SINGAPORE MEDICAL GROUP LIMITED
(Company Registration No.: 200503187W)

PROPOSED ACQUISITION OF PEDIATRICS CLINICS

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1. INTRODUCTION

1.1 The Board of Directors (the "**Board**") of Singapore Medical Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that the Company has, on 20 April 2017, entered into two (2) separate framework agreements (the "**Framework Agreements**") with each of Dr Heng Siok Kheng and Dr Oh Meng Choo (collectively, the "**Sellers**") in relation to the proposed acquisition by the Company, or, a wholly-owned subsidiary of the Company ("**Purchaser**") of the entire issued and paid up share capital (the "**Sale Shares**") in the following entities (the "**Proposed Acquisition**"):

(a) Children's Clinic Central Pte. Ltd.; and

(b) Kids Clinic @ Bishan Pte. Ltd.

(each a "**Target Company**" and collectively, the "**Target Companies**")

The Framework Agreements set out the key agreed terms in connection with the Proposed Acquisition and is binding upon the parties in accordance with its terms which will be incorporated into the share purchase agreements ("**Share Purchase Agreements**") without any material deviation therefrom, together with such other terms and conditions as may be agreed between the parties.

Completion of the Proposed Acquisition ("**Completion**") is expected to take place on 30 June 2017 (or on such other date as the parties may agree in writing) (the "**Completion Date**"). Upon Completion of the Proposed Acquisition, the Target Companies will become wholly-owned subsidiaries of the Company.

2. INFORMATION ON THE SELLERS AND TARGET COMPANIES

2.1 Background of the Sellers and Target Companies

Each of the Sellers are pediatricians, and are recognised and accredited by the Ministry of Health, Singapore. These Sellers have been responsible for the management, operations and business of the Target Companies since their establishment. Through various entities including the Target Companies, the Sellers have been operating in the medical practice of pediatrics. The Target Companies operate two pediatric clinics in Singapore under the clinic names of Children's Clinic and Kids Clinic @ Bishan. Both clinics are located in the suburbs of Singapore.

As the Sellers currently operate their pediatric practices under numerous entities in addition to the Target Companies (together the "**Target Business**"), the Sellers are to undertake an internal restructuring exercise prior to Completion to consolidate their respective pediatric practices ("**Affiliate Target Companies**") under the Target Companies (the "**Restructuring Exercise**").

Further particulars of the Target Companies are set out in Appendix A of this Announcement.

2.2 **Value of the Target Companies**

The book value and net tangible asset value of the Target Companies will, following the completion of the Restructuring Exercise, be at least S$100,000. No independent valuation was conducted on the Target Companies.

2.3 **Net Profits of the Target Business**

Based on the latest completed financial year of the Target Business, the aggregate net profits after taxation of the Target Business was approximately S$3.20 million. After adjusting for the appropriate doctors' remuneration, fair rental and reasonable administrative costs, the proforma aggregated net profits after taxation of the Target Business is approximately S$2.30 million.

3. PRINCIPAL TERMS OF THE FRAMEWORK AGREEMENTS

3.1 **Consideration**

(a) The Consideration for the Proposed Acquisition is an aggregate sum of S$25.30 million, which was arrived at on a willing buyer and willing seller basis after arm's length negotiations between the Company and the Sellers, after taking into account, *inter alia*, the profit targets to be given by the Sellers, the prevailing market conditions, the business prospects of the Target Companies and the capabilities and synergies between the Company and the Sellers.

(b) The Consideration shall be satisfied by the Purchaser as follows:

(i) The payment of S$13,915,000 in accordance with paragraph 3.1(c) below ("**Cash Consideration**"); and

(ii) the balance of S$11,385,000 to be satisfied by the issue and allotment of approximately 21,024,931 new Shares to the Sellers at the Issue Price below (the "**Consideration Shares**") within one (1) month after the Completion Date.

