

SINGAPORE MEDICAL GROUP LIMITED

(Company Registration No.: 200503187W)

PROPOSED PROVISION OF CONVERTIBLE LOAN AND ACQUISITION OF SHARES IN THE COMPANY BY CHA HEALTHCARE SINGAPORE PTE. LTD.

1. INTRODUCTION

- 1.1 The board of directors (the "**Directors**") of Singapore Medical Group Limited (the "**Company**") wishes to announce that CHA Healthcare Singapore Pte. Ltd. ("**CHS**"), a substantial shareholder of the Company holding approximately 6.86% of the shares in the Company (the "**Shares**") has today agreed to provide to the Company a convertible loan (the "**Convertible Loan**") in the principal amount of S\$10 million, for the Company's business expansion and growth. More details of the Convertible Loan are set out in section 2 of this announcement.
- 1.2 The Company will be seeking the approval of its shareholders ("**Shareholders**") for the allotment and issuance of the Conversion Shares (as defined in section 2.5.1 of this announcement) at an extraordinary general meeting to be convened in due course. Further, the Company will make the necessary application, through the sponsor of the Company, CIMB Bank Berhad, Singapore Branch, to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the listing of and quotation for the Conversion Shares on the Catalist board of the SGX-ST and will make the necessary announcements once the listing and quotation notice in respect of the Conversion Shares has been obtained.
- 1.3 The Company has been informed that CHS will be increasing its shareholding in the Company via the purchase of existing shares from Mr Tony Tan Choon Keat, Dr. Beng Teck Liang and Dr. Wong Seng Weng (being Directors), Dr. Ho Choon Hou (being a substantial Shareholder of the Company), and Ms. Wong Sian Jing (being the chief financial officer of the Company) (such individuals collectively, the "**Vendors**") (the "**Share Purchase**"), which would make CHS a controlling shareholder under the SGX Catalist Listing Rules. More details of the Share Purchase are set out in section 8.1 of this announcement.

2. KEY TERMS OF THE CONVERTIBLE LOAN AGREEMENT

2.1 Purpose

- 2.1.1 Pursuant to the terms of the agreement relating to the Convertible Loan (the "**Convertible Loan Agreement**"), the Company shall use the entire proceeds of the Convertible Loan for such purposes as may be approved by CHS in writing from time to time, including general business purposes or to fund investments. For the avoidance of doubt, the Company shall not use the Convertible Loan to fund the payment of any dividends of the Company.

2.2 Repayment

- 2.2.1 Subject to the terms of the Convertible Loan Agreement, the Company shall repay the Convertible Loan in cash in one lump sum, including any interest accrued, on the date (such

date being the "**Repayment Date**") falling one year after the date on which the Convertible Loan is advanced by CHS to the Company (the "**Drawdown Date**").

- 2.2.2 The interest referred to in section 2.2.1 above shall be calculated on the Convertible Loan from (and including) the Drawdown Date to (and including) the Repayment Date (the "**Interest Period**"). The rate of interest for the Interest Period shall be equal to 3.5% per annum (the "**Interest Rate**"), and computed on the basis of a 365-day year and the actual number of days elapsed. Notwithstanding the above, if all or part of the Convertible Loan is converted to Conversion Shares, no interest shall be payable to CHS on such part of the Convertible Loan which is converted.

2.3 Conversion

- 2.3.1 CHS may, at its option, convert all or part of the Convertible Loan into Conversion Shares on the Repayment Date (the "**Conversion Right**"). CHS may only exercise the Conversion Right once. Please also refer to section 2.8 of this announcement for more details of the conversion right upon an event of default.
- 2.3.2 Subject to any adjustments set out in section 2.4 of this announcement, the number of Conversion Shares (rounded upwards to the nearest whole number) to be issued upon the exercise of the Conversion Right shall be determined as follows:-

$$\text{Number of Conversion Shares to be Issued} = \frac{\text{Conversion Amount}}{\text{Conversion Price}}$$

Where:-

"**Conversion Amount**" means:-

- (a) where the Conversion Right is exercised, the amount of the Convertible Loan that is outstanding, excluding any Interest, which CHS elects to convert into Conversion Shares; and
- (b) where the Default Conversion Right (as defined in section 2.8.1 of this announcement) is exercised, the amount of the Convertible Loan that is outstanding, excluding any interest but including any and all default interest (as calculated in accordance with the Convertible Loan Agreement) in respect of the Convertible Loan.

