

CORPORATE AND BUSINESS UPDATE

The Board of Directors (the “**Board**”) of Singapore Medical Group (“**SMG**” or the “**Group**”) wishes to provide a corporate and business update to the shareholders of SMG (“**Shareholders**”) following a recent strategic review.

I. Background

In December 2013, the Group announced the appointment of Mr Tony Tan Choon Keat as Chairman and Dr Beng Teck Liang as Chief executive officer. At the time, the Group reported a S\$6.4 million loss for the financial year ended 31 December 2013. Under the guidance of the new management team, the Group reported a four-year cumulative average growth rate in revenue (“**CAGR**”) of 31.3% while effectively steering a turnaround which led to a record year of profit amounting to S\$8.5 million for the financial year ended 31 December 2017. This growth was driven by management’s ability to turnaround loss making businesses while identifying astute value-driven earnings accretive acquisitions to complement organic growth initiatives.

Today, SMG is a private specialist healthcare provider with a comprehensive range of multidisciplinary specialities and an extensive network of Specialist and Associate doctors situated across clinics in Singapore. The Group’s key growth verticals include Oncology, Obstetrics & Gynaecology (“**O&G**”), Paediatrics, Diagnostic Imaging and Aesthetics.

At present, the Group has 35 clinics strategically located at Paragon Medical Centre, Mount Elizabeth Medical Centre, Mount Elizabeth Specialist Centre, Novena Medical Center, OUE Downtown Gallery, Gleneagles Medical Centre, Farrer Park Medical Centre, and Mount Alvernia Hospital. The Group has also expanded its presence in heartland locations such as Toa Payoh, Bishan, Hougang, Jurong, Tiong Bahru and Bedok.

Under the new leadership team, the Group has taken the view of exporting Singapore’s best healthcare practices out into the region. Overseas, the Group, through its joint venture company, SMG International (Vietnam) Pte. Ltd. (“**SMGIV**”) holds an effective 16% stake in CityClinic Asia Investments Pte. Ltd. which owns and operates two 15,000 square feet clinics in Ho Chi Minh City, Vietnam. Additionally, the Group owns a 40% stake in PT Ciputra SMG, a joint venture eye specialist clinic located in Jakarta, Indonesia with Ciputra Group, one of the largest and most diversified property developers in Indonesia.

II. Overview of Business & Financials

The Group reported a record in terms of revenue and profitability for the financial year ended 31 December 2017 (“FY2017”). For FY2017, the Group’s revenue increased 63.5% year-on-year (“**yoy**”) to S\$68.0 million while net profit attributable to shareholders rose 250.8% yoy to S\$8.5 million. This growth was driven by the completion of three acquisitions¹ during FY2017 as the Group transformed into one of the largest specialist practitioners dedicated towards women’s health and wellness.

In its inaugural quarterly financial results announcement for the three months ended 31 March 2018 (“**1Q2018**”), the Group reported double-digit growth in key verticals, driving organic

¹ The Group completed the acquisition of (1) The Astra Women’s Specialist group on 8 February 2017 (the “O&G Acquisition”), (2) the Children’s Clinic and Kids Clinic on 1 July 2017 and (3) the Babies and Children Specialist Clinic on 1 November 2017. For more information, please refer to the respective SGXNet announcements.

growth across its newly acquired clinics as revenue rose 37.0% yoy to S\$19.2 million while net profit increased 138.9% yoy to S\$3.4 million.

To complement its women's health and wellness segment, the Group completed the acquisition of a majority stake in Pheniks Pte. Ltd., the operator of SW1 Clinic in April 2018. SW1 Clinic is one of the largest aesthetic, plastic surgery and medical spa clinics in Singapore with five medical aesthetic practitioners and one plastic surgeon. An additional plastic surgeon will join the Group in the third quarter of 2018. This new aesthetics practice is highly complementary to the Group's women's health segment and presents cross-selling opportunities within SMG's network.

III. Strategies

The Board along with senior management has recently completed a major strategic review of the Group's operations, taking into account the dynamics of the healthcare sector, the Group's positioning in the region and opportunities to further enhance long-term shareholder value.

The four main pillars of the Group's forward strategy are as follows:

(i) Organic growth initiatives

Having completed three major acquisitions within the O&G and paediatrics segments during FY2017, the Group intends to continue its "buy and grow" strategy where profitable businesses were acquired with the intent to scale and aggressively grow through further organic growth initiatives.

For example, within the women's health segment, the Group has opened two new O&G clinics since the O&G Acquisition. One located in Paragon and the other one in Toa Payoh. In addition, the Group has also opened a new Paediatrics clinic in Bedok during 1Q2018. The Board sees clear demand for women's and children's health in Singapore and the region. Accordingly, the Group intends to continue to scale its O&G and Paediatrics vertical by opening new clinics and hiring additional specialists in the near to mid-term. With additional scale and continued improvements to operational efficiency, the Board expects to see consistent profitability margin improvements within this segment.

