Dr Wong Seng Weng ("**Dr Wong**") who is an executive director of the Company and is a 2.0% Shareholder of the Company. He is also an oncologist at The Cancer Centre, a clinic of the Group.

### 2.3.2 Consideration for the Proposed Acquisition

The consideration for the Proposed Acquisition was determined to be an aggregate of S\$8,541,000 (the "**Aggregate Consideration**"), based on a price of S\$2.92 per share in Lifescan, and will be satisfied by the allotment and issuance of 33,363,282 new Shares in the capital of the Company (the "**Consideration Shares**") to the Vendors at an issue price of approximately S\$0.256 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 4 August 2016 and 5 August 2016, being the preceding market day prior to signing of the Agreement and the date the Agreement is signed, respectively.

The Consideration Shares represent 12.1% and 10.8% of the existing share capital and the enlarged share capital of the Company after the completion of the Proposed Acquisition respectively.

Details of the following are set out in the table below:-

- (a) the consideration price paid to each Vendor (the "**Vendor Consideration Price**");
- (b) the corresponding number of Consideration Shares to be allotted and issued to each Vendor;
- (c) the percentage shareholding of each Vendor in the share capital of the Company before the Proposed Acquisition; and

- (d) the resultant total percentage shareholding of each Vendor in the enlarged share capital of the Company after the Proposed Acquisition.

<b>Vendor</b>	<b>Vendor Consideration Price (S\$'000)</b>	<b>Number of Shares to be issued</b>	<b>Percentage shareholding of the Vendors in the share capital of the Company before the Proposed Acquisition (%)</b>	<b>Total Percentage shareholding of the Vendors in the enlarged share capital of the Company after the Proposed Acquisition (%)</b>
Ong Wee Song	1,314	5,132,813	0.0	1.7
Cheng Yong Liang	1,340	5,235,469	2.9	4.3
Tony Tan Choon Keat	1,301	5,081,484	20.3 <sup>(1)</sup>	19.8
Wong Seng Weng	1,314	5,132,813	2.0	3.4
Beng Teck Liang	1,301	5,081,484	17.9	17.6
Chong Wei Wen	1,314	5,132,813	0.0	1.7
John Huang Yung Shui	329	1,283,203	0.0	0.4
Kenneth Sheah Ban Joo	329	1,283,203	less than 0.1	0.4
<b>Total</b>	<b>8,541<sup>(2)</sup></b>	<b>33,363,282</b>	<b>43.1</b>	<b>49.3</b>

**Notes:**

- (1) Includes Tony Tan Choon Keat's deemed interest of 0.07% of the share capital of the Company held by his immediate family member.
- (2) Any discrepancy is due to rounding of numbers.

The Company had commissioned the Independent Valuer, Deloitte & Touche Financial Advisory Services Pte. Ltd., to value the entire issued share capital of Lifescan for the purposes of the Proposed Acquisition.

According to a Valuation Letter issued by the Independent Valuer, the range of values of the entire issued and paid-up share capital of Lifescan (including its 49% equity interest in NRPL) as at 30 April 2016 is estimated to be S\$15.6 million to S\$17.9 million. Correspondingly, the estimated range of values of the Sale Shares (representing 61.9% of the share capital of Lifescan) is S\$9.66 million to S\$11.08 million.

The Independent Valuer adopted the Discounted Cash Flow, Guideline Public Company and Recent Transaction Price methods in arriving at the value of the shares in Lifescan. Please refer to the full text of the Valuation Letter set out in Appendix B to this Circular.

The Aggregate Consideration represents a discount of 11.6% from the lower range of the value of the Sale Shares. The Aggregate Consideration was arrived at taking into consideration various commercial factors such as the financial performance and potential growth of Lifescan and the valuation by the Independent Valuer.

The allotment and issuance of the Consideration Shares would not result in a transfer of controlling interest in the Company.

### 2.3.3 Conditions Precedent to the Agreement

Pursuant to the terms of the Agreement, the Proposed Acquisition is conditional upon the following conditions having been fulfilled (or waived):-

- (a) the Company obtaining all applicable governmental or regulatory approvals, including but not limited to any SGX-ST requirements, for the transactions contemplated under the Agreement; and
- (b) the approval of the Shareholders for the Proposed Acquisition and any transaction contemplated under the Agreement and other related transactions as may be required in relation thereto.

### 2.3.4 Completion under the Agreement

On Completion, the following shall take place:-

2.3.4.1 each Vendor shall deliver to the Company the following:-

- (a) the share certificates in respect of the Sale Shares;
- (b) valid and registerable transfers duly executed transferring the legal and beneficial ownership of the Sale Shares to the Company;
- (c) duly passed resolutions of the board of directors of Lifescan 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.

2.3.4.2 the Company shall, against receipt of the above, allot and issue such number of Consideration Shares as set out in Section 2.3.2(d) to the Vendors by instructing CDP to credit the Consideration Shares into the securities account of the relevant Vendor and despatching to CDP the share certificate(s) in respect of the Consideration Shares and such other documents as may be required by CDP.

### 2.3.5 Rationale for the Proposed Acquisition

As mentioned in Section 2.3.1 above, Lifescan had entered into the Lifescan ATA to acquire the radiology business of Pacific Cancer Centre Pte. Ltd. (the “**PCCPL Radiology Business**”). At the point of acquisition, the PCCPL Radiology Business incurred a net loss before tax of S\$1.78 million for the financial year ended 31 December 2014 and continued making losses for FY2015. Although the radiology business was loss making, the Company saw the potential in the radiology business and the benefits in adding a new business which is under performing to enhance its services to its patients. In order to limit the potential risks associated with acquiring this new business segment, the Company and some of the Vendors had agreed to jointly develop the business.

While legal completion under the Lifescan ATA took place on 18 March 2016, it was provided in the Lifescan ATA that the liabilities of the radiology business would be assumed by Lifescan from 15 September 2015. Accordingly, the Company has been involved in the operation of Lifescan since such date. Since then, the radiology business has shown itself to be profitable. The Directors therefore believe that the Proposed Acquisition is in the best interests of the Shareholders and is beneficial for the Group as it not only provides an opportunity for expansion of the Group’s business, but also allows the Group to gain control of Lifescan as a wholly-owned subsidiary and to further strengthen the Group’s diagnostic business segment.

### 2.3.6 Relative Figures under Chapter 10 of the Catalist Rules

Relative figures of the Proposed Acquisition under Catalist Rule 1006, based on the Company's latest announced financial results for HY2016, are set out below.

<b>Rule 1006</b>	<b>Bases</b>	<b>Relative Figures (%)</b>
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable <sup>(1)</sup>
(b)	Net profits <sup>(2)</sup> attributable to the assets acquired, compared with the Group's net profits <sup>(2)</sup>	40.0 <sup>(3)</sup>
(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	13.8 <sup>(4)</sup>
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	12.1 <sup>(5)</sup>
(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 <sup>(1)</sup>

**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\$870,000 for HY2016.
- (4) The market capitalisation is calculated based on the volume weighted average price of S\$0.225 on 4 August 2016, being the last full Market Day on which the shares of the Company were traded, preceding the date of the Agreement.
- (5) The number of equity securities to be issued by the Company as consideration for the Proposed Acquisition is 33,363,282 new Shares.

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

### 2.3.7 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 FY2015 and the audited financial statements of Lifescan for FY2015.

## EPS

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

EPS	Before the Proposed Acquisition	After the Proposed Acquisition
Earnings <sup>(1)</sup> (S\$'000)	(148)	3,176 <sup>(2)(3)</sup>
Weighted average number of issued shares	275,134,759	308,498,040 <sup>(4)</sup>
EPS – Basic (cents)	(0.05)	1.03
EPS – Diluted (cents)	(0.05)	1.03

### Notes:

- (1) Represents net (loss) / profit attributable to the Shareholders of the Company.
- (2) Included gain of \$3.58 million arising from re-measurement of the Company's existing 38.1% equity shares in Lifescan from its carrying amount to fair value in accordance with the Singapore Financial Reporting Standard 103 Business Combination, assuming the fair value per share of Lifescan is S\$2.92.
- (3) Included financial effects of the increase in share capital of Lifescan by way of allotment and issuance of 1,225,000 ordinary shares, as described in Section 2.3.1, for HY2016.
- (4) Pursuant to the allotment and issuance of 33,363,282 Shares in the capital of the Company as consideration for the Proposed Acquisition.

## NTA

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

NTA	Before the Proposed Acquisition	After the Proposed Acquisition
Consolidated NTA <sup>(1)</sup> (S\$'000)	10,311	12,315 <sup>(2)(3)</sup>
Number of issued shares	276,028,500	309,391,782 <sup>(4)</sup>
Consolidated NTA per share (cents)	3.74	3.98

### 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 Lifescan as at 31 December 2015 is assumed to be approximately fair value; and
  - (b) the Consideration Shares' fair value is assumed to be approximately S\$8.5 million.
- (3) Included financial effects of the increase in share capital of Lifescan by way of allotment and issuance of 1,225,000 ordinary shares, as described in Section 2.3.1, for HY2016.
- (4) Pursuant to the allotment and issuance of 33,363,282 Shares in the capital of the Company as consideration for the Proposed Acquisition.

## Other Financial Information

Based on the management accounts of Lifescan for HY2016, the net profit attributable to the Sale Shares is approximately S\$348,000 and the net tangible assets of the Sale Shares is approximately S\$2,706,000.

### 2.3.8 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.

### 2.3.9 Interest of Directors and Controlling Shareholders

Save for Mr Tony Tan, Dr Beng and Dr Wong who are 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.

## 2.4 **Allotment and Issuance of Consideration Shares to the Vendors**

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 is thus seeking approval from independent Shareholders for the allotment and issuance of the Consideration Shares to the Vendors at the EGM pursuant to Section 161 of the Act, Rule 805(1) and Rule 804 of the Catalist Rules as:-

- (a) the allotment and issuance of the Consideration Shares to the Vendors 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 Mr Tony Tan, Dr Beng and Dr Wong who are Directors of the Company.

## 2.5 **The Proposed Acquisition as an Interested Person Transaction**

Chapter 9 of the Catalist Rules governs transactions in which a listed company or any of its subsidiaries or associated companies (known as an "entity at risk") enters into or proposes to enter into with a party who is an interested person of the listed company. The purpose is to guard against the risk that interested persons could influence the listed company, its subsidiaries or associated companies to enter into transactions with it that may adversely affect the interests of the listed company or its shareholders.

For the purposes of Chapter 9 of the Catalist Rules:-

- (a) an "**entity at risk**" means a listed company, a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange or an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group or the listed group and its interested person(s) has control over the associated company;
- (b) an "**associated company**" means a company in which at least 20% but not more than 50% of its shares are held by the listed company or group;
- (c) an "**approved exchange**" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles in Chapter 9 of the Catalist Rules;

- (d) an “**interested person**” means a director, chief executive officer or controlling shareholder of a listed company, or an associate of such director, chief executive officer or controlling shareholder;
- (e) an “**associate**” in relation to any director, chief executive officer or controlling shareholder (being an individual) means his immediate family (i.e., spouse, child, adopted child, stepchild, sibling and parent), the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more. An “**associate**” in relation to a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more; and
- (f) an “**interested person transaction**” means a transaction between an entity at risk and an interested person and includes the provision or receipt of financial assistance, the acquisition, disposal or leasing of assets, the provision or receipt of services, the issuance or subscription of securities, the granting of or being granted options, and the establishment of joint ventures or joint investments, whether or not in the ordinary course of business, and whether or not entered into directly or indirectly.

#### 2.5.1 Details of the Interested Persons

(a) Dr Beng Teck Liang

As at the Latest Practicable Date, Dr Beng is chief executive officer, executive Director and Controlling Shareholder of the Company, holding 49,490,000 Shares or approximately 17.9% shareholding interest in the Company.

(b) Mr Tony Tan Choon Keat

As at the Latest Practicable Date, Mr Tony Tan is the non-executive chairman, Director and Controlling Shareholder of the Company, holding and deemed to be holding in aggregate 56,078,486 Shares or approximately 20.3% shareholding interest in the Company.

(c) Dr Wong Seng Weng

As at the Latest Practicable Date, Dr Wong is an executive Director of the Company, holding 5,407,000 Shares or approximately 2.0% shareholding interest in the Company.

(together, the “**Interested Persons**” and each an “**Interested Person**”)

The above Vendors are interested persons 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.

#### 2.5.2 Materiality Thresholds under Chapter 9 of the Catalist Rules

In accordance with Rule 906(1)(a) and Rule 918 of the Catalist Rules, where the value of an interested person transaction, or when aggregated with other transactions entered into during the same financial year, is equal to or exceeds 5% of the Company’s latest audited NTA, the approval of Shareholders is required to be obtained either prior to the transaction being entered into, or if the transaction is expressed to be conditional on such approval, prior to the completion of such transaction, as the case may be.

The value at risk of the Proposed Acquisition is the aggregate Vendor Consideration Price (as defined in Section 2.3.2 above) for Mr Tony Tan, Dr Beng and Dr Wong, being S\$3.9 million. Based on the latest audited consolidated financial statements of the Group for FY2015, the audited consolidated NTA of the Group was approximately S\$11.0 million. The



value at risk of the Proposed Acquisition expressed as a percentage of the Group's latest audited consolidated NTA value for FY2015 is approximately 35.5%. As this value exceeds 5% of the Group's latest audited consolidated NTA value for FY2015, 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 2016 up to the latest practicable date are as follows:-

<b>Name of interested person</b>	<b>S\$'000</b>
K S Beng Pte Ltd <sup>(1)</sup>	95
MW Medical Pte Ltd <sup>(2)</sup>	4
MW Medical Holdings Pte Ltd <sup>(2)</sup>	107
BB Ventures Pte Ltd <sup>(3)</sup>	25

**Notes:**

- (1) K S Beng Pte Ltd is wholly-owned by the immediate family members of Dr Beng.
- (2) MW Medical Pte Ltd and MW Medical Holdings Pte Ltd are owned by Dr Wong and his immediate family member.
- (3) BB Ventures Pte Ltd is owned by Dr Beng and his immediate family member.

Save as disclosed above, no other interested person transactions was entered into between the Company with the Interested Persons or their associates.

**2.5.3 Advice of the Independent Financial Adviser**

Chapter 9 of the Catalist Rules provides that, where Shareholders' approval is required for an interested person transaction, the Circular must include an opinion from an independent financial adviser ("IFA") as to whether such transaction is on normal commercial terms and if it is prejudicial to the interests of the Company and independent Shareholders.

Accordingly, PrimePartners Corporate Finance Pte. Ltd. has been appointed as the IFA to advise the Independent Directors on whether the Proposed Acquisition is on normal commercial terms and not prejudicial to the interests of the Company and independent Shareholders.

A copy of the letter dated 17 August 2016 from the IFA (the "IFA Letter"), containing its opinion in full, is set out in Appendix A to this Circular. Shareholders are advised to read the IFA Letter carefully and in its entirety. The advice of the IFA to the Independent Directors has been extracted from the IFA Letter and is reproduced in italics below:-

***"Having regard to the considerations as set out above and the information available to us as at the Latest Practicable Date, we are of the opinion that the Proposed Acquisition as an Interested Person Transaction is on normal commercial terms and not prejudicial to the interests of the Company and Independent Shareholders."***

**2.5.4 Audit Committee's statement**

Having considered, *inter alia*, the terms, rationale for and benefits of the Proposed Acquisition, as well as the opinion and advice of the IFA on the Proposed Acquisition, the Audit Committee concurs with the opinion of the IFA and is of the view that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and independent Shareholders.



## **2.6 Additional Listing Application**

The Sponsor, on behalf of the Company, will be submitting an additional listing application to the SGX-ST for the listing of and quotation for 33,363,282 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.

## **2.7 Intentions for Lifescan after Completion of the Proposed Acquisition**

Save as mentioned in this Section 2.7, the Company currently has no intentions to (i) introduce any major changes to the existing business of Lifescan (including but not limited to any changes to the management team of Lifescan), or (ii) re-deploy any of the fixed assets of Lifescan, other than in the ordinary course of business. However, the Company retains the flexibility at any time to consider any options or opportunities in relation to Lifescan which may present themselves and which the Company may regard to be in the best interests of Lifescan or the Group.

