

ACQUISITION OF NOVENA RADIOLOGY PTE. LTD.

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Singapore Medical Group Limited (the “**Company**” or “**SMG**” together with its subsidiaries, the “**Group**”) wishes to announce that the Company and its 40.0% owned joint venture company, Lifescan Imaging Pte. Ltd. (“**LSI**”), (collectively, the “**Purchasers**”) had on 23 March 2016 entered into a sale and purchase agreement (the “**SPA**”) with Asiaradiologic Private Ltd (the “**Vendor**”) to acquire 10,000 ordinary shares in the issued and paid-up share capital of Novena Radiology Pte. Ltd. (“**NRPL**”), representing 100.0% of the issued and paid-up share capital of NRPL, for a cash consideration of S\$550,000 (the “**Acquisition**”).

Upon completion of the Acquisition, the Company will directly own 51.0% of the equity interest in NRPL while LSI will own the remaining 49.0% equity interest. Taking into account an indirect equity interest of 19.6% in NRPL held through LSI, the Group will effectively hold an overall 70.6% of the equity interest in NRPL, and NRPL will become a subsidiary of SMG.

2. INFORMATION ON NOVENA RADIOLOGY PTE. LTD.

NRPL, a wholly-owned subsidiary of the Vendor, is a limited liability company incorporated in Singapore and is primarily involved in the business of providing diagnostic imaging services. It operates from 2 premises, i.e. Novena Specialist Centre and Novena Medical Centre, in Singapore.

3. PRINCIPAL TERMS OF THE SALE & PURCHASE AGREEMENT

A summary of the principal terms are set out below:

Purchase Consideration

The purchase consideration of S\$550,000 will be fully settled in cash and has been arrived on a willing buyer and willing seller basis, taking into account the assets value, goodwill and business prospects of NRPL. As at 31 December 2015, the net asset value and net tangible assets of NRPL approximate S\$57,000 (after adjusting for the waiver of the shareholder’s loans of \$615,000 to NRPL). NRPL generated a net loss before tax of S\$195,000 for the twelve months ended 30 September 2015.

Conditions Precedent

The Purchasers’ obligations to complete the Acquisition is conditional upon the following principal conditions precedent being satisfied:

- 1) The approval of the board of directors (and if required, the shareholders) of the Purchasers for the entering into of the Agreement;

- 2) All applicable third party and/or governmental approvals, consents and waivers being obtained for the transaction contemplated under the Agreement;
- 3) The completion of legal, tax and financial due diligence to the satisfaction of the Purchasers;
- 4) A written confirmation from each of NRPL's directors being obtained confirming that they have no claims against the Company and waiving all and any rights and/or claims which they have except for a loan to NRPL of S\$67,500 provided by a director;
- 5) A written confirmation from the Vendor being obtained confirming and waiving the outstanding amounts owed to the Vendor by NRPL in respect of any and all loans made by the Vendor to NRPL; and
- 6) All warranties and undertakings of the Vendor set out in the Agreement remaining true and accurate and not misleading as at Completion Date.

Completion under the Agreement

The Completion Date shall be 1 April 2016 or at such other date as may be agreed in writing between the Purchasers and Vendor.

Post-completion obligation

The Purchasers will extend a loan of S\$350,000, based on the proportion of the Purchasers' equity interests, to NRPL within one month from the Completion Date for working capital purposes.

4. RATIONALE OF THE ACQUISITION

The Acquisition is beneficial to the Group as it allows the Group to expand its radiology and diagnostic imaging assets thereby complementing its existing diagnostic imaging business under LSI which also allows the Group to tap into potential growth in the diagnostic imaging market, and enable the Group to further enhance its services provided to its patients.

5. FUNDING OF THE ACQUISITION

The Acquisition will be funded through the proceeds from the Rights Issue on 13 January 2015 which is consistent with the change of use of proceeds from the Rights Issue as stated in the announcement dated 15 March 2016.