"**Conversion Price**" means S\$0.423, which represents a (i) 3.5% discount to the volume weighted average price of the Shares based on the trades done on the 30 market days immediately preceding the date of the Convertible Loan Agreement and from 9.00 a.m. to 12 noon on the date of the Convertible Loan Agreement; and (ii) 8.2% discount to the volume weighted average price of the Shares based on the trades done from the one market day immediately preceding the date of the Convertible Loan Agreement to 12 noon on the date of the Convertible Loan Agreement.

- 2.3.3 Under the terms of the Convertible Loan Agreement, CHS may direct the Company to allot and issue the Conversion Shares to a person other than itself. The amounts outstanding under the Convertible Loan Agreement owed by the Company to CHS (or part thereof) and converted by CHS shall be deemed to be repaid upon the issuance of the Conversion Shares

in accordance with the Convertible Loan Agreement. Any amount of the Convertible Loan and any other sum payable by the Company under the Convertible Loan Agreement which has not been converted into Conversion Shares on the Repayment Date shall become due and payable by the Company on the Repayment Date.

2.4 Adjustments

2.4.1 If the Company makes any alteration in its capital structure whether by way of rights issues, any other Share issues whether for cash consideration or otherwise, Share splits, Share combinations, a reduction of capital or otherwise whatsoever at any time, there shall be an adjustment to the number of Conversion Shares, to the satisfaction of CHS so as to prevent a dilution of the equity interest represented by the Convertible Loan. In the event of any such adjustment, the Company will make the necessary announcements as required by Rule 830 of the SGX Catalist Listing Rules.

2.5 Conversion Shares

2.5.1 Assuming the Convertible Loan is converted in full, CHS will be allotted and issued 23,640,662 new Shares (the "**Conversion Shares**"). The Conversion Shares represent (i) approximately 4.92% of the Existing Share Capital¹; and (ii) approximately 4.69% of the Enlarged Share Capital².

2.5.2 The Conversion Shares shall, upon allotment and issue, rank *pari passu* in all respects with the then issued Shares of the Company, except that they will not be entitled to participate in any dividends, rights, allotments or other distributions for which the record date is before the date on which the Conversion Shares are allotted and issued to CHS upon the exercise of the Conversion Right.

2.6 Conditions Precedent

2.6.1 Subject to the provisions of the Convertible Loan Agreement, the Convertible Loan will be advanced by CHS to the Company in one lump sum on the Drawdown Date if certain conditions precedent including the following have been fulfilled (the "**Conditions Precedent**"):-

- (a) the in-principle approval from the SGX-ST for the allotment, issuance and listing of the Conversion Shares;
- (b) no claim, action, injunction, order, directive or notice from any governmental authority restraining or prohibiting the entering into or the consummation of the transactions contemplated by the Convertible Loan Agreement or seeking damages or other recourse in respect thereof, or notice that any of the foregoing is pending or threatened;

¹ Existing Share Capital refers to the existing issued and paid-up Share capital of the Company (excluding treasury shares) of 480,721,635 Shares as at the date of this announcement.

² Enlarged Share Capital refers to the enlarged issued and paid-up Share capital of 504,362,297 Shares (excluding treasury shares) immediately after the allotment and issuance of the Conversion Shares, comprising the Existing Share Capital and the Conversion Shares.

- (c) 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 Convertible Loan Agreement;
- (d) the Company remaining listed on the Catalist Board of the SGX-ST as at the closing date of the Convertible Loan Agreement;
- (e) the consents, licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals necessary or desirable for or in respect of the transactions contemplated by the Convertible Loan Agreement having been obtained and remaining in full force and effect, including but not limited to all necessary approvals under all applicable competition laws in the respective jurisdictions of incorporation and/or operation of the Company and CHS in relation to the transactions contemplated under and the entry into of the Convertible Loan Agreement;
- (f) the warranties provided by the Company in the Convertible Loan Agreement being true and accurate and not misleading in all respects as at the date of the Convertible Loan Agreement and as at the closing date;
- (g) no present, pending or threatened claim, legal action, proceeding, suit, litigation, prosecution, investigation, enquiry or arbitration against any of the Company and its subsidiaries (the "**Group**") (or any person for whose acts or defaults a Group company may be vicariously liable which, if adversely determined, would have a material adverse effect on the Group as a whole); and
- (h) no events having occurred since the date of the Convertible Loan Agreement which, taken together, have or are likely to have a material and adverse effect on the turnover, profitability, financial or trading position or prospects of the Group as a whole.