## **3. THE PROPOSED GRANT OF OPTIONS UNDER THE SMG SHARE OPTION SCHEME TO BENG TECK LIANG, AN EXECUTIVE DIRECTOR AND A CONTROLLING SHAREHOLDER OF THE COMPANY**

### **3.1 Background**

The Company is proposing to seek Shareholders' approval for the Proposed Grant of Options under the SMG Share Option Scheme to Dr Beng, chief executive officer and executive Director and a Controlling Shareholder.

The SMG Share Option Scheme was approved by Shareholders at an extraordinary general meeting held on 30 April 2014.

At an annual general meeting of the Company held on 25 April 2016, Shareholders had given authority to the Directors (to continue in full force until the conclusion of the next annual general meeting of the Company, unless revoked or varied by the Company in general meeting) to offer and grant Options in accordance with the SMG Share Option Scheme and to allot and issue such shares as may be required to be issued pursuant to the exercise of the Options granted under the SMG Share Option Scheme, provided always that the aggregate number of new ordinary shares to be allotted and issued pursuant to the SMG Share Option Scheme and any other scheme or plan for the time being of the Company, shall not exceed fifteen per cent. (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Pursuant to Rule 852 of the Catalist Rules, participation in a scheme by controlling shareholders and their associates must be approved by independent shareholders of the issuer. A separate resolution must be passed for each person and to approve the actual number and terms of option to be granted to that participant.

The Company is accordingly seeking Shareholders' approval for the grant of Options to Dr Beng.

### **3.2 Rationale for participation by a Controlling Shareholder in the SMG Share Option Scheme**

The key objective of the SMG Share Option Scheme is to motivate key employees to optimise their performance standards and efficiency and to reward them for their significant contributions with participation in the equity of the Company. The Company believes that the SMG Share Option Scheme may be effective in motivating employees to put in their best efforts whilst at the same time allowing the Company to offer incentives and remuneration packages compatible with other listed companies.

To this end, key employees who are also Controlling Shareholders and their associates should be treated equally as they are important to the development and success of the Group. As such, regardless of whether they are Controlling Shareholders or their associates, the Company is of the view that all deserving and eligible employees should be similarly entitled to take part and benefit from the Company's fair and equitable system of remuneration.

Although Controlling Shareholders and their associates may already have shareholding interests in the Company, the extension of the SMG Share Option Scheme to include them ensures that they are similarly entitled, with the other eligible employees of the Group who are not Controlling Shareholders or their associates, to take part in and benefit from this system of remuneration. The Directors are of the view that the Company should have a fair and equitable system to reward eligible employees who have made and continue to make important contributions to the long-term growth of the Group notwithstanding that they are Controlling Shareholders or their associates.

The terms of the SMG Share Option Scheme do not differentiate between the Controlling Shareholders and their associates from other key employees in determining the eligibility of such persons to be granted Options. They should not unduly favour Controlling Shareholders and their associates. Likewise, Controlling Shareholders and their associates should not be excluded from participating in the SMG Performance Share Scheme solely for the reason that they are Controlling Shareholders or their associates. In addition, to deny participation by the Controlling Shareholders and their associates may serve to de-motivate them and undermine the objectives of the SMG Share Option Scheme.

Shareholders' approval was obtained on 30 April 2014 for the SMG Share Option Scheme to be extended to Dr Beng, who is the Chief Executive Officer, a Director, and also a Controlling Shareholder of the Company.

### **3.3 Safeguards**

As a safeguard against abuse, all members of the Board of Directors who are not Controlling Shareholders or their associates will be involved in deliberations in respect of Option(s) to be granted to Controlling Shareholders and their associates and the terms and conditions attached to such Option(s).

Specific independent Shareholders' approval is required for the grant of Option(s) to Controlling Shareholders and their associates as well as the actual number and terms of such Option(s). In seeking such independent Shareholders' approval, clear justification as to the number and terms of the Option(s) to be granted to the Controlling Shareholders and their associates will need to be provided.

The Company is of the view that there are sufficient safeguards against abuse resulting from the grant of Options to Controlling Shareholders and their associates in the SMG Share Option Scheme

### **3.4 Rationale for Grant of Options to Dr Beng, a Controlling Shareholder under the SMG Share Option Scheme**

Dr Beng is the chief executive officer and an executive Director of the Group, and bears the executive responsibility for the operation of the Group's business. As at the Latest Practicable Date, Dr Beng has a direct interest in 49,490,000 Shares representing approximately 17.9% of the total number of issued Shares. Dr Beng has more than 15 years of experience in the industry and more than 3 years of service with the Group.

The Company recognises that Dr Beng plays an integral role in driving the strategic direction of the Group. Granting of Options to Dr Beng to participate in the SMG Share Option Scheme will spur him to continue to further contribute to the future growth, profitability and development of the Group over a longer horizon.

The Proposed Grant of Options is consistent with the Company's objectives to motivate its key employees to achieve and maintain a high level of performance and contribution which is vital to the success of the Group. It will also ensure that Dr Beng is similarly entitled, with the other eligible employees of the Group who are not Controlling Shareholders or their associates, to take part in and benefit from this system of remuneration, thereby enhancing his long-term commitment to the Group.

In view of the above reasons, the Company proposes to grant the Options to Dr Beng on the following terms, subject to the approval by independent Shareholders for the grant of the Options:-

### 3.5 Terms of grant of Options to Dr Beng

- (a) Proposed Date of Grant of the Option (s) : Any time within a period of four (4) weeks from the date of Completion of the Proposed Acquisition.
- (b) Exercise price per Share : A price equal to the average of the closing price of the Shares on the SGX-St over the five consecutive Market Days for which there are trades done on the Shares immediately preceding the Date of Grant of the Options.
- (c) Number of Options granted to Dr Beng and number of Shares comprised in the Options : 2,100,000
- (d) Market Price (last done price) of the Company's Shares on the date of grant of the Options : Not applicable as the Options will only be granted according to the time period in 3.5(a) above.
- (e) Exercise and validity period of the Proposed Option : Only exercisable after the first anniversary of the Date of Grant of the Options subject to the following:-
- the Option over up to one third only of the Shares comprised in the Option(s) may be exercised after the first anniversary of the Date of Grant of the Option;
  - the Option over up to two thirds only of the Shares comprised in the Option(s) may be exercised after the second anniversary of the Date of Grant of the Option; and
  - the Option over all of the Shares comprised in the Option may be exercised after the third anniversary of the Date of Grant of the Option(s),

provided always that the Options shall be exercised before the fifth anniversary of the Proposed Date of Grant or such earlier date as may be determined by the Committee, failing of which the unexercised Options shall immediately lapse and become null and void and Dr Beng shall have no claim against the Company.

### 3.6 Interests of Directors and Controlling Shareholders

Save for Dr Beng who is interested in the Proposed Grant of Options, none of the other Directors and to the best of the Directors' knowledge, none of the substantial shareholders of the Company or their respective associates has any interest, direct or indirect, in the Proposed Grant of Options.

Dr Beng will abstain from voting on the ordinary resolution relating to the Proposed Grant of Options at the EGM.

## 4. EXTRAORDINARY GENERAL MEETING

The EGM, the notice of which is given on page 59 of this Circular, will be held at 290 Orchard Road, #14-03, The Paragon, Singapore 238859 on 1 September 2016 at 4.30 p.m., for the purpose of considering and, if thought fit, passing with or without any modifications, the resolutions relating to the Proposed Transactions.

## **5. DIRECTORS' RECOMMENDATIONS**

### **5.1 The Proposed Acquisition**

Having taken into consideration the rationale for and benefits of the Proposed Acquisition, the Valuation Letter and the IFA Letter in relation to the Proposed Acquisition, the Directors (save for Mr Tony Tan, Dr Beng and Dr Wong who have abstained from making recommendations on the Proposed Acquisition) are of the unanimous opinion that the Proposed Acquisition is in the best interests of the Company and its independent Shareholders.

### **5.2 The Proposed Grant of Options**

Having taken into consideration the rationale for and benefits of the Proposed Grant of Options, the Directors (save for Dr Beng who has abstained from making recommendations on the Proposed Grant of Options) are of the unanimous opinion that the Proposed Grant of Options is in the best interests of the Company.

Accordingly, the Directors recommend that the Shareholders vote in favour of the Resolutions to approve (i) the Proposed Acquisition and (ii) the Proposed Grant of Options.

## **6. ABSTENTION FROM VOTING**

Mr Tony Tan, Dr Beng and Dr Wong will abstain, and will procure that their associates and nominees will abstain from voting in respect of each of their shareholdings in the Company on the ordinary resolution relating to the Proposed Acquisition. Pursuant to Rule 859 of the Catalist Rules, Dr Beng will abstain from, and will procure that his associates and nominees will abstain from voting in respect of each of their shareholdings in the Company on the ordinary resolution relating to the Proposed Grant of Options at the EGM.

Each of Mr Tony Tan, Dr Beng and Dr Wong shall not accept nomination as proxies or otherwise for voting on such ordinary resolutions unless they are given specific instructions as to voting.

## **7. ACTIONS TO BE TAKEN BY SHAREHOLDERS**

### **7.1 Appointment of Proxies**

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 290 Orchard Road, #13-01 The Paragon, Singapore 238859, not later than 48 hours before the time appointed for the EGM. Completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the EGM if he so wishes. An appointment of a proxy or proxies shall be deemed to be revoked if a Shareholder attends the EGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the EGM.

### **7.2 When Depositor regarded as Shareholder**

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least 72 hours before the EGM.

## 8. SHAREHOLDINGS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

8.1 As of the Latest Practicable Date, the shareholdings of the Directors are as follows:-

Name of Director	Direct Interest	Deemed Interest
<b>Shares of the Company</b>		
Tony Tan Choon Keat	55,878,586	199,900
Dr Beng Teck Liang	49,490,000	–
Jimmy Yim Wing Kuen	2,725,000	–
Dr Wong Seng Weng	5,407,000	–
<b>Options of the Company</b>		
Dr Beng Teck Liang	2,500,000	–

8.2 As of the Latest Practicable Date, the shareholdings of the Substantial Shareholders are as follows:-

	Direct Interest	%	Deemed Interest	%
Dr Beng Teck Liang	49,490,000	17.90	–	–
Tony Tan Choon Keat <sup>(1)</sup>	55,878,586	20.20	199,900	0.07
Silver Mines Global Limited <sup>(2)</sup>	42,332,713	15.30	–	–
Red Ancient Global Ltd <sup>(2)</sup>	–	–	42,332,713	15.30
Dr Ho Choon Hou <sup>(2)</sup>	–	–	42,332,713	15.30

### Notes:

- (1) Mr. Tony Tan Choon Keat is deemed interested in the 199,900 shares held by his immediate family member.
- (2) Silver Mines Global Limited is a wholly-owned subsidiary of Red Ancient Global Ltd, and Red Ancient Global Ltd is wholly-owned by Dr. Ho Choon Hou. Accordingly, Red Ancient Global Ltd and Dr. Ho Choon Hou are deemed to have an interest in the 42,332,713 shares held by Silver Mines Global Limited by virtue of Section 7(4A) of the Act.

## 9. RESPONSIBILITY STATEMENT BY THE DIRECTORS

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions and the Group and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular 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 Circular in its proper form and context.

## 10. CONSENTS

10.1 The IFA, PrimePartners Corporate Finance Pte. Ltd.

The IFA has given and has not withdrawn its written consent to the issue of this Circular and the inclusion of its name, the IFA Letter and all references thereto, in the form and context in which they appear in this Circular, and to act in such capacity in relation to this Circular.

10.2 The Independent Valuer, Deloitte & Touche Financial Advisory Services Pte. Ltd.

The Independent Valuer has given and has not withdrawn its written consent to the issue of this Circular and the inclusion of its name, the Valuation Letter and all references thereto, in the form and context in which they appear in this Circular, and to act in such capacity in relation to this Circular.

## 11. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at 290 Orchard Road, #13-01, The Paragon, Singapore 238859 during normal business hours from the date of this Circular up to and including the date falling three months from the date of the Announcement (save for the IFA Letter and the letters of consent from the IFA and the Independent Valuer which will be available from the date of this Circular up to and including the date of the EGM):-

- (a) the Agreement;
- (b) the IFA Letter;
- (c) the SMG Share Option Scheme;
- (d) the Constitution of the Company;
- (e) the Valuation Letter;
- (f) the annual report of the Company for FY2015;
- (g) the letter of consent from the IFA, referred to in Section 10.1 of this Circular; and
- (h) the letter of consent from the Independent Valuer, referred to in Section 10.2 of this Circular.

Yours faithfully  
For and on behalf of  
the Board of Directors of  
SINGAPORE MEDICAL GROUP LIMITED

Beng Teck Liang  
Chief Executive Officer

## APPENDIX A – IFA LETTER



### PRIMEPARTNERS CORPORATE FINANCE PTE. LTD.

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 200207389D)  
16 Collyer Quay #10-00 Income at Raffles  
Singapore 049318

17 August 2016

To: The Independent Directors of Singapore Medical Group Limited  
(deemed to be independent in respect of the Proposed Acquisition)

Mr Ho Lon Gee (Independent Director)  
Mr Jimmy Yim Wing Kuen (Independent Director)

Dear Sirs,

#### INDEPENDENT FINANCIAL ADVICE IN RELATION TO THE PROPOSED ACQUISITION OF 61.9% OF THE TOTAL ISSUED AND PAID-UP SHARE CAPITAL OF LIFESCAN IMAGING PTE. LTD. AS AN INTERESTED PERSON TRANSACTION

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*Unless otherwise defined or the context otherwise requires, all terms defined in the circular dated 17 August 2016 issued by the Company to the Shareholders ("**Circular**") shall have the same meaning herein.*

#### 1. INTRODUCTION

On 5 August 2016 ("**Announcement Date**"), the board of Directors ("**Directors**") of Singapore Medical Group Limited ("**SMG**" or "**Company**", together with its subsidiaries, "**Group**") announced ("**Announcement**") that the Company had, on the same day, entered into a sale and purchase agreement ("**SPA**") with the shareholders (each a "**Vendor**", collectively, "**Vendors**") of Lifescan Imaging Pte. Ltd. ("**Lifescan**"), to acquire, in aggregate, 2,925,000 shares in Lifescan ("**Lifescan Shares**") from the Vendors representing 61.9% of the total issued and paid-up share capital of Lifescan ("**Proposed Acquisition**"). As at the Announcement Date, the Company holds the remaining 38.1% shareholding interest in Lifescan.

The consideration for the Proposed Acquisition is determined to be, in aggregate, S\$8.54 million ("**Aggregate Consideration**"), based on a price of S\$2.92 per Lifescan Share. The Aggregate Consideration is to be satisfied by the allotment and issuance of 33,363,282 new ordinary shares ("**Shares**") in the issued share capital of the Company ("**Consideration Shares**") to the Vendors at an issue price of S\$0.256 per Consideration Share ("**Issue Price**"). Upon the completion of the Proposed Acquisition, Lifescan will become a wholly-owned subsidiary of the Company.



The Vendors and their respective shareholding interests in Lifescan as at the Announcement Date is set out in the table below:

<b>Vendors</b>	<b>No. of Lifescan Shares</b>	<b>Percentage shareholding in Lifescan (%)</b>	<b>Consideration to be received</b>	<b>No. of Consideration Shares to be received</b>
Ong Wee Song	450,000	9.5	1,314,000	5,132,813
Cheng Yong Liang	459,000	9.7	1,340,280	5,235,469
Tony Tan Choon Keat	445,500	9.4	1,300,860	5,081,484
Dr Wong Seng Weng	450,000	9.5	1,314,000	5,132,813
Dr Beng Teck Liang	445,500	9.4	1,300,860	5,081,484
Chong Wei Wen	450,000	9.5	1,314,000	5,132,813
Dr John Huang Yung Shui	112,500	2.4	328,500	1,283,203
Dr Kenneth Sheah Ban Joo	112,500	2.4	328,500	1,283,203
<b>Total</b>	<b>2,925,000</b>	<b>61.9<sup>(1)</sup></b>	<b>8,541,000</b>	<b>33,363,282</b>

**Note:**

(1) Does not add up due to rounding.