(c) The Cash Consideration shall be paid as follows:

(i) Upon signing of the Framework Agreements, the Purchaser shall pay a sum of S$40,000 (the "**Deposit**") to the Sellers;

(ii) on the Completion Date, the Purchaser shall pay a sum of S$5,386,850 to the Sellers;

(iii) on the first anniversary of the Completion Date, the Purchaser shall pay a sum of S$5,426,850 to the Sellers (the "**Second Tranche Cash Consideration**"); and

(iv) on the second anniversary of the Completion Date, the Purchaser shall pay a sum of S$3,061,300 to the Sellers (the "**Third Tranche Cash Consideration**").

The Cash Consideration is intended to be funded by a combination of the Company's internal resources, bank facilities and net proceeds from the placement of Shares in the Company completed on 15 March 2017. The Company will update shareholders on any material developments and will make such announcements as and when appropriate.

The Consideration Shares shall be issued at S$0.5415 per Consideration Share (the "**Issue Price**") (representing the volume weighted average price per Share for all trades done on SGX-ST for the full market date before the date of the Framework Agreements). The Consideration Shares shall be credited as fully paid up and shall rank *pari passu* in all respects with all of the other existing Shares.

3.2 **Security**

As security for the payment of the Second Tranche Cash Consideration and Third Tranche Cash Consideration, the Company shall create, in favour of the Sellers, a fixed charge over all its rights, title and interest in and to, such number of the Sale Shares representing 30% of the share capital of the Target Companies (the "**Charged Shares**"), with effect from Completion ("**Share Charge**").

The Sellers shall release the security in tranches to the Company, such number of shares equivalent to 50% and 100% of the Charged Shares upon payment of the Second Tranche Cash Consideration and Third Tranche Cash Consideration respectively.

3.3 **Moratorium**

The Consideration Shares shall be subject to a 6 months moratorium period commencing on Completion Date ("**Moratorium Period**").

Following the expiry of the Moratorium Period, the Sellers may offer, pledge, sell, contract to sell, grant any option, right or warrant to purchase, lend, hypothecate or encumber or otherwise transfer or dispose of, such number of the Consideration Shares:

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

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

3.4 **Profit Guarantee**

Each of the Sellers have agreed to enter into two (2) separate Deeds of Profit Guarantee (collectively the "**Deeds of Profit Guarantee**"), to unconditionally and irrevocably guarantee severally that the NPAT (as defined herein) for the five-year-period following Completion (the "**Profit Guarantee**") shall be as illustrated below.

Therefore, assuming Completion takes place on 30 June 2017, the amounts of the Profit Guarantee amounts for the relevant Profit Target Periods are as follows:

	Profit Target Periods	Profit Guarantee
(a)	30 June 2017 to 29 June 2018	S$2,300,000
(b)	30 June 2018 to 29 June 2019	S$2,300,000
	((a) and (b) shall together constitute "**Initial Guaranteed Period**")	((a) and (b) shall together constitute "**Initial Accumulated Profit Target**")
(c)	30 June 2019 to 29 June 2020	S$2,300,000
(d)	30 June 2020 to 29 June 2021	S$2,300,000
(e)	30 June 2021 to 29 June 2022	S$2,300,000
	((c) to (e) shall together constitute "**Subsequent Guaranteed Period**")	((c) to (e) shall together constitute "**Subsequent Accumulated Profit Target**")

The Initial Guaranteed Period and Subsequent Guaranteed Period may be adjusted accordingly depending on the actual Completion Date.

