

GRANT OF CONVERTIBLE LOAN FACILITY TO AN ASSOCIATED COMPANY

Introduction

The Board of Directors (the “**Board**”) of Singapore Medical Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to announce that the Company had on 27 September 2017 entered into a Convertible Loan Agreement (the “**Agreement**”) to grant a convertible loan facility of up to US\$689,359 (the “**Loan**”) to CityClinic Asia Investments Pte. Ltd. (“**CCAI**”), an associated company where the Group has an effective equity interest of 16.0%, held through its 50.0% owned jointly controlled company, SMG International (Vietnam) Pte. Ltd. (“**SMGIV**”), which holds a 32.0% interest in the issued and paid-up share capital of CCAI.

CCAI is a private company limited by shares incorporated in Singapore and is primarily involved in the business of providing business and management consultancy services, and investment holding. CCAI has 2 wholly-owned subsidiaries, CityClinic Vietnam Limited (“**CCVN**”) and St Luke Medical Co., Ltd (“**St Luke**”), in Vietnam which are primarily involved in the business of providing outpatient healthcare services. CCVN and St Luke each operates a clinic in Ho Chi Minh City, Vietnam.

Terms of the Loan

Use of proceeds of the Loan

The proceeds of the Loan shall be utilised by CCAI only for the following purposes:

- (a) To fund the development of existing and new outpatient clinics in Ho Chi Minh City, Vietnam; and
- (b) For working capital purposes.

Conversion of the Loan

The Company shall have the right to convert the total outstanding amount under the Loan into new fully paid ordinary shares of CCAI (“**CCAI Shares**”) at the issue price of US\$3.88 per share during the following period:

- (i) The period of 30 days preceding the second anniversary from the date of drawdown, and every subsequent period of 30 days preceding each anniversary from the date of drawdown after the second anniversary;
- (ii) The period of 30 days preceding the effective date of any corporate action of CCAI that results in a potential dilution of the shareholders’ equity holding other than the issuance of shares arising from: (a) the exercise of share options under the employee share options; (b) bonus issue to SMGIV as stipulated in the Subscription Agreement dated 5 January 2017 entered into by CCAI, SMGIV, Pang May Yee and Vajda Attila (the “**Subscription Agreement**”); and (c) the conversion of Loan under the Agreement; and
- (iii) The period of 10 days from the date CCAI accepts a buyout offer.

If the Loan is fully drawdown and converted, the Group will have an effective interest of 26.8% in CCAI comprising a direct interest of 6.9% and an indirect interest held through SMGIV of 19.9%. The above effective interest includes the 477,650 bonus shares that will be issued to SMGIV by CCAI, after SMGIV meets the performance criteria stated in the Subscription Agreement, in 2018.

Tenure of the Loan

CCAI shall repay the Loan 5 years from the date of drawdown provided the Loan has not been converted into CCAI Shares.

Interest on the Loan

Interest at the rate of 7% per annum shall accrue on the outstanding principal amount of the Loan, provided that upon the conversion of the Loan into CCAI Shares, interest shall cease to accrue on the amount of the Loan which has been converted.

Rationale for granting the Loan

The granting of the Loan will enable CCAI to continue to grow its existing business under CCVN and St Luke as well as support its expansion into new locations in Ho Chi Minh City.

Funding and financial effects

The Loan will be funded through the proceeds from the issue and allotment of 15,000,000 placement shares on 17 February 2017 (the “**Placement Proceeds**”) and are not expected to have material impact on the consolidated net tangible assets per share and consolidated earnings per share of the Group for the financial year ending 31 December 2017.

The above use of the Placement proceeds is in accordance with the intended use as stated in the Company’s announcement dated 17 February 2017 in relation to the Placement.

Interests of Directors and Controlling Shareholders

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

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

Save for Dr. Wong Seng Weng and Dr. Ho Choon Hou, none of the other directors of the Company and to the best of the directors’ knowledge, none of the controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the aforesaid transaction, other than through their respective interests (if any) in the Company.

By Order of the Board

Dr. Beng Teck Liang
Executive Director and Chief Executive Officer

27 September 2017

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "**Sponsor**"), for compliance with the 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.