The Vendors include Mr Tony Tan Choon Keat, the Non-Executive Chairman of the Group; Dr Beng Teck Liang, the Executive Director and Chief Executive Officer of the Group; and Dr Wong Seng Weng, the Executive Director of the Group. In addition, as at the Announcement Date, Mr Tony Tan Choon Keat has, in aggregate, a direct and deemed interest in 56,078,486 Shares, representing approximately 20.3% of the total number of issued Shares; Dr Beng Teck Liang has a direct interest in 49,490,000 Shares, representing approximately 17.9% of the total number of issued Shares; and Dr Wong Seng Weng has a direct interest in 5,407,000 Shares, representing approximately 2.0% of the total number of issued Shares. As a result of their shareholdings in the Company, Mr Tony Tan Choon Keat and Dr Beng Teck Liang are deemed to be controlling shareholders of the Company.

Following the above, pursuant to Chapter 9 of Section B of the Listing Manual of the SGX-ST ("**Catalist Rules**"), Mr Tony Tan Choon Keat, Dr Beng Teck Liang and Dr Wong Seng Weng are deemed as interested persons to the Proposed Acquisition (collectively, "**Interested Persons**") and the Proposed Acquisition is deemed as an Interested Person Transaction ("**Interested Person Transaction**").

In accordance with Chapter 9 of the Catalist Rules, shareholders' approval must be obtained for any Interested Person Transaction of a value which is equal to or greater than 5.0% of the Group's latest audited net tangible assets ("**NTA**") or when aggregated with other Interested Person Transactions during the same financial period, the value is equal to or more than 5.0% of the Group's latest audited NTA. In obtaining such approval, pursuant to Rule 919 of the Catalist Rules, the Interested Persons and their associates are required to abstain from voting on the resolution approving the Interested Person Transaction.

Based on the Company's latest audited consolidated accounts for the financial year ended 31 December 2015 ("**FY2015**"), the Group's audited NTA and NTA attributable to owners of the Company amount to approximately S\$10.96 million and S\$10.31 million respectively. The value of the Proposed Acquisition amounts to S\$8.54 million. Of the S\$8.54 million payable by the Company in relation to the Proposed Acquisition, S\$3.92 million is payable to the Interested Persons and represents approximately 35.5% and 38.0% of the Group's latest audited NTA and NTA attributable to owners of the Company respectively. Pursuant to the Catalist Rules, the Proposed Acquisition is subject to the approval of the Company's independent shareholders ("**Independent Shareholders**") at an extraordinary general meeting ("**EGM**") to be convened.



Mr Tony Tan Choon Keat, Dr Beng Teck Liang and Dr Wong Seng Weng will abstain, or will procure their associates to abstain, from voting on the Proposed Acquisition at the EGM in respect of their entire shareholdings in the Company.

Pursuant to Rule 921(4)(a) of the Catalist Rules, the Company is also required to appoint an independent financial adviser (“**IFA**”) to advise the Directors who are deemed to be independent with respect to the Proposed Acquisition (“**Independent Directors**”) as to whether the Proposed Acquisition is on normal commercial terms and not prejudicial to the interests of the Company and its Independent Shareholders. In addition, the Proposed Acquisition is subject to, *inter alia*, the approval of the Independent Shareholders at the EGM in accordance with Rules 804 and 805 of the Catalist Rules.

Accordingly, PrimePartners Corporate Finance Pte. Ltd. (“**PPCF**”) has been appointed by the Company as the IFA to the Independent Directors to render an opinion on whether the Proposed Acquisition, as an Interested Person Transaction, is on normal commercial terms and not prejudicial to the interests of the Company and its Independent Shareholders.

Save for Mr Tony Tan Choon Keat, Dr Beng Teck Liang and Dr Wong Seng Weng, who will abstain from making any recommendation on the Proposed Acquisition as Directors of the Company, the remaining Directors, namely, Mr Ho Lon Gee and Mr Jimmy Yim Wing Kuen are deemed to be independent for the purpose of the Proposed Acquisition.

This letter (“**Letter**”) is addressed to the Independent Directors and sets out, *inter alia*, our evaluation and recommendation on the Proposed Acquisition as an Interested Person Transaction. This Letter forms part of the Circular to Shareholders which provides, *inter alia*, the details of the Proposed Acquisition and the recommendation of the Independent Directors thereon.

## 2. TERMS OF REFERENCE

The purpose of this Letter is to provide an independent opinion, for the purpose of Chapter 9 of the Catalist Rules, on whether the Proposed Acquisition as an Interested Person Transaction, is on normal commercial terms and not prejudicial to the interests of the Company and its Independent Shareholders.

We were neither a party to the negotiations entered into by the Company in relation to the Proposed Acquisition nor were we involved in the deliberations leading up to the decision on the part of the Directors to enter into the Proposed Acquisition. We do not, by this Letter, warrant the merits of the Proposed Acquisition other than to form an opinion for the purposes of Chapter 9 of the Catalist Rules.

In the course of our evaluation, we have relied on, and assumed without independent verification, the accuracy and completeness of published information relating to the Company. We have also relied on information provided and representations made by the Directors, the management of the Company (“**Management**”) and the Company’s advisers. We have not independently verified such information or any representation or assurance made by them, whether written or verbal, and accordingly cannot and do not make any representation or warranty, expressed or implied, in respect of, and do not accept any responsibility for, the accuracy, completeness and adequacy of such information. We have nevertheless made such enquiries and exercised our judgement as we deemed necessary and have found no reason to doubt the reliability of the information.

We have relied upon the assurance of the Directors (including those who may have delegated detailed supervision of the Circular) that, upon making all reasonable inquiries and to the best of their respective knowledge and belief, all facts stated and opinions expressed in the Circular which relate to the Proposed Acquisition and the Company are fair and accurate and that there are no material facts or omissions of which would make any statement in the Circular misleading in any material respect. The Directors collectively and individually accept responsibility accordingly.

For the purposes of assessing the terms of the Proposed Acquisition and reaching our conclusions thereon, we have not relied upon any financial projections or forecasts in respect of the Company and Lifescan. We will not be required to express, and we do not express, any view on the growth prospects and earnings potential of the Company and Lifescan in connection with our opinion in this Letter.

We have not made any independent evaluation or appraisal of the assets and liabilities of Lifescan, the Company and/or the Group, (including without limitation, property, plant and equipment) and, have made reference to the information provided to us. With respect to such valuation letters, we are not experts in the evaluation or appraisal of the assets concerned and we have made reference to these valuation letters for such assets appraisal and have not made any independent verification of the contents thereof.

Our opinion as set out in this Letter is based upon the market, economic, industry, monetary and other conditions in effect on, and the information provided to us as of 10 August 2016 (“**Latest Practicable Date**”). Such conditions may change significantly over a relatively short period of time. **We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein.** Independent Shareholders should further take note of any announcements relevant to their consideration of the Proposed Acquisition which may be released by the Company after the Latest Practicable Date.

In rendering our opinion, we did not have regard to the specific investment objectives, financial situation, tax status, risk profiles or unique needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, we would advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this Letter set out in the Circular). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Circular (other than this Letter set out in the Circular).

**This Letter sets out, *inter alia*, our opinion on whether the Proposed Acquisition is on normal commercial terms and not prejudicial to the interests of the Company and its Independent Shareholders, and should be considered in the context of the entirety of this Letter and the Circular.**

### **3. INFORMATION ON THE COMPANY AND THE GROUP**

#### **3.1 Overview**

The Company, through its subsidiaries, is a private specialist healthcare provider with a network of 30 specialties. The Group operates through its health business (“**Health Business**”) and aesthetics business (“**Aesthetics Business**”) segments and operates a total of 23 clinics strategically located in Singapore. The Group also comprises an extensive network of 34 SMG associate doctors across Singapore.

The Health Business encompasses both specialist and primary healthcare including executive and corporate health screening, general medicine, dermatology, general surgery, obstetrics and gynaecology, oncology, ophthalmology, orthopaedics, otorhinolaryngology (ENT), dentistry and urology while the Aesthetics Business consist of refractive surgery, aesthetic dentistry, facial and body aesthetics and facial plastic surgery.

The Company was listed on the Catalist Board of the SGX-ST on 23 July 2009.

As at the Latest Practicable Date, the Company has an issued and paid-up share capital comprising 276,028,500 Shares. Based on the last traded Share price of S\$0.270 and the outstanding Shares as at the Latest Practicable Date, the market capitalisation of the Company was approximately S\$74.53 million.

### 3.2 Key financial information of the Group

The summary of the audited financial performance of the Group for the last three financial years ended 31 December 2013 (“FY2013”), 2014 (“FY2014”) and 2015 (“FY2015”) and the unaudited interim financial performance of the Group for the first six months of 2015 (“HY2015”) and 2016 (“HY2016”) are set out below. The following summary financial information should be read in conjunction with the full text of the Company’s annual reports and the respective results announcement in respect of the relevant financial periods including the notes thereto.

#### Financial performance of the Group

Income Statement (S\$'000)	← Audited →			← Unaudited →	
	FY2013	FY2014	FY2015	HY2015	HY2016
Revenue	22,886	26,514	30,967	14,586	19,473
Gross Profit	6,858	8,809	9,665	4,465	6,495
Profit before tax	(6,090)	112	43	(64)	870
<b>(Loss) / Profit after tax attributable to owners of the Company</b>	<b>(6,442)</b>	<b>79</b>	<b>(148)</b>	<b>(240)</b>	<b>633</b>

*Sources: Company’s annual reports for FY2014 and FY2015 and results announcement for HY2016*

#### Review of operating results

##### *FY2014 vs FY2013*

Revenue for the Group increased by S\$3.62 million or 15.8% from S\$22.89 million in FY2013 to S\$26.51 million in FY2014. The increase was due mainly to the increase in revenue from the oncology, obstetrics and gynaecology clinics.

Gross profit increased by S\$1.95 million or 28.4% from S\$6.86 million in FY2013 to S\$8.81 million in FY2014. The increase was due mainly to cost saving measures to drive cost efficiencies. As a result, gross profit margin improved from 30.0% in FY2013 to 33.2% in FY2014. Administrative expenses were also reduced from S\$8.15 million in FY2013 as compared to S\$7.54 million in FY2014 due to the cost saving measures implemented and the absence of impairment charges in FY2014 as compared to impairment charges recorded amounting to S\$1.29 million in FY2013.

As a result of the above, the Group recorded a profit after tax attributable to owners of the Company of S\$0.08 million for FY2014, compared to a loss after tax attributable to owners of the Company of S\$6.44 million for FY2013.

##### *FY2015 vs FY2014*

Revenue for the Group increased by S\$4.46 million or 16.8% from S\$26.51 million in FY2014 to S\$30.97 million in FY2015. The increase was mainly due to the increase in revenue of both the Health Business and Aesthetic Business segments by S\$2.56 million and S\$1.82 million respectively.

Gross profit increased by S\$0.86 million or 9.8% from S\$8.81 million in FY2014 to S\$9.67 million in FY2015 as a result of an increase in revenue. Gross profit margin, however, decreased from 33.2% in FY2014 to 31.2% in FY2015 due mainly to the increase in doctors’ headcount as a result from the opening of five new clinics in FY2015. Distribution and selling expenses, as well as administrative expenses had increased marginally, arising from the increase in marketing expenses to promote services and the opening of the new clinics.

In addition, for FY2015, the Group had recognised its share of losses from its joint venture entities amounting to S\$0.36 million and a reversal from a S\$0.01 million profit recognised in FY2014. The losses were incurred mainly due to Group’s investment in PT Ciputra SMG, SMG Leaders Pte. Ltd. and Lifescan, whose respective clinics, which were set up under these joint venture entities, were still in their ramping up period.

As a result of the above, the Group recorded a loss after tax attributable to owners of the Company of S\$0.15 million for FY2015, compared to a profit after tax attributable to owners of the Company of S\$0.08 million for FY2014.

#### *HY2016 vs HY2015*

Revenue for the Group increased by S\$4.89 million or 33.4% from S\$14.59 million in HY2015 to S\$19.47 million in HY2016. The increase was mainly due to the increase in revenue of the Health Business, Aesthetic Business and other business segments by S\$4.67 million, S\$0.07 million and S\$0.16 million respectively.

Gross profit margin for the Group also increased from 30.6% in HY2015 to 33.4% in HY2016, due to the increase in revenue with no corresponding increase in fixed costs. The increases in revenue and gross profit margins results in gross profit increasing by S\$2.03 million or 45.4% from S\$4.47 million in HY2015 to S\$6.50 million in HY2016.

Distribution and selling expenses, as well as administrative expenses had increased marginally, arising from the increase in revenue and marketing activities as well as staff headcount resulting from the opening of the five new clinics in the second half of FY2015 and acquisition of Novena Radiology Pte. Ltd. (“NRPL”) on 1 April 2016.

In addition, for HY2016, the Group had recognised its share of losses from its joint venture entities amounting to S\$0.08 million. The losses were incurred mainly due to the Group’s investment in PT Ciputra SMG and SMG Leaders Pte. Ltd., which was offset by the profits recognised from the Group’s investment in Lifescan.

As a result of the above factors, the Group had managed to turn its financial performance around and recorded a profit after tax attributable to owners of the Company of S\$0.63 million for HY2016, compared to a loss after tax attributable to owners of the Company of S\$0.24 million for HY2015.

#### Financial position of the Group as at 30 June 2016

The unaudited financial position of the Group as at 30 June 2016 is as follows:

<b>Balance Sheet</b>	<b>Unaudited</b>
<b>(S\$’000)</b>	<b>30 June 2016</b>
Non-current assets	7,988
Current assets	12,068
Current liabilities	7,431
Non-current liabilities	696
<b>NTA attributable to owners of the Company</b>	<b>10,790</b>
<b>Total number of issued and paid-up Shares</b>	<b>276,028,500</b>
<b>NTA attributable to owners of the Company per Share</b>	<b>0.039</b>

*Source: Company’s results announcement for HY2016*

#### Review of financial position

As at 30 June 2016, the NTA attributable to owners of the Company amount to approximately S\$10.79 million. Based on the number of issued and paid-up Shares of 276,028,500, the NTA attributable to owners of the Company per Share amount to S\$0.039 per Share.

The assets of the Group as at 30 June 2016 comprised mainly: (i) cash and cash equivalents of S\$7.27 million; (ii) property, plant and equipment of S\$3.94 million; and (iii) investment in joint ventures of S\$2.98 million, representing 36.2%, 19.7% and 14.8% of the Group’s total assets respectively.

The liabilities of the Group as at 30 June 2016 comprised mainly (i) short term other payables and accruals of S\$3.64 million; (ii) trade payables of S\$2.18 million; and (iii) loans and borrowings of S\$1.09 million, representing 44.8%, 26.8% and 13.4% of the Group’s total liabilities respectively.

#### 4. INFORMATION ON LIFESCAN AND THE GROUP'S INVESTMENT IN LIFESCAN

##### 4.1 Information on Lifescan and the Vendors

Details on Lifescan and the Vendors are set out in Section 2.3.1 of the Circular. We have extracted the relevant sections and have set them out below for your reference.