In the event that:

(a) the actual NPAT achieved during the Initial Guaranteed Period is less than the Initial Accumulated Profit Target of S$4,600,000, the Sellers shall pay to the Purchaser an amount equal to 1.5 times the difference between the Initial Accumulated Profit Target of S$4,600,000 and the actual NPAT for the Initial Guaranteed Period (the "**Initial Multiplied Shortfall**"); and

(b) the actual NPAT achieved during the Subsequent Guaranteed Period is less than the Subsequent Accumulated Profit Target of S$6,900,000, the Sellers shall pay to the Purchaser an amount equal to the difference between the Subsequent Accumulated Profit Target of S$6,900,000 and the actual NPAT for the Subsequent Guaranteed Period (the "**Subsequent Shortfall**"),

In the event that the Profit Guarantee relating to Initial Guaranteed Period of S$4,600,000 or Subsequent Guaranteed Period of S$6,900,000 (as the case may be) is not satisfied, the Sellers shall, within 90 days of demand by the Purchaser, pay and/or transfer to the Purchaser the Initial Multiplied Shortfall and/or the Subsequent Shortfall with either, or a combination, of the following, on a dollar for dollar basis:

(a) cash;

(b) subject to the Purchaser's approval, assets of the Sellers; and/or

(c) the professional fees of the Sellers as prescribed in the Consultancy Agreement (by way of deduction of the said shortfalls from the said professional fees).

If the Sellers are unable to make good the Initial Multiplied Shortfall in the manner set out in above (whether in whole or in part), the Purchaser shall be entitled to and shall deduct from the Third Tranche Cash Consideration such amount as may be required to make good the Initial Multiplied Shortfall in whole.

For purposes of the Profit Guarantee, **"NPAT"** shall mean the audited consolidated net profits of the Target Companies after taxation as determined in accordance with accounting principles, standards and practices generally accepted in Singapore, prepared on the same basis and accounting principles as that of the audited accounts of the Purchaser.

3.5 **Consultancy Agreement**

Each of the Sellers shall, through one or more nominated corporate entities, enter into a consultancy agreement with the Purchaser or such other entity within the Group as may be directed by the Company, to operate and manage the business as carried on by the Target Companies for an initial term of 6 years from Completion Date which may be renewed if parties agree ("**Consultancy Agreement**"). Each of the Sellers will also be entitled to performance payments in the event the actual NPAT exceeds the Initial Accumulated Profit Target and/or the Subsequent Accumulated Profit Target. NPAT is defined in paragraph 3.4 above.

3.6 **Conditions precedent**

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

Conditions to be satisfied by the Sellers

(a) the completion, in the manner and to the extent satisfactory to the Purchaser, of the Restructuring Exercise and the Sellers having provided evidence in form satisfactory to the Purchaser that the Restructuring Exercise has been completed;

(b) the results of a due diligence exercise over the Target Companies and the Affiliate Target Companies being satisfactory to the Purchaser in its sole and absolute discretion;

(c) all approvals, waivers or consents as may be required by the Sellers to enable the Purchaser to be registered as holder of any and all of the Sale Shares, and to give effect to the transactions contemplated under the Framework Agreements being obtained and where any waiver, consent or approval is subject to conditions, such conditions being satisfactory to the Purchaser in its sole and absolute discretion and if required to be fulfilled by a particular date, being so fulfilled, and such approvals, waivers or consents remaining valid and in full force and effect;

(d) the Target Companies and Affiliate Target Companies not having received notice of any claim, action, injunction, order, directive or notice restraining or prohibiting the entering into or the consummation of the transactions contemplated by the Framework Agreements or (as the case may be) the Share Purchase Agreements or seeking damages or other recourse in respect thereof, or notice that any of the foregoing is pending or threatened;

(e) there being no event having occurred which has or could reasonably be expected to have a material adverse effect on the business, operations, assets, financial condition or prospects of the Target Companies and Affiliate Target Companies;

(f) the Sellers having delivered to the Purchaser the duly executed Consultancy Agreements and Deeds of Profit Guarantee;

<u>Conditions to be satisfied by the Purchaser</u>

(g) the Purchaser obtaining such approval(s) in connection with the Acquisition from the board of directors and/or shareholders of the Purchaser in a general meeting, as may be necessary for the transactions contemplated herein, and such approval not having been withdrawn or revoked as at the Completion Date;