6. RULE 1006 OF THE CATALIST RULES

The relative figures pursuant to Rule 1006 of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"), based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2014 ("**FY2014**"), are as follows:

	Bases of calculation	Size of relative figures (%)
(a)	The net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets.	Not applicable as the Acquisition is not a disposal of assets.
(b)	The net profits ⁽¹⁾ attributable to the assets acquired or disposed of, compared with the group's net profits.	Not meaningful ⁽²⁾
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	0.9% ⁽³⁾
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable as the Acquisition does not involve the issuance of securities as consideration.
(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 as the Company, LSI and NRPL is not a mineral, oil and gas company

Notes:

- (1) Net profits mean profit or loss before income tax, minority interest and extraordinary items.
- (2) The relative figure computed is a negative figure of 173.7% based on the unaudited net loss of NRPL of S\$195,000 for the financial year ended 30 September 2015 and the Group's audited net profit of S\$112,000 for FY2014.
- (3) The market capitalisation is calculated based on the volume weighted average price of S\$0.151 on 22 March 2016, being the last market day on which the shares of the Company were traded, preceding the date of the Agreement.

As the relative computation under Rule 1006(c) is less than 5%, and after consulting SGX on the not meaningful figure under Rule 1006(b), the Acquisition does not fall within the classification of a major transaction under Part VII or a very substantial acquisition or reverse takeover under Part VIII of Chapter 10 of the Catalist Rules.

7. FINANCIAL EFFECTS

The pro-forma financial effects of the Acquisition on the Group set out below are for illustrative purposes only and are therefore, not indicative of the actual financial performance or position of the Group. The financial effects set out below have been prepared based on the unaudited consolidated financial statements of the Group for the financial year ended 31 December 2015 ("FY2015") and on the following basis:-

- (i) the effects of the Acquisition on the earnings or loss per share of the Group is based on the assumption that the Acquisition had been effected at the beginning of FY2015, being 1 January 2015;

- (ii) the effects of the Acquisition on the consolidated net tangible assets per share of the Group shown below is based on the assumption that the Acquisition had been effected at the end of FY2015, being 31 December 2015; and
- (iii) the effects of the Acquisition on the gearing of the Group shown below is based on the assumption that the Acquisition had been effected at the end of FY2015, being 31 December 2015.

Effect on Earnings or Loss per share (“EPS” or “LPS”)

The effects of the Acquisition on the EPS of the Group for FY2015 are as follows:-

	Before the Acquisition	After the Acquisition
Profit/(Loss) attributable to shareholders of the Company (S\$'000)	(148)	(286)
Weighted average number of shares ('000)	275,135	275,135
Basic EPS or (LPS) (cents per share)	(0.05)	(0.10)

Effect on Net Tangible Assets (“NTA”)

The effects of the Acquisition on the NTA per share of the Group as at 31 December 2015 are as follows:-

	Before the Acquisition	After the Acquisition
NTA (S\$'000)	10,962	10,631
Number of shares ('000)	276,029	276,029
NTA per share (cents per share)	3.97	3.85

The Acquisition is not expected to have any material impact on the EPS and/or NTA per share of the Group for the financial year ending 31 December 2016.

Effect on Gearing

	Before the Acquisition	After the Acquisition
Gearing (S\$'000)	1,377	2,699
Gearing ratio	13%	26%

8. SERVICE AGREEMENTS

No person is proposed to be appointed as a Director of the Company in connection with the Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the date hereof, the following directors of the Company have disclosed their respective interests in LSI:

- 1) Mr. Tony Tan Choon Keat, the Non-Executive Chairman and substantial shareholder of the Company, holds a direct interest in 445,500 ordinary shares in LSI, representing 9.9% of the share capital of LSI;
- 2) Dr. Beng Teck Liang, the Executive Director and Chief Executive Officer, and substantial shareholder of the Company, holds a direct interest in 445,500 ordinary shares in LSI, representing 9.9% of the share capital of LSI; and
- 3) Dr. Wong Seng Weng, the Executive Director of the Company, holds a direct interest in 450,000 ordinary shares in LSI, representing 10.0% of the share capital of LSI.

Saved as disclosed in this announcement, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Acquisition, other than through their respective interests (if any) in the Company.

10. DOCUMENTS FOR INSPECTION

The Agreement shall be available for inspection at the registered office of the Company at 290 Orchard Road, #13-01 Paragon, Singapore 238859 during normal business hours for a period of 3 months from the date hereof.

11. FURTHER INFORMATION

Further announcements will be made by the Company via SGXNet upon completion of the Acquisition.

By Order of the Board

Dr Beng Teck Liang
Executive Director and Chief Executive Officer

23 March 2016

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor (the "Sponsor"), CIMB Bank Berhad, Singapore Branch, for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "Exchange"). The Sponsor has not independently verified the contents of this announcement, including the correctness of any of the figures used, statements or opinions made.

This announcement has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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