###### *“2.3.1 Information on Lifescan and the Vendors*

*Lifescan is a company incorporated in Singapore on 26 June 2015 with its principal activities being that of operating an x-ray laboratory and diagnostic imaging clinic, and owns assets for such purpose, including medical diagnostic imaging equipment such as x-ray machines, computerised tomography (CT) scanners and magnetic resonance imaging (MRI) machines.*

*Lifescan currently operates its business at 290 Orchard Road, #07-18/19/20, The Paragon, Singapore 238859.*

*Lifescan also owns 49% of the equity interest in Novena Radiology Pte Ltd (“NRPL”), a company incorporated in Singapore primarily involved in the business of providing diagnostic imaging services. NRPL operates from 2 premises, i.e. Novena Specialist Centre and Novena Medical Centre, in Singapore. The remaining 51% equity interest in NRPL is owned by the Company.*

*As at the Latest Practicable Date, Lifescan has an issued and paid-up share capital of S\$4,725,000 comprising 4,725,000 ordinary shares.*

*As mentioned in Section 2.1 above, the Company had entered into a joint venture agreement with certain individuals to invest in an imaging and radiology business. As announced on 3 August 2015, Lifescan had entered into an asset transfer agreement with Pacific Cancer Centre Pte. Ltd. to acquire its imaging and radiology business (the “Lifescan ATA”).*

*As announced on 15 March 2016, Lifescan’s share capital was increased by way of an allotment and issuance of 1,000,000 ordinary shares to the then existing shareholders of Lifescan. On 4 August 2016, John Huang Yung Shui and Kenneth Sheah Ban Joo (both of whom are radiologists of Lifescan) each subscribed for 112,500 shares in Lifescan, representing 2.4% of the total issued and paid-up capital of Lifescan individually as at the date of the subscription.*

*Following such issuance of shares in Lifescan to John Huang Yung Shui and Kenneth Sheah Ban Joo, the Company currently holds shares representing 38.1% of the total issued and paid-up share capital of Lifescan, and is a controlling shareholder of Lifescan.*

*As at the Latest Practicable Date, the shareholdings in Lifescan is as follows:-*

<b>Shareholder</b>	<b>Number of shares</b>	<b>Shareholding Percentage</b>
<i>Singapore Medical Group Limited</i>	<i>1,800,000</i>	<i>38.1%</i>
<i>Ong Wee Song</i>	<i>450,000</i>	<i>9.5%</i>
<i>Cheng Yong Liang</i>	<i>459,000</i>	<i>9.7%</i>
<i>Tony Tan Choon Keat</i>	<i>445,500</i>	<i>9.4%</i>
<i>Wong Seng Weng</i>	<i>450,000</i>	<i>9.5%</i>
<i>Beng Teck Liang</i>	<i>445,500</i>	<i>9.4%</i>
<i>Chong Wei Wen</i>	<i>450,000</i>	<i>9.5%</i>
<i>John Huang Yung Shui</i>	<i>112,500</i>	<i>2.4%</i>
<i>Kenneth Sheah Ban Joo</i>	<i>112,500</i>	<i>2.4%</i>



*The Vendors are individuals and include:–*

- (a) *Mr. Tony Tan Choon Keat (“**Mr Tony Tan**”) who is the non-executive chairman of the Company. Being a 20.3% Shareholder, he is a controlling Shareholder of the Company;*
- (b) *Dr Beng Teck Liang (“**Dr Beng**”) who is the chief executive officer and an executive Director of the Company. Being a 17.9% Shareholder, he is a controlling Shareholder of the Company; and*
- (c) *Dr Wong Seng Weng (“**Dr Wong**”) who is an executive director of the Company and is a 2.0% Shareholder of the Company. He is also an oncologist at The Cancer Centre, a clinic of the Group.”*

#### **4.2 Background of Lifescan**

The Company had first invested in Lifescan on 20 July 2015 through a joint venture agreement with six of the Vendors, namely Mr Ong Wee Song, Mr Cheng Yong Liang, Mr Tony Tan Choon Keat, Dr Wong Seng Weng, Dr Beng Teck Liang and Ms Chong Wei Wen. The Company and these six Vendors had subscribed for 3,499,900 new ordinary shares in the capital of Lifescan (“**Lifescan Subscription**”). Subsequent to the Lifescan Subscription, the Company had a shareholding interest of 40.0% in Lifescan while each of the six Vendors had a shareholding interest of approximately 10.0%. As at the Announcement Date, the Company had a shareholding interest of 38.1% in Lifescan as Dr John Huang Yung Shui and Dr Kenneth Sheah Ban Joo, both of whom are radiologists of Lifescan, had on 4 August 2016, each subscribed for 112,500 shares in Lifescan, representing 2.4% of the total issued and paid-up capital of Lifescan individually. We understand from Management that the intention of the subscription by Dr John Huang Yung Shui and Dr Kenneth Sheah Ban Joo were to align their personal interests with the Company.

Upon the completion of the Lifescan Subscription, Lifescan, had on 3 August 2015, entered into an asset transfer agreement (“**Asset Transfer Agreement**”) with Pacific Cancer Centre Pte. Ltd. (“**PCCPL**”) to acquire the radiology business of PCCPL, including the goodwill, fixed assets, contracts, patients’ records and trading stocks (“**PCCPL Radiology Business**”), for a cash consideration of S\$2.30 million (“**PCCPL Acquisition**”). The employees of the PCCPL Radiology Business were also transferred to Lifescan in accordance with the Asset Transfer Agreement. The PCCPL Radiology Business had operated under a sole proprietorship, Pacific Healthcare Imaging, owned by PCCPL. PCCPL is a limited liability company incorporated in Singapore and is primarily involved in the business of providing imaging and / or radiology services. It is, in turn, a wholly-owned subsidiary of Pacific Healthcare Holdings Ltd. (“**Pacific Healthcare**”).

Based on the circular dated 11 January 2016 by Pacific Healthcare to seek its shareholders’ approval for the disposal of the PCCPL Radiology Business (“**Pacific Healthcare Circular**”), we note that despite the slight improvement in its revenue, the performance of the PCCPL Radiology Business had deteriorated in the past three financial years as it recorded increased costs and increased losses with the losses having risen from a low of S\$1.42 million to a high of S\$1.78 million. As at 31 December 2014, the net book value and NTA of the PCCPL Radiology Business was approximately S\$0.32 million while it generated a net loss before tax of S\$1.78 million for the twelve months ended 31 December 2014. We further note from the Pacific Healthcare Circular that the PCCPL Radiology Business would likely have continued to be loss-making for FY2015.

Pursuant to the Asset Transfer Agreement, Lifescan had agreed to be responsible for the liabilities and the costs and to be entitled to any profits from the PCCPL Radiology Business from 15 September 2015. We understand from Management that Lifescan had managed and operated the PCCPL Radiology Business since then.

Further, as part of the Pacific Healthcare Circular, Pacific Healthcare had commissioned a valuation to be undertaken on the medical and imaging equipment of the PCCPL Radiology Business. The valuer for that exercise, Robert Khan & Co Pte Ltd ("**Robert Khan**"), had ascribed a value of S\$1.41 million on these medical and imaging equipment based on the Depreciated Replacement Cost ("**DRC**") and Market Comparison ("**MC**") methods. The DRC method is based on the estimate of the current market value – in continued use, plus the current gross replacement (or reproduction) costs of the improvements, adjusting for allowances for physical deterioration and all relevant forms of obsolescence and optimisation and the current replacement costs were depreciated over the remaining useful lives from the year of commissioning or year of manufacture, whichever is appropriate. The MC method considered prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect conditions and utility of the appraised assets relative to the market comparative.

We note from the Pacific Healthcare Circular that the board of Pacific Healthcare was of the opinion that it was in the best interests of the company to dispose the loss-making business which was in line with the company's plan to streamline and restructure its operations so as to return to profitability. The PCCPL Acquisition was completed on 18 March 2016.

On 15 March 2016, the Company had announced that Lifescan had increased its issued and paid-up share capital by way of an allotment and issuance of 1,000,000 new shares of S\$1.00 each to its existing shareholders in accordance with the proportion of their shareholdings in Lifescan. The subscription of these new shares in Lifescan by the Company amounted to S\$400,000.

On 23 March 2016, the Company and Lifescan further entered into a sale and purchase agreement with Asiaradiologic Private Ltd ("**APL**") to acquire 100.0% of the issued and paid-up share capital of NRPL for a cash consideration of S\$550,000 ("**NRPL Acquisition**"). NRPL is a limited liability company incorporated in Singapore and is primarily involved in the business of providing diagnostic imaging services. It is a wholly-owned subsidiary of APL and operates from two premises in Singapore, Novena Specialist Centre and Novena Medical Centre.

Upon the completion of the NRPL Acquisition on 1 April 2016, the Company directly owned 51.0% of the shareholding interest in NRPL while Lifescan owned the remaining 49.0% of the shareholding interest. NRPL generated a net loss before tax of S\$195,000 for the twelve months ended 30 September 2015 and had a net book value and NTA of approximately S\$57,000 (after adjusting for the waiver of the shareholder's loans of S\$615,000 to NRPL) as at 31 December 2015.

We understand from the Management that, following the PCCPL Acquisition and NRPL Acquisition, Lifescan was able to, by leveraging on the Group's existing network, customer base and expertise, return the acquired businesses to profitability within a short period of time. Based on the reviewed condensed interim financial information ("**Reviewed Financial Information**") for HY2016, Lifescan generated a profit before tax of S\$0.56 million for HY2016 and had an NTA of S\$4.37 million as at 30 June 2016.

## 5. SALIENT TERMS OF THE PROPOSED ACQUISITION

The details of the Proposed Acquisition are set out in Section 2.3 of the Circular. A summary of the key terms of the Proposed Acquisition is set out below for your reference.

### 5.1 Aggregate Consideration

Pursuant to the terms of the SPA, the Aggregate Consideration for the Proposed Acquisition was determined to be, in aggregate, S\$8.54 million, based on the price of S\$2.92 per Lifescan Share.

The Company had commissioned an independent valuer, Deloitte & Touche Financial Advisory Services Pte Ltd (“**Deloitte**” or “**Independent Valuer**”), to undertake an independent valuation of the entire issued share capital of Lifescan as at 30 April 2016 (“**Valuation Date**”) for the purposes of the Proposed Acquisition. According to the valuation letter issued by the Independent Valuer dated 5 August 2016 (“**Valuation Letter**”), the range of values of the entire issued share capital of Lifescan, including its 49.0% shareholding interest in NRPL, is estimated to be between S\$15.6 million to S\$17.9 million. The Valuation Letter is set out in Appendix B to the Circular.

Correspondingly, the estimated range of values of 61.9% of the issued share capital of Lifescan amount to S\$9.66 million to S\$11.08 million and this is higher than the Aggregate Consideration of S\$8.54 million. The Aggregate Consideration was arrived at taking into consideration various commercial factors such as the financial performance and potential growth of Lifescan and the valuation by the Independent Valuer.

### 5.2 Settlement of the Aggregate Consideration

The Aggregate Consideration will be satisfied by the allotment and issuance of 33,363,282 Consideration Shares to the Vendors at the Issue Price of S\$0.256 per Consideration Share. The Issue Price was determined based on the volume weighted average price (“**VWAP**”) of the Shares traded on the SGX-ST on 4 August 2016 and 5 August 2016, being the preceding market day prior to signing the SPA and the date the SPA was signed, respectively.

As at the Latest Practicable Date, the Company had an issued and paid-up share capital comprising 276,028,500 Shares. Based on the total number of issued Shares, the 33,363,282 Consideration Shares represents approximately 12.1% of the existing issued Shares and 10.8% of the enlarged issued Shares after the completion of the Proposed Acquisition.



We have set out, in the table below, the number of Consideration Shares to be received by each Vendor, as well as their shareholdings in the Company prior to and after the Proposed Acquisition:

Vendors	Consideration to be received	No. of Consideration Shares to be received	No. of Shares held in the Company prior to the Proposed Acquisition	Percentage shareholding (%)	No. of Shares held in the Company after the Proposed Acquisition	Percentage shareholding (%)
Ong Wee Song	1,314,000	5,132,813	–	–	5,132,813	1.7
Cheng Yong Liang	1,340,280	5,235,469	7,996,000	2.9	13,231,469	4.3
Tony Tan Choon Keat	1,300,860	5,081,484	56,078,486 <sup>(1)</sup>	20.3	61,159,970	19.8
Dr Wong Seng Weng	1,314,000	5,132,813	5,407,000	2.0	10,539,813	3.4
Dr Beng Teck Liang	1,300,860	5,081,484	49,490,000	17.9	54,571,484	17.6
Chong Wei Wen	1,314,000	5,132,813	–	–	5,132,813	1.7
Dr John Huang Yung Shui	328,500	1,283,203	–	–	1,283,203	0.4
Dr Kenneth Sheah Ban Joo	328,500	1,283,203	40,000	0.0	1,323,203	0.4
<b>Total</b>	<b>8,541,000</b>	<b>33,363,282</b>	<b>119,011,486</b>	<b>43.1</b>	<b>152,374,768</b>	<b>49.2<sup>(2)</sup></b>

**Notes:**

(1) Mr Tony Tan Choon Keat is deemed to be interested in 199,900 Shares held by his immediate family member.

(2) Does not add up due to rounding.

For the avoidance of doubt, the allotment and issuance of the Consideration Shares would not result in a transfer of controlling interest in the Company as Mr Tony Tan Choon Keat and Dr Beng Teck Liang will continue to be the controlling shareholders of the Company.

### 5.3 Conditions Precedent

The conditions precedent for the Proposed Acquisition which has been set out in Section 2.3.3 of the Circular has been extracted and reproduced in italics below:

*“2.3.3 Conditions Precedent to the Agreement*

*Pursuant to the terms of the Agreement, the Proposed Acquisition is conditional upon the following conditions having been fulfilled (or waived):–*

- (a) the Company obtaining all applicable governmental or regulatory approvals, including but not limited to any SGX-ST requirements, for the transactions contemplated under the Agreement; and*
- (b) the approval of the Shareholders for the Proposed Acquisition and any transaction contemplated under the Agreement and other related transactions as may be required in relation thereto.”*

### 5.4 Completion

The conditions for the completion of the Proposed Acquisition which has been set out in Section 2.3.4 of the Circular has been extracted and reproduced in italics below:

*“2.3.4 Completion under the Agreement*

*On Completion, the following shall take place:–*

*2.3.4.1 each Vendor shall deliver to the Company the following:–*

- (a) the share certificates in respect of the Sale Shares;*
- (b) valid and registerable transfers duly executed transferring the legal and beneficial ownership of the Sale Shares to the Company;*
- (c) duly passed resolutions of the board of directors of Lifescan 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.*

*2.3.4.2 the Company shall, against receipt of the above, allot and issue such number of Consideration Shares as set out in Section 2.3.2(d) to the Vendors by instructing CDP to credit the Consideration Shares into the securities account of the relevant Vendor and despatching to CDP the share certificate(s) in respect of the Consideration Shares and such other documents as may be required by CDP.”*

### 5.5 Additional Listing Application

The details of the additional listing application which has been set out in Section 2.6 of the Circular has been extracted and reproduced in italics below:

*“The Sponsor, on behalf of the Company, will be submitting an additional listing application to the SGX-ST for the listing of and quotation for 33,363,282 Consideration Shares on Catalist. An announcement will be made in due course to notify Shareholders when the listing and quotation notice from the SGX-ST is obtained.”*

Shareholders should take note of further announcements to be made by the Company on the listing and quotation of the Consideration Shares.

## 6. EVALUATION OF THE PROPOSED ACQUISITION

In our evaluation of the Proposed Acquisition, we have given due consideration to, *inter alia*, the following key factors:

- (a) Rationale for the Proposed Acquisition;
- (b) Financial performance and position of Lifescan;
- (c) Financial assessment of the Aggregate Consideration of the Proposed Acquisition;
- (d) Financial assessment of the Issue Price of the Consideration Shares;
- (e) Financial effects of the Proposed Acquisition; and
- (f) Other relevant considerations in relation to the Proposed Acquisition.

### 6.1 Rationale for the Proposed Acquisition

The rationale for the Proposed Acquisition which has been set out in Section 2.3.5 of the Circular are set out below.