(h) the allotment, issue and subscription of the Consideration Shares not being prohibited by any statute, order, rule, regulation, directive or request promulgated or issued after the date of this Agreement by any legislative, executive or regulatory body or authority of Singapore or elsewhere, which is applicable to the Target Companies, Affiliate Target Companies and/or the Purchaser; and

<u>Other Conditions</u>

(i) there being no applicable laws having been enacted, amended or proposed which would prohibit, materially restrict or materially delay the implementation of the transactions contemplated in the Framework Agreements, the Share Purchase Agreements or the operations of the Target Companies and Affiliate Target Companies;

If any of the conditions set out above has not been satisfied, (or where capable of waiver, waived by the Purchaser or the Sellers as the case maybe) on or before the Completion Date, the Framework Agreements or the Share Purchase Agreements shall automatically terminate with immediate effect.

4. RATIONALE FOR PROPOSED ACQUISITION

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

(a) the Sellers are a group of reputable senior pediatricians, and upon the entry into of the Consultancy Agreements, with the 6 year tenure of service, they are committed to work with the Group, to (i) achieve further growth, and (ii) identify and mentor young and talented specialists in the Group's pediatrics practice;

(b) the Target Companies will provide the Group with a diversified and recurrent stream of revenue, and strengthen the future financial performance of the Group;

(c) the Proposed Acquisition will (i) allow the Group to expand its offerings into areas such as pediatrics services and provide synergies and cross-selling opportunities to the Group's Obstetrics & Gynaecology practices, and (ii) provide the Group with scale to accelerate the expansion and growth of its pediatrics services, a unique market segment in infants, children, and adolescents health and wellness; and

(d) the location of the Target Business in heartland areas will allow the Group to expand its demographic of patients as well as increase its visibility and promote its brand name in these new locations.

5. THE BOARD'S VIEW ON THE PROFIT GUARANTEE

5.1 The Opinion of the Board

The Board is of the view that the Profit Guarantee from the Sellers is in the interests of the Company and its shareholders, taking into account the following factors:

(a) the Sellers have a proven track record; under their leadership, the Target Business has developed a large and established patient base, and delivered consistent results in the last 3 financial years; and

(b) the Sellers have a wealth of experience and are reputable as senior paediatricians offering a comprehensive range of specialist pediatric services at their respective clinics which are located at prime locations in the heartland areas.

5.2 Commercial Bases and Principal Assumptions upon which the Quantum of the Profit Guarantee is based

The quantum of the Profit Targets were derived after reviewing the track record and the unaudited financial statements of the Target Business for the last completed financial year.

5.3 Manner and amount of Compensation to be paid by the Sellers

In the event that any of the Profit Guarantees is not met, the Sellers shall, within 90 days of demand by the Company, make good the Initial Multiplied Shortfall and/or the Subsequent Shortfall by paying to the Company:

(a) cash;

(b) subject to the Purchaser's approval, assets of the Sellers; and/or

(c) the professional fees of the Sellers as prescribed in the Consultancy Agreement (by way of deduction of the said shortfalls from the said professional fees).

5.4 Safeguards put in place to ensure the Company's right of recourse

In the event the Sellers are unable to make good the Initial Multiplied Shortfall in the manner set out in paragraph 5.3 (whether in whole or in part), the Purchaser shall be entitled to and shall deduct from the Third Tranche Cash Consideration such amount as may be required to make good the Initial Multiplied Shortfall in whole.

Further, the Company is currently contemplating several forms of safeguards to ensure the Company's right of recourse, which include but are not limited to; (i) setting aside a secured sum from the Sellers portion of the Cash Consideration into a bank account nominated, managed and controlled by the Company after completion; or (ii) the Sellers issuing a personal guarantee in favour of the Company which can be called upon if the Sellers fail to make payment of the Initial Multiplied Shortfall and/or the Subsequent Shortfall within the stipulated time period.