Since the acquisition of Lifescan Imaging in 2016, the Group has seen a significant contribution to revenue and profit from its Diagnostic Imaging segment with the success of its 9,000 square foot centre located in Paragon. In line with the Group's "buy and grow" strategy, the Group opened a new 5,500 square feet centre at Novena Medical Center during 1Q2018. The Group intends to replicate the success of Paragon in this new centre. Within Diagnostic Imaging, the Group will add more radiologists in the third quarter of 2018 as the demand for radiology is expected to rise, leveraging on the Group's extensive network of doctors across Singapore to drive further growth.

The Group intends to pursue further organic growth initiatives over the course of FY2018 in relation to plans for new clinics in key segments such as O&G, paediatrics and other specialist verticals. These initiatives will contribute to steady organic growth in Singapore. The Group will make the necessary announcements when there are any material developments.

In addition to the above, the Group continues to explore organic growth initiatives which have the potential for earnings accretive mergers and acquisitions.

(ii) Driving growth across the Group's overseas clinics

The Group intends to continue to execute various growth initiatives at its two 15,000 square feet clinics in Ho Chi Minh City, Vietnam. Careplus Vietnam, located 2.6 kilometres from the Central Business District and 1.0 kilometre away from an industrial park is strategically located to capture rising demand for premium healthcare against the backdrop of a rapidly advancing economy, a large pool of expatriates, alarming rates of cancer and a total fertility rate of 2.1² which is amongst the highest in Asia

Additionally, current gaps in Vietnam's public healthcare system have created opportunities for private providers to get involved. Acknowledging its limitations in meeting the growing demand for healthcare services, Vietnam's government aims to have private providers take on a more prominent role in the healthcare service market. Presently, the number of hospital beds to population ratio for Vietnam is 2.9 per 1,000 while the number of physicians to population ratio stands at 0.8 per 1,000, significantly below the OECD average of 4.7 per 1,000 and 3.3 per 1,000 respectively³.

At present, the Group has over 60 multidiscipline specialists and a team of six paediatricians employed at Careplus Vietnam. Amongst other disciplines, Careplus Vietnam focuses on Health Screening, Women's Health, Paediatrics, Oncology and Diagnostic Imaging and the Group has seen steady growth across these segments since the acquisition.

In Indonesia, the Group's joint venture eye clinic, modelled after the Group's successful LSC Eye Clinic in Paragon which is one of the largest and most established private laser vision correction centres in Singapore, has begun to show signs of growth and profitability. The Group intends to continue to grow its eye clinic business such that it will contribute positively to the Group's financial performance.

Following the acquisition of SW1 Clinic, the Group is in advanced stages of its plans to scale its Aesthetics platform out into the region, where Vietnam and Indonesia have been identified as a natural progression due to the Group's existing footprint in both countries. The Group also has plans to penetrate into new geographies such as Malaysia which will serve as another gateway for regional expansion.

To facilitate the scaling of its overseas operations, the Group intends to commit S\$3.0 million to invest and grow each of these business ventures. The Group will also be exploring the possibility of increasing its stake in CityClinic Asia Investments Pte. Ltd. in the current financial year once it has reached profitability.

(iii) The development and use of new technologies to improve patient connectivity and service

Staying ahead of the technological curve in healthcare, the Group intends to develop a proprietary specialist telemedicine platform which provides patients with convenient and confidential medical consultations along with a record keeping database. Through the provision of these telemedicine consultations, the Group has adopted a forward-looking approach as telemedicine services will provide patients with access to convenient real-time quality healthcare.

The Group envisions that both local and patients from across the region may use its telemedicine services to consult with the Group's specialists throughout their treatment

² Source: General Statistics Office of Vietnam

³ Source: PWC, The Digital Healthcare Leap, August 2016

cycle. Medical tourists especially, will be able to speak with the Group's specialists without having to leave the comfort of their home. Segments in the market which are likely to benefit are the ageing population, women's and children's along with other specialist verticals such as oncology.

(iv) Enhancing shareholder value

The Board continues to explore various avenues to enhance shareholder value and possible corporate actions that may unlock value for shareholders, given the Group's improved performance, including the possibilities of implementing a formal dividend policy in FY2019 and a share buy-back mandate, subject to all necessary approvals and compliance.

Any material developments on future corporate actions will be announced to shareholders accordingly via SGXNet.

BY ORDER OF THE BOARD

Dr Beng Teck Liang
Chief Executive Officer

2 July 2018

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "**Sponsor**"), for compliance with the relevant rules of the SGX-ST, this being the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this announcement.*

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

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