#### “2.3.5 Rationale for the Proposed Acquisition

*As mentioned in Section 2.3.1 above, Lifescan had entered into the Lifescan ATA to acquire the radiology business of Pacific Cancer Centre Pte. Ltd. (the “**PCCPL Radiology Business**”). At the point of acquisition, the PCCPL Radiology Business incurred a net loss before tax of S\$1.78 million for the financial year ended 31 December 2014 and continued making losses for FY2015. Although the radiology business was loss making, the Company saw the potential in the radiology business and the benefits in adding a new business which is under performing to enhance its services to its patients. In order to limit the potential risks associated with acquiring this new business segment, the Company and some of the Vendors had agreed to jointly develop the business.*

*While legal completion under the Lifescan ATA took place on 18 March 2016, it was provided in the Lifescan ATA that the liabilities of the radiology business would be assumed by Lifescan from 15 September 2015. Accordingly, the Company has been involved in the operation of Lifescan since such date. Since then, the radiology business has shown itself to be profitable. The Directors therefore believe that the Proposed Acquisition is in the best interests of the Shareholders and is beneficial for the Group as it not only provides an opportunity for expansion of the Group’s business, but also allows the Group to gain control of Lifescan as a wholly-owned subsidiary and to further strengthen the Group’s diagnostic business segment.”*

## 6.2 Financial performance and position of Lifescan

The statutory audited financial performance and position of Lifescan for the financial period from 26 June 2015 (being its incorporation date) to 31 December 2015 (“FP2015”), and the Reviewed Financial Information of Lifescan for HY2016 are set out below:

<b>Income Statement</b> <b>(S\$'000)</b>	<b>FP2015</b>	<b>HY2016</b>
Revenue	1,133	3,065
Gross Profit	586	1,827
(Loss) / Profit before tax	(25)	562
<b>(Loss) / Profit after tax</b>	<b>(25)</b>	<b>562</b>

<b>Balance Sheet</b> <b>(S\$'000)</b>	<b>31 December 2015</b>	<b>30 June 2016</b>
Non-current assets	4,073	4,112
Current assets	1,635	2,874
Current liabilities	1,161	1,042
Non-current liabilities	1,075	910
<b>Net asset value</b>	<b>3,473<sup>(1)</sup></b>	<b>5,035<sup>(1)</sup></b>
<b>NTA</b>	<b>2,808</b>	<b>4,370</b>

*Sources:* Lifescan's statutory audited financial statements for FP2015 and the Reviewed Financial Information for HY2016

**Note:**

(1) Does not add up due to rounding.

As mentioned in the Section 2.3.5 of the Circular and Sections 4.1, 4.2 and 6.1 of this Letter, Lifescan was a newly incorporated joint venture vehicle, which the Group and its joint venture partners used to acquire the PCCPL Radiology Business from PCCPL, a wholly owned subsidiary of Pacific Healthcare.

As mentioned in the Pacific Healthcare Circular, the financial performance of the PCCPL Radiology Business had been deteriorating for the past three financial years, due to increased costs resulting in increased losses.

Following the formation of Lifescan, the Group had entered into the Asset Transfer Agreement to acquire the PCCPL Radiology Business on 3 August 2015. As part of the terms, Lifescan had took over the management and operations of the PCCPL Radiology Business, and became responsible for the liabilities and costs of the PCCPL Radiology Business and was entitled to any profits from the PCCPL Radiology business from 15 September 2015. In this regard, Lifescan had recorded the performance of the business and its respective assets and liabilities of the PCCPL Radiology Business, for the remaining three and a half month period from 15 September 2015 till 31 December 2015, in its FP2015 accounts.

With Lifescan still in its infancy and with the PCCPL Radiology Business only been newly acquired, Lifescan was still in a ramping up period as mentioned in the Group's full year results announcement for FY2015 and accordingly, it had reported a loss after tax of S\$0.03 million for FP2015.

Following the ramping up period, Lifescan was able to, by leveraging on the Group's existing network, customer base and expertise, return the acquired businesses to profitability within a short period of time. Lifescan had also further acquired NRPL in March 2016.

Based on the Reviewed Financial Information for HY2016, we noted that Lifescan recorded revenues amounting to S\$3.07 million. Gross profit margin also increased from 51.7% in FP2015 to 59.6% in HY2016. These resulted in the gross margin, on a pro-rated basis, to increase in HY2016 compared to FP2015. As a result of the above, Lifescan had turned a profit after tax of S\$0.56 million for HY2016 as compared to a loss of S\$0.03 million for FP2015.

From the financial position perspective, as at 30 June 2016, Lifescan reported an NTA of approximately S\$4.37 million, an increase of S\$1.56 million from S\$2.81 million as at 31 December 2015. The increase was mainly due to the subscription of new shares in the capital of Lifescan by its shareholders amounting to S\$1.0 million and the profits made by Lifescan in HY2016 amounting to S\$0.56 million.

The assets of Lifescan as at 30 June 2016 comprised mainly: (i) property, plant and equipment of S\$2.94 million; (ii) trade receivables of S\$1.25 million; (iii) intangible assets of S\$0.66 million; and (iv) cash and cash equivalents of S\$0.58 million, representing 42.0%, 17.9%, 9.5% and 8.3% of Lifescan's total assets respectively.

The liabilities of Lifescan as at 30 June 2016 comprised mainly: (i) long term obligations under finance lease of S\$0.83 million; (ii) short term other payables and accruals of S\$0.53 million; and (iii) short term obligations under finance lease of S\$0.33 million, representing 42.6%, 27.2% and 16.9% of Lifescan's total liabilities respectively.

**We wish to highlight to the Independent Directors that the above analysis is only for illustrative purposes and is not meant to be an indication of, or comment on the Lifescan's future profitability, growth prospects, financial positions and working capital sufficiency.**

### **6.3 Financial assessment of the Aggregate Consideration of the Proposed Acquisition**

The Aggregate Consideration for the Proposed Acquisition was determined to be, in aggregate, S\$8.54 million, based on the price of S\$2.92 per Lifescan Share. As mentioned in Section 5.1 of this Letter, the Aggregate Consideration was arrived at taking into consideration various commercial factors such as the financial performance and potential growth of Lifescan and the valuation by the Independent Valuer.

In assessing the Aggregate Consideration, we have considered the following:

- (i) Valuation Letter prepared by Independent Valuer; and
- (ii) Financial assessment of Aggregate Consideration *vis-à-vis* comparable companies of Lifescan.

### 6.3.1 Valuation Letter prepared by Independent Valuer

In connection with the Proposed Acquisition, the Company had commissioned Deloitte to undertake an independent valuation of the entire issued share capital of Lifescan as at the Valuation Date, being 30 April 2016. The Valuation Letter is set out in Appendix B to the Circular.

The following has been extracted from the Valuation Letter and is set out in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Valuation Letter. Shareholders are advised to read the extract below carefully:

*“We have used the fair value standard for our work, presuming the application of existing use framework. Fair value is defined for this purpose as “The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties”.*

#### **3. Valuation Approach**

*We performed the Valuation based on the Income Approach and Market Approach. The Income Approach uses the Discounted Cash Flow (“DCF”) method while the Market Approach uses the Guideline Public Company Method (“GPCM”) and the Recent Transaction Price (“RTP”) method.”*

As set out in the Valuation Letter, the range of values of the entire issued share capital of Lifescan, including its 49.0% shareholding interest in NRPL, as at the Valuation Date, is estimated to be between S\$15.6 million to S\$17.9 million (“**Fair Value**”). Accordingly, the proportionate 61.9% shareholding interest in Lifescan would be accorded a valuation of between S\$9.66 million and S\$11.08 million.

We note that the Aggregate Consideration to be paid to the Vendors for their 61.9% of Lifescan amount to S\$8.54 million. In this regard, we note that the Aggregate Consideration is at a discount of between 11.6% and 22.9% to the proportionate range of Fair Values of Lifescan.

The Management has confirmed that they have made due and careful enquires in relying on the assumptions and projections underlying the financial forecast of Lifescan.

#### *Previous Valuation*

As set out in Section 4.2 of this Letter, we note that a prior valuation exercise was commissioned by Pacific Healthcare to value the medical and imaging equipment of the PCCPL Radiology Business for the purpose of its disposal of the PCCPL Radiology Business to Lifescan. Robert Khan, the independent valuer for that exercise, had, in its independent valuation report dated 20 November 2015, ascribed a value of S\$1.41 million on the medical and imaging equipment.

Further, following the acquisition of the PCCPL Radiology Business, Lifescan subsequently acquired NRPL and by leveraging on the Group’s existing network, customer base and expertise, we understand from the Management that Lifescan was able to return the acquired businesses to profitability within a short period of time. Based on the Reviewed Financial Information for HY2016 and taking into account the initial S\$3.50 million cash subscription by the Company and six of the Vendors in July 2015 and a subsequent S\$1.0 million cash subscription in March 2016 (“**Cash Subscriptions**”), Lifescan generated a profit before tax of S\$0.56 million for HY2016 and had an NTA of S\$4.37 million as at 30 June 2016.

We further note from Management that Robert Khan's valuation report is not comparable to the Valuation Letter prepared by Deloitte as the basis of the valuations and methodologies used were different. Robert Khan's valuation report was prepared for the purpose of valuing the physical equipment and assets to be sold by PCCPL on the back of three years of losses, and adopting the DRC and MC methods; while Deloitte's Valuation Letter was prepared to value the business of Lifescan, which has turned profitable, and also included the NRPL Acquisition, the S\$4.5 million Cash Subscriptions, as well as the future growth prospects of Lifescan, using the DCF, GPCM and RTP methods. As such, having considered the above, the Management and PPCF are of the view that these two valuation reports are not comparable.

**We recommend the Independent Directors to advise the Independent Shareholders to read the Valuation Letter carefully, in particular the terms of reference, key assumptions and critical factors.**

### **6.3.2 Financial assessment of Aggregate Consideration *vis-à-vis* comparable companies of Lifescan**

For the purpose of our evaluation of the Proposed Acquisition, we have compared various valuation ratios of Lifescan implied by the Aggregate Consideration with those of selected public listed companies on the SGX-ST which are broadly comparable to Lifescan and are engaged in, *inter alia*, the provision of specialised medical services ("**Comparable Companies**").

**We recognise that there is no company listed on the SGX-ST which we may consider to be identical to Lifescan in terms of, *inter alia*, market capitalisation, geographical markets, composition of business activities, scale of business operations, risk profile, asset base, accounting policies, track record, future prospects, market / industry size, political risk, competitive and regulatory environment, financial positions and other relevant criteria.**

**The Independent Directors should note that Lifescan is involved in, *inter alia*, the radiology business whilst most of the identified Comparable Companies are involved in other types of specialised medical services. Therefore, the comparison made with respect to the Comparable Companies merely serves as an illustrative market valuation of Lifescan as at the Latest Practicable Date.**

A brief description of the Comparable Companies listed on the SGX-ST is set out as follows:

<b>Comparable Companies</b>	<b>Business Activity Description</b>	<b>Financial Year Ended</b>
Talkmed Group Limited (“ <b>Talkmed</b> ”)	Talkmed provides medical oncology services to patients.	31 December 2015
Q & M Dental Group (Singapore) Limited (“ <b>Q &amp; M</b> ”)	Q & M operates dental clinics. The company offers aesthetic, children’s and general dentistry, fits crowns, dentures and braces, and offers bleeding gum treatment, gum surgery and oral surgery, and treats snoring and teeth grinding.	31 December 2015
Singapore O&G Ltd. (“ <b>Singapore O&amp;G</b> ”)	Singapore O&G operates specialist health care facilities catered toward woman in Singapore. The company provides services in obstetrics, gynecology, gyne-oncology, breast and surgical care.	31 December 2015
ISEC Healthcare Ltd. (“ <b>ISEC Healthcare</b> ”)	ISEC Healthcare provides eyecare (ophthalmology) services in Malaysia and Singapore. The company provides clinical care, research and educational services and operates across Malaysia and Singapore.	31 December 2015
Healthway Medical Corporation Limited (“ <b>Healthway</b> ”)	Healthway provides outpatient medical services in Singapore. The company offers care in the areas of family medicine, specialists care, dental and oral care and medical aesthetics.	31 December 2015
AsiaMedic Limited (“ <b>AsiaMedic</b> ”)	AsiaMedic is a healthcare provider that focuses on the management of clinical services in the fields of disease prevention, early illness detection, and advanced diagnostics. The company provides clinical and management services in Singapore and internationally.	31 December 2015

*Source: Bloomberg*



In our evaluation, we have considered the following widely used valuation measures:

<b>Valuation Ratio</b>	<b>Description</b>
Price-to-Earnings ("P/E")	<p>P/E ratio or earnings multiple is the ratio of a company's market capitalisation divided by the historical consolidated net profit attributable to shareholders.</p> <p>The P/E ratio is an earnings-based valuation methodology and is calculated based on the net earnings attributable to shareholders after interest, taxation, depreciation and amortisation expenses.</p> <p>The P/E ratio illustrates the ratio of the market capitalisation of an entity in relation to the historical net profit attributable to its shareholders.</p> <p>As such, it is affected by the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets.</p>
Price-to-Net Tangible Assets ("P/NTA")	<p>NTA refers to consolidated net tangible assets, which is the total assets of a company less intangible assets (such as goodwill, patents and trademarks) and total liabilities.</p> <p>P/NTA refers to the ratio of a company's share price divided by NTA per share.</p> <p>The P/NTA ratio represents an asset-based relative valuation which takes into consideration the book value or NTA backing of a company.</p> <p>The NTA of a company provides an estimate of its value assuming a hypothetical sale of all its tangible assets and repayment of its liabilities and obligations, with the balance being available for distribution to its shareholders. It is an asset-based valuation methodology and this approach is meaningful to the extent that it measures the value of each share that is attached to the net tangible assets of the company.</p>
Enterprise Value-to-Earnings before Interests, Taxes, Depreciation and Amortisation ("EV/EBITDA")	<p>EV refers to enterprise value which is the sum of a company's market capitalisation, preferred equity, minority interests, short-term and long-term debts (inclusive of finance leases), less its cash and cash equivalents.</p> <p>EBITDA refers to the historical consolidated earnings before interest, taxes, depreciation and amortisation.</p> <p>The EV/EBITDA ratio illustrates the ratio of the market value of an entity's business in relation to its historical pre-tax operating cashflow performance. The EV/EBITDA multiple is an earnings-based valuation methodology. The difference between EV/EBITDA and the P/E ratio (described above) is that it does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges.</p>

The valuation ratios of the Comparable Companies based on their respective last traded share prices as at the Latest Practicable Date are set out as follows:

Comparable Companies <sup>(1)</sup>	Share Price <sup>(2)</sup> (S\$)	Market Capitalisation (S\$'million)	P/E <sup>(3)</sup> (times)	P/NTA <sup>(4)</sup> (times)	EV/EBITDA <sup>(5)</sup> (times)
Talkmed	1.060	696.6	18.7	12.4	14.3
Q & M	0.720	573.5	50.3	21.5	26.0
Singapore O&G	1.225	292.0	54.7	12.6	42.5
ISEC Healthcare	0.325	159.0	57.6	5.9	25.9
Healthway	0.030	69.8	41.5	1.0	23.7
AsiaMedic	0.058 <sup>(6)</sup>	22.6	N.M. <sup>(7)</sup>	2.3	N.M. <sup>(7)</sup>
<b>High</b>			<b>57.6</b>	<b>21.5</b>	<b>42.5</b>
<b>Low</b>			<b>18.7</b>	<b>1.0</b>	<b>14.3</b>
<b>Mean</b>			<b>44.6</b>	<b>9.3</b>	<b>26.5</b>
<b>Median</b>			<b>50.3</b>	<b>9.2</b>	<b>25.9</b>
<b>Lifescan<sup>(8)</sup></b>		<b>13.8</b>	<b>12.3</b>	<b>3.2</b>	<b>7.9</b>

**Sources:** Bloomberg, annual reports and announcements on SGXNET of the Comparable Companies and PPCF calculations

**Notes:**

- (1) The list of Comparable Companies takes into consideration selected public listed companies on the SGX-ST, which are broadly comparable to Lifescan and are engaged in, *inter alia*, the provision of specialised medical services. The list does not include companies such as Raffles Medical Group Limited, Health Management International Limited and International Healthway Corporation Limited as they are asset heavy companies with operations in Singapore as well as overseas and in our view are not comparable to Lifescan.
- (2) Shares prices are the last traded share prices as at the Latest Practicable Date.
- (3) P/E ratio is calculated based on the earnings as extracted from the latest audited full year financial statements of the respective Comparable Companies as announced on the SGXNET. In respect of Lifescan, its P/E ratio is calculated based Lifescan's earnings (amounting to S\$0.56 million, as extracted from the Reviewed Financial Information of Lifescan) for HY2016, annualised to a full year, amounting to S\$1.12 million.
- (4) P/NTA ratio is calculated based on the NTA as extracted from the latest audited full year financial statements of the respective Comparable Companies as announced on the SGXNET. In respect of Lifescan, its P/NTA ratio is calculated based on Lifescan's NTA of S\$4.37 million as at 30 June 2016 (as extracted from the Reviewed Financial Information of Lifescan).
- (5) EV/EBITDA ratio is calculated based on the latest audited full year financial statements of the respective Comparable Companies as announced on the SGXNET. In respect of Lifescan, its EV/EBITDA ratio is calculated based on Lifescan's EBITDA (amounting to S\$0.91 million, as extracted from the Reviewed Financial Information of Lifescan) for HY2016, annualised to a full year, amounting to S\$1.82 million. Lifescan's EV of S\$14.38 million is calculated as follows: S\$13.80 million as implied by the Aggregate Consideration (refer to note (8) below), add debt of S\$1.16 million and less cash and cash equivalents of S\$0.58 million as at 30 June 2016.
- (6) The share price for AsiaMedic was the last traded share price as at 5 August 2016.
- (7) N.M. denotes not meaningful as the Comparable Company is loss-making.
- (8) The Aggregate Consideration of S\$8.54 million for 61.9% of the shareholding interest in Lifescan values the entire issued share capital of Lifescan at approximately S\$13.80 million.