Subject to the Company and Sellers' mutual agreement, the final decision will be made upon entry into of the Share Purchase Agreements.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

6.1 General

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

6.2 NTA

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

	Before Proposed Acquisition	After Proposed Acquisition
NTA (S$'000)	23,287	23,387
Number of Shares ('000)	311,033	332,058(1)
NTA per Share (cents)	7.49	7.04

Note:

(1) Pursuant to the allotment and issuance of 21,024,931 Shares in the capital of the Company as consideration for the Proposed Acquisition.

6.3 EPS

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

	Before Proposed Acquisition	After Proposed Acquisition
Profits attributable to the owners of the Company ($'000)	2,423	5,575 (1)
Number of Shares ('000)	286,945	307,970 (2)
EPS (cents)	0.84	1.81

Notes:

(1) The profits attributable to the owners of the Company has been determined after adjusting for doctors' remuneration, rental and administrative expenses.

(2) Pursuant to the allotment and issuance of 21,024,931 Shares in the capital of the Company as consideration for the Proposed Acquisition.

7. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE CATALIST RULES

7.1 The relative figures computed on the bases set out in Rule 1006 of the SGX-ST Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") are as follows:

Rule 1006	Bases	Relative Figures
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable
(b)	Net profits attributable to the assets to be acquired, compared with the Group's net profits(1)	115.3%
(c)	Aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares(2)	11.1%
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue(3)	5.0%

Notes:

(1) Net Profits is defined as profit before income tax, minority interests and extraordinary items. Based on the aggregated net profits of the Target Business of the latest completed financial year and the net profits of the Group for the financial year ended 31 December 2016 being S$3.5 million and S$3.0 million respectively.

(2) Based on the Consideration and market capitalisation of the Company of S$228,590,484, which is determined by multiplying the issued share capital of the Company of 422,143,092 Shares in issue with the weighted average price of S$0.5415 transacted on the Catalist of SGX-ST on 19 April 2017 (being the last market day for which the Shares were traded prior to the day the Framework Agreements were entered into).

(3) The number of equity securities to be issued by the Company as consideration for the Proposed Acquisition is 21,024,931 new Shares.

7.2 As the relative figure under Rule 1006(b) of the Catalist Rules exceeds 100%, the Proposed Acquisition constitutes a "very substantial acquisition" as defined in Chapter 10 of the Catalist Rules. Pursuant to Rule 1015(8) of the Catalist Rules, the requirement for the approval of Shareholders in a general meeting does not apply in the case of an acquisition of profitable assets if the only limit breached is Rule 1006(b). Accordingly, the Proposed Acquisition does not constitute a transaction that requires the approval of shareholders.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the directors or controlling shareholders of the Company has any interest, direct or indirect (other than through their shareholdings in the Company), in the Proposed Acquisition.

9. 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.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Framework Agreements are available for inspection during normal business hours at the Company's registered office at 290 Orchard Road, #13-01, The Paragon, Singapore 238859 for a period of three (3) months commencing from the date of this Announcement.

By Order of the Board

Beng Teck Liang
Executive Director and Chief Executive Officer

20 April 2017

*This Announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "**Sponsor**"), for compliance with the Catalist Rules. The Sponsor has not independently verified the contents of this Announcement.*

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

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.

APPENDIX A

Details of the Target Companies upon completion of the Restructuring Exercise are set out below:

Name	Date and place of Incorporation	Particulars of issued and paid-up share capital	Seller(s)	Shareholding Interests	Principal activities
Children's Clinic Central Pte. Ltd.	2 August 2002 / Singapore	S$2 comprising 2 ordinary shares	Dr Heng Siok Kheng	100%	Pediatrics
Kids Clinic @ Bishan Pte. Ltd.	13 October 2008 / Singapore	S$1 comprising 1 ordinary share	Dr Oh Meng Choo	100%	Pediatrics