Based on the above, we observe that:

- (a) The P/E ratio of Lifescan implied by the Aggregate Consideration of 12.3 times is below the range of the P/E ratios of the Comparable Companies and is below the mean and median P/E ratios of 44.6 times and 50.3 times respectively;

- (b) The P/NTA ratio of Lifescan implied by the Aggregate Consideration of 3.2 times is within the range of the P/NTA ratios of the Comparable Companies but is below the mean and median P/NTA ratios of 9.3 times and 9.2 times respectively; and
- (c) The EV/EBITDA ratio of Lifescan implied by the Aggregate Consideration of 7.9 times is below the range of the EV/EBITDA ratios of the Comparable Companies and is below the mean and median EV/EBITDA ratios of 26.5 times and 25.9 times respectively.

#### **6.4 Financial assessment of the Issue Price of the Consideration Shares**

The Aggregate Consideration of S\$8.54 million will be satisfied by the allotment and issuance of 33,363,282 Consideration Shares to the Vendors at the Issue Price of S\$0.256.

In assessing the Issue Price, we have considered the following:

- (i) NTA per Share of the Company;
- (ii) Market quotations and trading activity of the Company; and
- (iii) Financial assessment of Issue Price *vis-à-vis* comparable completed transactions.

##### **6.4.1 NTA per Share of the Company**

The NTA based approach of valuing a company or group is based on the aggregate value of all the tangible assets of the company in their existing condition, after deducting the sum of all liabilities and intangible assets of the company. The NTA based approach is meaningful as it shows the extent to which the value of each share is backed by tangible assets and would be relevant in the event that the company or group decides to realise or convert the use of all or most of its assets. The NTA based approach in valuing a company may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets over a reasonable period of time at the aggregate value of the assets used in the computation of the NTA, the proceeds of which are used to settle the liabilities, minority interest and obligation of the company or group with the balance to be distributed to its shareholders. However, the NTA approach does not take into account or consideration the presence of any intangible assets such as goodwill, trademarks and brand names. The NTA of a company or group is equivalent to the historical cost of replacing its assets in their existing condition after deducting its liabilities, obligations and intangible assets, with the values of the assets in their existing condition, obligations and intangible assets being determined as the amounts or values as recorded or reflected in its audited financial statements.

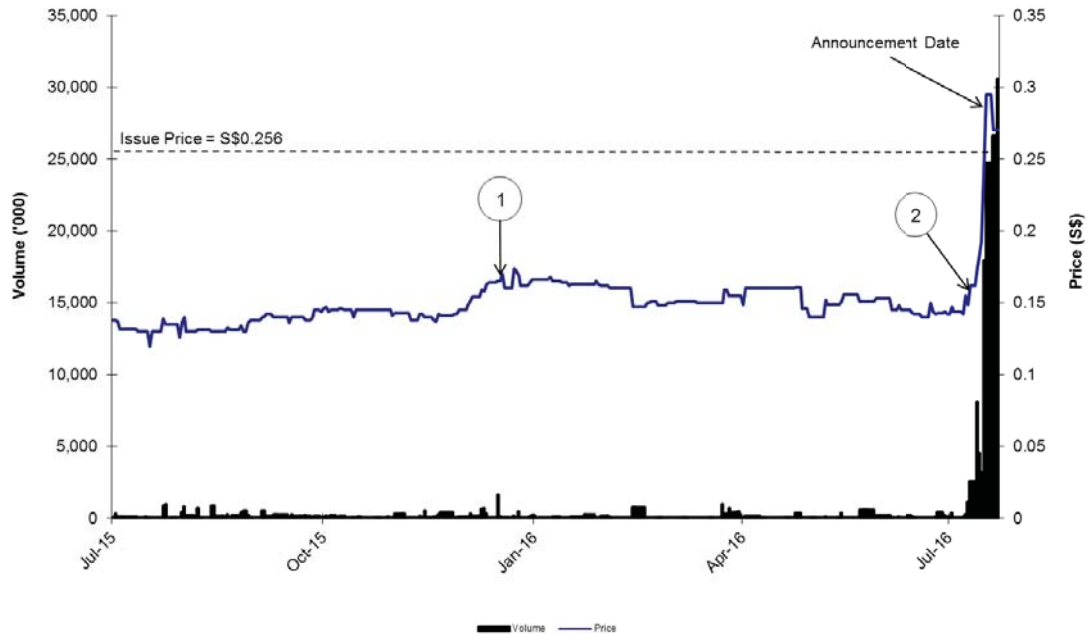
Based on the unaudited financial statements for the half year ended 30 June 2016, and based on the number of outstanding shares in the Company as at the Latest Practicable Date, the NTA per Share is S\$0.039. For illustrative purposes only, we note that the Issue Price represents a premium of approximately 556.4% over the Company's NTA per Share.

**The above computation and analysis is meant as an illustration and it does not necessary mean or imply that the net realisable value of the Group is as stated above. It also does not imply that the assets or properties of the Group can be disposed of at the estimated value indicated above and that after payment of all liabilities and obligations, the values or amounts as indicated by the NTA and is realisable or distributable to the Shareholders.**

## 6.4.2 Market quotations and trading activity of the Company

We set out below a historical chart on the prices and trading volume of the Shares for the period commencing from 20 July 2015 (being the date the Company had first invested in Lifescan) and ending on the Latest Practicable Date.

### Price and traded volume for the Shares for the period from 20 July 2015 to the Latest Practicable Date



**Sources:** Bloomberg and the Company's announcements on the SGXNET

#### Notes:

- (1) 4 January 2016 – The Company announced that it had been in early stage confidential discussions with various parties in relation to a possible transaction (“**Possible Transaction**”). The discussions were preliminary in nature and no definitive agreements had been entered into. Accordingly, there was no certainty that the Possible Transaction would materialise. Save for the above, the Company was not aware of any other possible explanation for the movements in the share price and trading volume.
- (2) 29 July 2016 – The Company responded to a query issued by the SGX-ST in respect of the unusual price and volume movements in the Company's Shares (“**Unusual Trading Activity**”). The Company responded that it was in the process of finalising its financial statements for six month period ended 30 June 2016 and that it would announce its finalised financial statements for six month period ended 30 June 2016 no later than 14 August 2016. Further, the Company was constantly reviewing options and exploring opportunities to enhance its shareholders' value as part of the Group's strategy. As at the date of the announcement, the Company had been in confidential discussions with various parties on a possible investment opportunity, as no definitive agreement had been entered into, there was no assurance or certainty that the transaction will materialise. Save for the above, the Company was not aware of any information not previously announced concerning the Company, its subsidiaries or associated companies which, if known, might explain the Unusual Trading Activity.

We note that the Shares had traded till about 2:50 p.m. on 5 August 2016, being the Announcement Date, until the request for the trading halt on the Shares was implemented. The Announcement was subsequently released after trading hours on 5 August 2016.

We have therefore tabulated below the respective VWAP of the Shares, the highest and lowest transacted prices for the Shares and the average number of Shares traded on a daily basis for the period commencing from 6 August 2015 (being the first market day of the 12-month period prior to the Announcement Date) and ending on the Latest Practicable Date (“**Period under Review**”).

	VWAP <sup>(1)</sup> (S\$)	Premium / (Discount) of the Issue Price over / to VWAP (%)	Lowest transacted price (S\$)	Highest transacted price (S\$)	Average daily trading volume <sup>(2)</sup> (’000)	Average daily trading volume as a percentage of free float <sup>(3)</sup> (%)
<b>For the period prior to the Announcement Date</b>						
1-month	0.227	12.8	0.140	0.305	2,897	2.73
3-month	0.224	14.3	0.138	0.305	1,017	0.96
6-month	0.219	16.9	0.138	0.305	563	0.53
1-year	0.204	25.5	0.126	0.305	357	0.34
4 August 2016, being the last full trading day prior to the Announcement Date	0.225	13.8	0.198	0.250	17,913	16.86
5 August 2016, being the Announcement Date	0.278	(7.9)	0.240	0.305	24,706	23.25
<b>For the period after the Announcement and up to the Latest Practicable Date</b>						
After the Announcement Date and up to the Latest Practicable Date	0.281	(8.9)	0.260	0.310	28,617	26.93
10 August 2016, being the Latest Practicable Date	0.280	(8.6)	0.265	0.290	30,574	28.77

**Source:** Bloomberg

**Notes:**

- (1) The VWAP had been weighted based on the average traded price of the Shares and traded volume for the relevant trading dates for each period.
- (2) The average daily trading volume of the Shares is computed based on the total volume of Shares traded during the relevant periods, divided by the number of days that was open for trading (excluding days with full day trading halts on the Shares) during that period (“**Total Market Days**”).
- (3) Free float refers to the Shares other than those held by the Directors and the substantial shareholders of the Company, and amounts to approximately 106.3 million Shares, representing approximately 38.5% of the issued Shares as disclosed in the Company’s annual report for FY2015.

Based on the above, we observe that:

- (a) The Issue Price represents a premium of 6.7% and 13.8% over the last traded price of S\$0.240 and the VWAP of the Shares of S\$0.225 respectively, on 4 August 2016, being the last full traded day of the Shares prior to the Announcement Date;
- (b) The Issue Price represents a discount of 13.2% and 7.9% to the last traded price of S\$0.295 and the VWAP of the Shares of S\$0.278 respectively, on 5 August 2016, being the Announcement Date;
- (c) The Issue Price represents a premium of 12.8%, 14.3%, 16.9%, and 25.5% over the VWAP of the Shares for the 1-month, 3-month, 6-month and 1-year periods prior to the Announcement Date, respectively;
- (d) The Issue Price represents a discount of 8.9% to the VWAP of the Shares for the period between the market day immediately after the Announcement Date and up to the Latest Practicable Date;
- (e) As at the Latest Practicable Date, the Issue Price represents a discount of 5.2% to the last traded price of the Shares of S\$0.270;
- (f) During the period from 6 August 2015 up to the Announcement Date, the Shares were traded on 137 market days or 54.8% of the Total Market Days. The total number of Shares traded during this period was approximately 89.34 million Shares with an average daily trading volume of 0.36 million Shares, representing 0.3% of the free float; and
- (g) During the period after the Announcement Date and up to the Latest Practicable Date, the Shares were traded on two market days or 100.0% of the Total Market Days. The total number of Shares traded during this period was approximately 57.24 million Shares with an average daily trading volume of 28.62 million Shares, representing 26.9% of the free float.

We note that during the Period under Review, the Shares had traded within the range of S\$0.126 to S\$0.310 with the Shares constantly trading below the Issue Price except during the period commencing from 4 August 2016 (being the last full traded day of Shares prior to the Announcement Date) to 5 August 2016 (being the Announcement Date) where the Shares traded between S\$0.198 and S\$0.305. Subsequent to the Announcement Date and up to the Latest Practicable Date, Shares had traded at a higher range of S\$0.260 to S\$0.310.

**Independent Directors should note that the past trading performance for the Shares may not be relied upon as an indication or promise of its future trading performance.**

#### **6.4.3 Financial assessment of Issue Price *vis-à-vis* comparable completed transactions**

In our assessment of the reasonableness of the Issue Price, we have considered the details of other comparable recently completed transactions on healthcare companies in Singapore (“**Comparable Transactions**”) to provide, *inter alia*, a comparison of the premium/discount of the issue prices of the shares over/to the last transacted prices for the shares of these companies prior to the date of the relevant announcement, the NTA of the companies and the P/E ratio implied by its purchase considerations.

Comparable Transactions	Target Companies	Announcement Date	No. of Shares Issued	Percentage of new shares to existing shares <sup>(1)</sup> (%)	Issue price (\$)	Price on last traded full market day prior to announcement date (\$)	Premium / (Discount) of issue price over / to last traded price on full market day prior to announcement date (%)	Issue Price/NTA <sup>(1)</sup> (times)	Implied purchase consideration (\$)	P/E as implied by the purchase consideration and the target companies' historical earnings (times)	PNTA as implied by the purchase consideration and the target companies' NTA (times)
ISEC Healthcare Ltd. <sup>(2)</sup>	JL Medical (Bukit Batok) Pte. Ltd.; JL Medical (Sembawang) Pte. Ltd.; JL Medical (Woodlands) Pte. Ltd.; and JL Medical (Yew Tee) Pte. Ltd.	27 May 2016	27,883,750	5.7	0.250	0.270	(7.4)	4.2	13,941,876	11.8	0.4
Q & M Dental Group (Singapore) Limited	Lee & Lee (Dental Surgeons) Pte Ltd	28 Jan 2016	6,763,888	0.9	0.720	0.650	10.8	26.8	10,000,000	N.A. <sup>(3)</sup>	6.7
Singapore O&G Ltd.	JL Laser & Surgery Centre Pte. Ltd.; JL Esthetic Research Centre Pte. Ltd.; and JL Dermatology Pte. Ltd.	5 Nov 2015	20,401,501	9.4	0.6127	0.645	(5.0)	5.9	26,500,000	N.A. <sup>(3)</sup>	N.A. <sup>(3)</sup>
Q & M Dental Group (Singapore) Limited	Aesthetics Dental Surgery Pte Ltd; Dr Tan Hwee Hiang Pte Ltd; and Teh Prosthodontics & Implant Centre Pte Ltd	12 May 2015	2,812,939	0.4	0.711	0.795	(10.6)	11.4	4,000,000	7.6	7.3
Q & M Dental Group (Singapore) Limited	Tiong Bahru Dental Surgery Pte Ltd; and Bright Smile Dental Surgery Pte Ltd	12 May 2015	1,687,763	0.2	0.711	0.795	(10.6)	11.4	3,800,000	10.1	6.2
Fullerton Healthcare Group Pte. Limited	RadLink-Asia Pte Limited	1 May 2015	N.A. <sup>(3)</sup>	N.A. <sup>(3)</sup>	N.A. <sup>(3)</sup>	N.A. <sup>(3)</sup>	N.A. <sup>(3)</sup>	N.A. <sup>(3)</sup>	111,000,000	27.7	5.0
Q & M Dental Group (Singapore) Limited	TP Dental Surgeons Pte Ltd	28 April 2015	14,999,716	1.9	0.70668	0.775	(8.8)	12.3	28,600,000	15.1	15.1
<b>High</b>			<b>9.4</b>	<b>10.8</b>	<b>26.8</b>	<b>27.7</b>	<b>15.1</b>				
<b>Low</b>			<b>0.2</b>	<b>(10.6)</b>	<b>4.2</b>	<b>7.6</b>	<b>0.4</b>				
<b>Mean</b>			<b>3.1</b>	<b>(5.3)</b>	<b>12.0</b>	<b>14.5</b>	<b>6.8</b>				
<b>Median</b>			<b>1.4</b>	<b>(8.1)</b>	<b>11.4</b>	<b>11.8</b>	<b>6.4</b>				
<b>Company</b>	<b>Lifescan</b>	<b>5 August 2016</b>	<b>33,363,282</b>	<b>12.1</b>	<b>0.256</b>	<b>0.240</b>	<b>6.7</b>	<b>6.6</b>	<b>13,798,061</b>	<b>12.3</b>	<b>3.2</b>

**Sources:** Bloomberg, announcements on the SGXNET on the Comparable Transactions and PPCF calculations

**Notes:**

- (1) Percentage of new shares to existing shares and issue price to NTA ratio is calculated based on the existing shares and NTA as disclosed in the latest financial results announcement prior to the announcement date of the respective Comparable Transactions.
- (2) The comparable transaction completed by ISEC Healthcare Ltd. constitutes an interested person transaction.
- (3) N.A. denotes not available.



We note that the number of new Shares to be issued pursuant to the Proposed Acquisition as a percentage of the number of issued Shares as at the Latest Practicable Date is approximately 12.1%, and is above the range of those for the Comparable Transactions.

Further, we note that the Issue Price is at a 6.7% premium over the last traded price of the Shares on 4 August 2016 (being the last full traded day of Shares prior to the Announcement Date). We note that this is within the range of premiums over / discounts to the respective last traded prices of the Comparable Transactions. We also note that the mean and median for the Comparable Transactions is at a discount of approximately 5.3% and 8.1% respectively.

Lastly, we observe that:

- (a) The P/E ratio of Lifescan implied by the Aggregate Consideration of 12.3 times is within the range of the P/E ratios of the Comparable Transactions but is below the mean P/E ratios of 14.5 times and above the median P/E ratios of 11.8 times; and
- (b) The P/NTA ratio of Lifescan implied by the Aggregate Consideration of 3.2 times is within the range of the P/NTA ratio of the Comparable Transactions but is below the mean and median P/NTA ratios of 6.8 times and 6.4 times respectively.

**Independent Shareholders should note that as the circumstances for each of the companies listed is unique and as the companies or the transactions may not be identical to the Group or the Proposed Acquisition in terms of business activities, size of operations, market capitalisation, asset base, risk profile, track record, future prospects and other relevant criteria, the analysis is necessarily limited. Further, the list of Comparable Transactions is by no means exhaustive and information relating to the said companies was compiled from publicly available information. Accordingly, any comparison between the Comparable Transactions serves as an illustrative guide only.**

## 6.5 Financial effects of the Proposed Acquisition

The financial effects of the Proposed Acquisition are set out in Section 2.3.7 of the Circular. We recommend the Independent Directors to advise the Shareholders to read Section 2.3.7 of the Circular carefully, in particular the assumptions relating to the preparation of the financial effects.

We set out below the summary of the financial effects of the Proposed Acquisition:

### Earnings per Share

The loss attributable to Shareholders of the Group for FY2015 amount to S\$0.15 million and the weighted average number of issued Shares is 275,134,759 Shares. Correspondingly, the loss per Share of the Group is S\$0.0005. Assuming the Proposed Acquisition had been effected on 31 December 2015, the earnings per Share of the Group for FY2015 would have been S\$0.0103.

We note that the earnings of the Group for FY2015, after adjusting for the Proposed Acquisition, included: (i) the gain of S\$3.58 million arising from the re-measurement of the Company's existing 38.1% equity shares in Lifescan from its carrying amount to fair value in accordance with the Singapore Financial Reporting Standard 103 Business Combination, assuming the fair value per share of Lifescan of S\$2.92; and (ii) the financial effects of the increases in the share capital of Lifescan in HY2016.

### NTA per Share

The NTA attributable to Shareholders of the Group for FY2015 amount to S\$10.31 million and the number of issued Shares is 276,028,500 Shares. Correspondingly, the NTA per Share of the Group is S\$0.0374. Assuming the Proposed Acquisition had been effected on 31 December 2015, the NTA per Share of the Group for FY2015 would increased to S\$0.0398.

We note that the NTA of the Group as at 31 December 2015, after adjusting for the Proposed Acquisition, included: (i) the assumption that the carrying value of assets and liabilities of Lifescan is assumed to be approximately fair value; (ii) the assumption that the Consideration Shares' fair value is assumed to be approximately S\$8.50 million; and (iii) the financial effects of the increases in share capital of Lifescan in HY2016.

## **6.6 Other relevant considerations in relation to the Proposed Acquisition**

- (i) Acquisition from the Interested Person is on the same terms as a non-interested person;
- (ii) No change in risk profile of the Company; and
- (iii) Intentions for Lifescan after completion of the Proposed Acquisition.

### **6.6.1 Acquisition from the Interested Persons is on the same terms as the non-interested persons**

Apart from Mr Tony Tan Choon Keat, Dr Beng Teck Liang and Dr Wong Seng Weng, who are considered Interested Persons, the rest of the Vendors namely (i) Mr Ong Wee Song; (ii) Mr Cheng Yong Liang; (iii) Ms Chong Wei Wen; (iv) Dr John Huang Yung Shui; and (v) Dr Kenneth Sheah Ban Joo, are non-interested persons ("**Non-Interested Persons**").

We note that the Consideration being paid to the Interested Persons, being S\$2.92 per Lifescan Share, is at the same price paid to the Non-Interested Persons.

### **6.6.2 No change in risk profile of the Company**

As set out in Section 4.2 of this Letter, the Company had, in July 2015, invested in Lifescan through a joint venture agreement with six of the Vendors. Subsequent to the Lifescan Subscription, the Company had a shareholding interest of 40.0% in Lifescan and currently has a shareholding interest of 38.1% as at the Announcement Date. The rationale of the initial investment in Lifescan was to allow the Group to have access to radiology and diagnostic imaging assets thereby creating synergy for the Group and enabling the Group to enhance its services provided to its patients.

We note that there is no change in the risk profile of the Company as the Proposed Acquisition will allow the Group to have full access to the radiology and diagnostic imaging assets owned by Lifescan and thereby gives it the opportunity to improve its services to its patients. Further, the Proposed Acquisition does not increase the scale of the existing operations of the Group significantly or result in a change of control of the Company or have a significant adverse impact on the Group's earnings, working capital and gearing. We note that the Proposed Acquisition does not result in expansion of the Group's business to new geographical market as Lifescan's business is located and operated in Singapore.

We wish to further highlight the following commentary extracted from the Group's HY2016 results announcement and reproduced in italics below:

***“10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.***

*With a growing aging population coupled with the expected population growth, Singapore's healthcare related expenditure is expected to increase moving forward. While this provides an opportunity, the private healthcare industry will remain challenging with intense domestic and regional competition.*

*Given the slowdown in Singapore's economy which are driven by the global economic uncertainties, medical spending for elective medical services are also expected to soften.*

*Since the new management came on board in December 2013, it had embarked on a series of expansion into new medical services and establishing its networks through association and partnership with doctors while streamlining the business to improve profitability. The Group has since successfully increased the contribution of non-elective medical services under the health segment to help improve the Group's performance. Existing businesses continue to perform and grow with increasing traffic from both regional and local patients while newly created businesses are expected to contribute positively with room for expansion.*

*Moving ahead, the Group will continue to focus on growing its existing businesses by recruiting new medical specialists and leveraging on its networks to promote cross-selling activities. To further support the Group's growth initiatives, a new diagnostic segment has been created to focus on diagnostic imaging and cardiac Holter monitoring (Cardioscan). The Group is in the process of exploring further investment in the diagnostic imaging business which, if successfully completed, will have an impact to the Group's financial performance in the second half of 2016.”*

### **6.6.3 Intentions for Lifescan after completion of the Proposed Acquisition**

The Company's intention for Lifescan after the completion of the Proposed Acquisition as set out in Section 2.7 of the Circular has been extracted and reproduced in italics below.

*“Save as mentioned in this Section 2.7, the Company currently has no intentions to (i) introduce any major changes to the existing business of Lifescan (including but not limited to any changes to the management team of Lifescan), or (ii) re-deploy any of the fixed assets of Lifescan, other than in the ordinary course of business. However, the Company retains the flexibility at any time to consider any options or opportunities in relation to Lifescan which may present themselves and which the Company may regard to be in the best interests of Lifescan or the Group.”*

## 7. OUR OPINION

In arriving at our recommendation in respect of the Proposed Acquisition, we have taken into consideration, *inter alia*, the following factors summarised below as well as elaborated elsewhere in this Letter. The following should be read in conjunction with, and in the context of, the full text of this Letter.

- (a) Rationale for the Proposed Acquisition
- (b) Financial performance and position of Lifescan:
  - (i) Lifescan recorded revenues amounting to S\$3.07 million in HY2016. Gross profit margin also increased from 51.7% in FP2015 to 59.6% in HY2016. These resulted in the gross margin, on a pro-rated basis, to increase in HY2016 compared to FP2015. As a result of the above, Lifescan had turned a profit after tax of S\$0.56 million for HY2016 as compared to a loss of S\$0.03 million for FP2015; and
  - (ii) As at 30 June 2016, Lifescan reported an NTA of approximately S\$4.37 million, an increase of S\$1.56 million from S\$2.81 million as at 31 December 2015. The increase was mainly due to the subscription of new shares in the capital of Lifescan by its shareholders amounting to S\$1.0 million and the profits made by Lifescan in HY2016 amounting to S\$0.56 million.
- (c) Financial assessment of the Aggregate Consideration of the Proposed Acquisition:
  - (i) The Aggregate Consideration is at a discount of between 11.6% to 22.9% to the proportionate range of Fair Values of Lifescan as set out in the Valuation Letter prepared by Deloitte;
  - (ii) The P/E ratio of Lifescan implied by the Aggregate Consideration of 12.3 times is below the range of the P/E ratios of the Comparable Companies and is below the mean and median P/E ratios of 44.6 times and 50.3 times respectively;
  - (iii) The P/NTA ratio of Lifescan implied by the Aggregate Consideration of 3.2 times is within the range of the P/NTA ratios of the Comparable Companies but is below the mean and median P/NTA ratios of 9.3 times and 9.2 times respectively; and
  - (iv) The EV/EBITDA ratio of Lifescan implied by the Aggregate Consideration of 7.9 times is below the range of the EV/EBITDA ratios of the Comparable Companies and is below the mean and median EV/EBITDA ratios of 26.5 times and 25.9 times respectively.
- (d) Financial assessment of the Issue Price of the Consideration Shares:
  - (i) The Issue Price represents a premium of approximately 556.4% over the Company's NTA per Share;
  - (ii) The Issue Price represents a premium of 6.7% and 13.8% over the last traded price of S\$0.240 and the VWAP of the Shares of S\$0.225 respectively, on 4 August 2016, being the last full traded day of the Shares prior to the Announcement Date;
  - (iii) The Issue Price represents a discount of 13.2% and 7.9% to the last traded price of S\$0.295 and the VWAP of the Shares of S\$0.278 respectively, on 5 August 2016, being the Announcement Date;
  - (iv) The Issue Price represents a premium of 12.8%, 14.3%, 16.9%, and 25.5% over the VWAP of the Shares for the 1-month, 3-month, 6-month and 1-year periods prior to the Announcement Date, respectively;

- (v) The Issue Price represents a discount of 8.9% to the VWAP of the Shares for the period between the market day immediately after the Announcement Date and up to the Latest Practicable Date;
  - (vi) As at the Latest Practicable Date, the Issue Price represents a discount of 5.2% to the last traded price of the Shares of S\$0.270;
  - (vii) During the period from 6 August 2015 up to the Announcement Date, the Shares were traded on 137 market days or 54.8% of the Total Market Days. The total number of Shares traded during this period was approximately 89.34 million Shares with an average daily trading volume of 0.36 million Shares, representing 0.3% of the free float;
  - (viii) During the period after the Announcement Date and up to the Latest Practicable Date, the Shares were traded on two market days or 100.0% of the Total Market Days. The total number of Shares traded during this period was approximately 57.24 million Shares with an average daily trading volume of 28.62 million Shares, representing 26.9% of the free float;
  - (ix) The Issue Price is at a 6.7% premium to the last traded price of the Shares on 4 August 2016 (being the last full traded day of Shares prior to the Announcement Date) while the mean and median issue price of the Comparable Transactions were at a discount of 5.3% and 8.1% to their last traded price respectively;
  - (x) The P/E ratio of Lifescan implied by the Aggregate Consideration of 12.3 times is within the range of the P/E ratios of the Comparable Transactions but is below the mean P/E ratios of 14.5 times and above the median P/E ratios of 11.8 times; and
  - (xi) The P/NTA ratio of Lifescan implied by the Aggregate Consideration of 3.2 times is within the range of the P/NTA ratio of the Comparable Transactions but is below the mean and median P/NTA ratios of 6.8 times and 6.4 times respectively.
- (e) Financial effects of the Proposed Acquisition:
- (i) The Company's earnings per Share would have been S\$0.0103 compared to a loss per Share of S\$0.0005 after adjusting for the Proposed Acquisition; and
  - (ii) The Company's NTA per Share will increase from S\$0.0374 to S\$0.0398 after adjusting for the Proposed Acquisition.
- (f) Other relevant considerations in relation to the Proposed Acquisition:
- (i) The Consideration being paid to the Interested Persons is at the same price that the Company is paying to the Non-Interested Persons;
  - (ii) There is no change to the risk profile of the Company; and
  - (iii) The Company currently has no intentions to (i) introduce any major changes to the existing business of Lifescan (including but not limited to any changes to the management team of Lifescan); or (ii) re-deploy any of the fixed assets of Lifescan, other than in the ordinary course of business.

**Having regard to the considerations as set out above and the information available to us as at the Latest Practicable Date, we are of the opinion that the Proposed Acquisition as an Interested Person Transaction is on normal commercial terms and not prejudicial to the interests of the Company and the Independent Shareholders.**

**We wish to highlight that we were neither a party to the negotiations entered into by the Company in relation to the Proposed Acquisition, nor were we involved in the deliberations leading up to the decision on the part of the Directors to enter into the SPA, and we do not warrant the merits of the Proposed Acquisition. Furthermore, we were not involved in the legal and financial due diligence that were conducted by the Company and its advisers on Lifescan.**

We have prepared this Letter for the use of the Independent Directors in connection with and for the purposes of their consideration of the Proposed Acquisition. The recommendation made by them to the Independent Shareholders in relation to the Proposed Acquisition shall remain the sole responsibility of the Independent Directors. Whilst a copy of this Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose other than for the purpose of the EGM at any time and in any manner without prior written consent of PPCF in each specific case.

This Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully  
For and on behalf of  
**PRIMEPARTNERS CORPORATE FINANCE PTE. LTD.**

Mark Liew  
Chief Operating Officer



## APPENDIX B – VALUATION LETTER



5 August 2016

Board of Directors  
Singapore Medical Group Limited  
Paragon, #14-03, 290 Orchard Rd,  
Singapore 238859

Deloitte & Touche Financial  
Advisory Services Pte Ltd  
Co. Reg. No. 200205727K  
6 Shenton Way, OUE Downtown 2  
#33-00  
Singapore 068809  
Tel: +65 6224 8288  
Fax: +65 6538 6166  
www.deloitte.com/sg

Dear Sirs,

*Unless otherwise defined or the context otherwise requires, all terms defined in the announcement to shareholders of Singapore Medical Group Limited to be dated on or about 5 August 2016 (the "Announcement") shall have the same meaning herein.*

### 1. Introduction

Deloitte & Touche Financial Advisory Services Pte Ltd ("Deloitte") has been engaged by Singapore Medical Group Limited ("SMG" or the "Client") to estimate the range of values of the entire issued share capital of Lifescan Imaging Pte Ltd ("Lifescan" or "Target") as at 30 April 2016 (the "Valuation Date") in connection with SMG's proposed acquisition of 61.9% of the total issued and paid-up share capital of Lifescan (the "Proposed Transaction") (the "Valuation"). As at the Valuation Date, Lifescan holds 49% of Novena Radiology Pte Ltd ("NRPL").

This letter has been prepared for inclusion in the Circular to be issued to shareholders of SMG to be dated on or about 17 August 2016. This letter is addressed to the Board of Directors of SMG (the "Board") for their benefit in connection with and for the purposes of their consideration of the Proposed Transaction. Other than for this intended purpose, this letter cannot be used or relied upon for any other purpose.

In concluding on our indicative range of values, we have not had regard to the investment objectives, financial situation, risk profiles, tax position or particular needs and constraints of any shareholder. As different shareholders have different investment profiles and objectives, we recommend such shareholder who may require specific advice to consult his or her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser.

### 2. Terms of Reference

The Valuation is to assist SMG's internal decision-making process relating to the Proposed Transaction. For the avoidance of doubt, the decision as to the final price at which the Proposed Transaction is done rests solely with SMG.

Our estimate of the range of values of the entire issued share capital of the Target will not form the sole basis of the price at which the Target is to be transacted. This letter and the data on which this letter is prepared is not intended to form the sole basis of any transaction decision in relation to the Proposed Transaction and does not contain all the information that is necessary to fully evaluate the Proposed Transaction.

Other than our engagement as set out above, Deloitte has had no involvement in any other aspect pertaining to the Proposed Transaction including, without limitation, the negotiations, the deliberations or the decision by the respective parties to enter into the Proposed Transaction. We do not, by this letter or otherwise, advise, recommend, evaluate, comment or form any judgment or opinion on the legal,



commercial or financial rationale, merits or risks in relation to the Proposed Transaction or the relative merits of the Proposed Transaction as compared to any alternative transaction previously considered by SMG or that otherwise may be available to SMG in the future or on the future growth prospects or earnings potential of the Target. Such advice, recommendation, evaluation, comment, judgment or opinion are and remain the sole responsibility of the Board and its advisors engaged for the Proposed Transaction.

This letter does not constitute and cannot be construed as an advice, a recommendation or any form of judgment or opinion to any person in connection with the Proposed Transaction.

The management of SMG confirmed to us that, to the best of their knowledge and belief, the information contained in this letter and the data on which this letter is prepared constitute a full and true disclosure of all relevant and material facts on the Target and there is no other information or fact, the omission of which would cause any of the information disclosed to us or relied by us or any information contained herein and in the data on which this letter is prepared to be untrue, incomplete or misleading in any material respect.

In connection with our engagement, we held discussions with the managements of SMG and relied on information provided and representations made to us by SMG and such information and representations are the sole responsibility of SMG. Our scope of work excludes, *inter alia*, (i) providing a view on the reasonableness of any historical financials, projections or any prospective information, (ii) undertaking any independent market study on the industry in which the Target operates, (iii) the validity, rights, obligations and completeness of the licenses and operating permits and approvals required to operate the businesses of the Target, and (iv) the validity, rights, obligations and completeness of the agreements between the Target and other parties. In addition, we examined certain publicly available information which we consider to be pertinent to our engagement. We have not independently verified such information, whether written or verbal, and accordingly, we cannot and do not warrant, opine or accept any responsibility for the accuracy, completeness or adequacy of such information we received from SMG. We have not carried out any work which constitutes an audit in accordance with generally accepted auditing standards including any in-depth investigation into the business and affairs of the Target. In performing our engagement herein, we relied upon and have assumed that all information provided to us is true, accurate, not misleading and complete in all respects as at the date hereof and that all information which is or may be relevant to our engagement has been duly provided to us and drawn to our attention by the managements of SMG. We do not express any opinion on and we do not take any responsibility for or in relation to and have further assumed that all bases and assumptions, statements of fact, beliefs, opinions and intentions made by the management of SMG in preparing the information and representations made to us. We also do not represent that the reasonableness and achievability of the projections have been reasonably made after due and careful enquiry.

Our estimate of the range of values of the entire issued share capital of the Target was based on generally accepted valuation procedures and practices that rely on the use of assumptions and the consideration of uncertainties not all of which can be easily quantified or ascertained. The final analysis leading to our estimate of the range of values of the entire issued share capital of the Target present an independent assessment based on our best professional judgment and experience predicated on all relevant and available references and resources. You should note that there would usually be differences between the projections on which our Valuation was based and the actual results, because events and circumstances frequently do not occur as expected, and those differences may be material and will accordingly, affect our estimate of the range of values of the entire issued share capital of the Target. You should also note that by its very nature, valuation work cannot be regarded as an exact science and the conclusions arrived in many cases will of necessity be subjective and dependent on the exercise of individual judgment. There is therefore, no indisputable single value. Whilst we consider our estimate of the range of values of the entire issued share capital of the Target to be both reasonable and defensible based on our scope and the information available to us, others may place a different value on the Target.

Our estimate of the range of values of the entire issued share capital of the Target is based on the market, economic, industry and other conditions prevailing at the time when the Valuation was conducted and the information made available to us by or on behalf of the managements of SMG. We assume no responsibility to update, revise or reaffirm our evaluation or assumptions in light of any subsequent events or circumstances that may affect our estimate of the range of values of the entire issued share capital of the Target or any factors or assumptions contained herein.

We have used the fair value standard for our work, presuming the application of existing use framework. Fair value is defined for this purpose as “*The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties*”.

### 3. Valuation Approach

We performed the Valuation based on the Income Approach and Market Approach. The Income Approach uses the Discounted Cash Flow (“DCF”) method while the Market Approach uses the Guideline Public Company Method (“GPCM”) and the Recent Transaction Price (“RTP”) method.

In undertaking the Valuation, we considered, *inter alia*, the following:

#### Lifescan

- a) The historical financials of Lifescan provided by SMG which includes Lifescan’s unaudited profit and loss statement for the financial period from 1 January 2016 to 30 April 2016 and Lifescan’s unaudited balance sheet as at 30 April 2016;
- b) The projected profit and loss statements of Lifescan for the period from 1 May 2016 to 31 December 2018;
- c) The expected capital expenditures of Lifescan for the period from 1 May 2016 to 31 December 2018;
- d) The expected credit terms (both accounts receivable and accounts payable) of Lifescan for the period from 1 May 2016 to 31 December 2018;
- e) Discussions and correspondences with the management of SMG;
- f) Our assessment of the terminal growth rates, where applicable, and discount rates applicable to Lifescan for the application of DCF;
- g) Guideline pricing multiples (both trailing and forward) of publicly listed companies operating in the diagnostic imaging services industry which we view as broadly comparable to Lifescan for the application of GPCM. We highlight that we have not identified any publicly listed company which is truly comparable to Lifescan in terms of the composition of its business activities, geographical spread, size of operations, asset base, track record, financial performance, operating and financial leverage, market capitalisation, risk profile, liquidity, future prospects and other relevant criteria;
- h) Estimating the maintainable earnings of Lifescan based on its normalised 4 months actual results from 1 January 2016 to 30 April 2016 earnings plus its 8 months projected earnings from 1 May 2016 to 31 December 2016 (applied to the average of trailing and forward pricing multiples) for the application of GPCM;



- i) Application of control premium of 25% for the application of GPCM. This is based on the study of the premium over share price as a result of take-overs of Singapore listed companies in the recent 10 years; and
- j) Size discount for Lifescan for the application of GPCM.

**49% of NRPL**

Purchase consideration of S\$269,500 for the acquisition of 49% of NRPL by Lifescan completed on 1 April 2016 together with SMG’s acquisition of 51% of NRPL.

**4. Key assumptions**

The estimated range of values of the entire issued share capital of the Target is based on the following key assumptions and management representations:

- a) The information provided fairly reflects the financial and operating position of the Target;
- b) Lifescan continues to have quality doctors and achieves the financial projections;
- c) The Target continues to operate as a going-concern;
- d) There will be no material changes, after the date of this Valuation, in the market conditions under which the business of the Target operate;
- e) The estimated future maintainable earnings of Lifescan are sustainable going forward;
- f) There are no undisclosed actual or contingent assets or liabilities, no unusual obligations or substantial commitments, other than in the ordinary course of business, nor any litigation pending or threatened, which would have a material impact on the values of the Target;
- g) As at the Valuation Date, Lifescan has no surplus assets excluding its investment in NRPL and has debts and debt-like items of S\$1.3 mil;
- h) There are no surplus or non-operational assets not disclosed to us, which would have a material impact on the values of Lifescan; and
- i) The other assumptions used in this Valuation hold true.

**5. Estimated Value**

Based on our terms of reference, valuation approach and key assumptions above, we estimated the range of values of the entire issued share capital of Lifescan as at 30 April 2016 to be as follows:

S\$'million	Low	High
Estimated range of values of the entire issued share capital of Lifescan	15.6	17.9

**6. Conclusion**

Based upon and subject to the foregoing and other information used in the preparation of this letter, we have estimated the range of values of the entire issued share capital of Lifescan to be **S\$15.6 million to S\$17.9 million.**

Our estimation of the range of values of the entire issued share capital of Lifescan should be considered in the context of the entirety of this letter. Save for the purposes of the Circular to be dispatched to the shareholders, public inspection and/or the special general meeting of shareholders to be convened by SMG in connection with the Proposed Transaction, this letter may not be reproduced, disseminated or quoted for any other purpose without Deloitte's prior written consent. This letter is governed by, and should be construed in accordance with, the laws of Singapore, and are strictly limited to the matters stated therein and do not apply by implication to any other matter.

Yours faithfully,  
DELOITTE & TOUCHE FINANCIAL ADVISORY SERVICES PTE LTD



Keoy Soo Earn  
Executive Director

# SINGAPORE MEDICAL GROUP LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration No. 200503187W)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General Meeting (“EGM”) of **SINGAPORE MEDICAL GROUP LIMITED** (the “Company”) will be held at at 290 Orchard Road, #14-03, The Paragon, Singapore 238859 on 1 September 2016 at 4.30 p.m., for the purpose of considering, and if thought fit, passing with or without modifications, the following resolutions:-

### ORDINARY RESOLUTIONS:

**RESOLUTION (1): THE PROPOSED ACQUISITION OF 2,925,000 SHARES REPRESENTING 61.9% OF THE TOTAL ISSUED AND PAID-UP SHARE CAPITAL OF LIFESCAN IMAGING PTE. LTD. AS AN INTERESTED PERSON TRANSACTION WITH THE ALLOTMENT AND ISSUANCE OF 33,363,282 SHARES IN THE CAPITAL OF THE COMPANY AS CONSIDERATION**

That:-

- (a) approval be and is hereby given for the Acquisition of 2,925,000 ordinary shares, representing 61.9 % of the issued and paid-up share capital, of Lifescan Imaging Pte. Ltd. from the Vendors in accordance with the terms and conditions of the Agreement;
- (b) approval be and is hereby given to the Directors or any of them to allot and issue to the Vendors (which includes Tony Tan Choon Keat, Wong Seng Weng and Beng Teck Liang, who are each a Director of the Company), subject to and otherwise in accordance with the terms and conditions of the Agreement, the following number of Consideration Shares set out opposite names of each of the Vendor in the table below will be allotted and issued on Completion Date, to the Vendors:

Vendor	Number of Shares to be issued
Tony Tan Choon Keat	5,081,484
Wong Seng Weng	5,132,813
Beng Teck Liang	5,081,484
Other Vendors	18,067,501
<b>Total</b>	<b>33,363,282</b>

Such Consideration Shares when issued shall rank pari passu in all respects with the then existing shares of the Company, save as may be provided in the terms and conditions of the Agreement. The precise terms of the issue of the Consideration Shares are set out in the Agreement. Each of Beng Teck Liang, Wong Seng Weng and Tony Tan Choon Keat and their associates (if any) will abstain from exercising any voting rights on this resolution; and

- (c) approval be and is hereby given for the Proposed Acquisition in accordance with the terms and conditions of the Agreement, which constitutes an interested person transaction under the Catalyst Rules; and
- (d) the Directors and any of them be and are hereby authorised and empowered to approve, complete and do all such acts and things (including to approve, modify, ratify, sign, seal, execute and deliver all such documents as may be required) as they or he may consider expedient, desirable or necessary or in the interests of the Company to give effect to the Proposed Acquisition, this resolution and the transactions contemplated by the Proposed Acquisition and/or authorised by this resolution.

**RESOLUTION (2): THE PROPOSED GRANT OF OPTIONS UNDER THE SMG SHARE OPTION SCHEME TO BENG TECK LIANG, AN EXECUTIVE DIRECTOR AND A CONTROLLING SHAREHOLDER OF THE COMPANY AND THE ALLOTMENT AND ISSUANCE OF SHARES THEREUNDER**

That the proposed offer and grant to Dr Beng Teck Liang, a Controlling Shareholder of the Company, of Option(s) pursuant to and in accordance with the rules of the SMG Share Option Scheme on the following terms, be and is hereby approved, and the Directors be and are hereby authorised to allot and issue Shares to Beng Teck Liang, a Director of the Company, upon the exercise of such Option(s):-

- (a) Proposed Date of Grant of Option(s);
- (b) Exercise Price per Share;
- (c) Market Price of the Company's Shares on the date of grant of the Options;
- (d) Number of Shares which are the subject of the Options granted to Dr Beng, the chief executive officer, executive Director and controlling Shareholder of the Company; and
- (e) Exercise Period.

All capitalised terms used in this Notice of EGM which are not defined herein shall have the same meaning ascribed to them in the Circular to Shareholders dated 17 August 2016.

BY ORDER OF THE BOARD

Chan Wan Mei,  
Lee Pay Lee  
Company Secretaries  
17 August 2016

**Notes:**

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint one or two proxies, in any case not more than two proxies, to attend and vote on his behalf. A proxy need not be a member of the Company.
2. The instrument appointing a proxy must be deposited at the registered office of the Company at 290 Orchard Road, #13-01, The Paragon, Singapore 238859 at least 48 hours before the time appointed for the EGM. The sending of a Proxy Form by a member does not preclude him from attending and voting in person at the EGM if he so wishes. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the EGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the EGM.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, or by attending the EGM, a Member (a) consents to the collection, use and disclosure of the Member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (b) warrants that where the Member discloses the personal data of the Member's proxy(ies) and/or representative(s) to the Company (or its agents), the Member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (c) agrees that the Member will indemnify the Manager and the Trustee in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Member's breach of warranty. In addition, by attending the EGM and/or any adjournment thereof, a Member consents to the collection, use and disclosure of the Member's personal data by the Company (or its agents) for any of the Purposes.

# SINGAPORE MEDICAL GROUP LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration No. 200503187W)

## IMPORTANT:

1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), Relevant Intermediaries may appoint more than two proxies to attend, speak and vote at the Extraordinary General Meeting.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies.

## PROXY FORM EXTRAORDINARY GENERAL MEETING

\*I/We \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/Passport Number)

of \_\_\_\_\_ (Address)

being a member/members of Singapore Medical Group Limited (the "Company"), hereby appoint:

Name	NRIC/ Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/ Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/them, the Chairman of the Extraordinary General Meeting ("EGM") as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the EGM of the Company to be held at 290 Orchard Road, #14-03, The Paragon, Singapore 238859, on 1 September 2016 at 4:30 p.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolution proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/her discretion, as he/they may on any other matter arising at the EGM.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided)

No.	Ordinary Resolution	No. Of Votes For*	No. Of Votes Against*
1.	The Proposed Acquisition as an Interested Person Transaction with the allotment and issuance of 33,363,282 Shares in the capital of the Company as consideration for the Proposed Acquisition		
2.	The Proposed Grant of Options under the SMG Share Option Scheme to Beng Teck Liang, an Executive Director and Controlling Shareholder of the Company		

\*If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick [✓] within the relevant box. Alternatively, if you wish to exercise your votes for both "For" and "Against" the relevant resolution, please indicate the number of Shares in the boxes provided.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2016

Total number of Shares held	No. of Shares
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
Signature of Member(s)/Common Seal of Corporate Member

\* Delete where inapplicable

**Important: Please read notes overleaf**





**NOTES:**

1. A member (other than a Relevant Intermediary\*) entitled to attend and vote at the EGM is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where a member (other than a Relevant Intermediary\*) appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A Relevant Intermediary may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).
4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Cap. 289) of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.
5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at **290 Orchard Road, #13-01 The Paragon, Singapore 238859**, not less than 48 hours before the time set for the EGM.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the EGM in person. CPF and SRS Investors who are unable to attend the EGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the EGM to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the EGM.

\* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

**GENERAL:**

The Company shall be entitled to reject a proxy form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.

**Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, or by attending the EGM, a Member (a) consents to the collection, use and disclosure of the Member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (b) warrants that where the Member discloses the personal data of the Member's proxy(ies) and/or representative(s) to the Company (or its agents), the Member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (c) agrees that the Member will indemnify the Manager and the Trustee in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Member's breach of warranty. In addition, by attending the EGM and/or any adjournment thereof, a Member consents to the collection, use and disclosure of the Member's personal data by the Company (or its agents) for any of the Purposes.