2.7 Undertakings

Under the terms of the Convertible Loan Agreement, for so long as any sum remains to be lent or remains payable under the Convertible Loan Agreement, the Company is required to provide certain undertakings to maintain the business as currently carried on, provided that none of these undertakings shall require or prohibit any Group company from taking or refraining from taking any action (i) to comply with applicable laws; (ii) in the ordinary course of the Group's business; or (iii) with the consent of CHS. These include (but are not limited to) the following:-

- (a) there being no material change in the nature of the business of the Company or the Group;
- (b) the continuity of the employment and/or engagement of the key personnel employed and/or engaged by the Group (save where any such key personnel is terminated pursuant to any breach of the terms of employment and/or engagement of such key personnel), and the timely and appropriate replacement of any such key personnel whose employment and / or engagement is discontinued; and

- (c) the taking of all reasonable steps by the Group to preserve its assets (including its intellectual property); and
- (d) the Company will not, and will ensure that none of its subsidiaries will:-
 - (i) dispose of all or substantially all of its assets;
 - (ii) create, allot, issue, repay, redeem or repurchase any share capital or loan capital of the Company or any Group company or any option to subscribe for the same³;
 - (iii) enter into guarantees, indemnities or other agreements to secure any third party obligations, or encumber its assets, except in the ordinary course of business;
 - (iv) make changes to its accounting practices or policies, or amend its constitutive documents, save as required by law or applicable listing rules;
 - (v) enter into any new material contract or terminate, vary or enter into any material lease, tenancy or licence of the Group;
 - (vi) enter into any new material contract which, for the avoidance of doubt, shall exclude any procurement or supply contract, agreement or arrangement entered into by any Group Company in the ordinary course of business;
 - (vii) except for borrowings for the hire purchase of equipment used in the ordinary course of business by the Group, incur any additional borrowings or incur any other indebtedness exceeding S\$100,000;
 - (viii) save as required by law, amend the terms of employment, provide gratuitous benefits or terminate the employment or engagement of key personnel in the Group, save where such termination is pursuant to any breach of the terms of employment and/or engagement of such key personnel; or
 - (ix) except in the ordinary course of business, acquire or dispose of any shares or other interests in any entity.

2.8 Default

- 2.8.1 If an event of default (as set out in the Convertible Loan Agreement) (an "**Event of Default**") occurs, CHS may require that the Convertible Loan, all unpaid accrued interest or fees and any other sum then payable under the Convertible Loan Agreement to be immediately due and payable. Upon the occurrence of an Event of Default, CHS may, at its option, convert all or part of the amounts due and owing to it under the Convertible Loan Agreement into

³ Save in respect of any options or awards under the SMG Employee Share Option Scheme (as approved by the Shareholders on 30 April 2014) and the SMG Share Plan (as approved by the Shareholders on 30 April 2014), provided that the total number of Shares which are the subject of all such options and awards (whether or not vested and/or exercised at any time of determination) issued from the date of the Convertible Loan Agreement does not exceed 0.5% of the total number of Shares on a fully diluted basis at such time of determination.

Conversion Shares at any time on or following such Event of Default (the "**Default Conversion Right**").

- 2.8.2 While CHS may only exercise the Conversion Right once, there is no restriction on the number of times that the Default Conversion Right may be exercised by CHS. As such, if CHS has exercised its Conversion Right to convert part of the Convertible Loan that is outstanding into Conversion Shares on the Repayment Date, it may not exercise its Conversion Right again, but if a Default Conversion Right arises subsequently, CHS may exercise its Default Conversion Right.

2.9 Default Interest

- 2.9.1 If the Company does not pay any sum payable under the Convertible Loan Agreement when due, it shall pay default interest at the rate per annum equal to the aggregate of 12% and the cost to CHS of funding.

3. INFORMATION ON CHS

CHS is a subsidiary of CHA Healthcare Co., Ltd ("**CHC**"), the international healthcare investment and management arm of the CHA Group ("**CHA**").

Founded in 1960 and headquartered in Seoul, CHA is one of the largest and most diversified private healthcare service groups in Asia and one of the world's most respected names in reproductive medicine, women's health, stem cell research and wellness care. CHA is widely recognised around the world as a pre-eminent clinical and scientific leader in fertility, women's health and maternity care, having been a research pioneer since the early 1980s. Amongst its other accomplishments in reproductive medicine, CHA pioneered the world's first successful pregnancy & birth through in vitro maturation of human immature oocytes, the world's first successful birth with frozen oocytes using electron microscope grids and the first publicly accessible egg freezing clinic in the United States. In early 2018, CHS, together with the Company, acquired a majority stake in City Fertility Centre ("**CFC**"), one of Australia's largest privately-owned in vitro fertilisation groups with operations in Adelaide, Brisbane, Melbourne, Sydney and The Gold Coast. Established in 2003, CFC offers the full range of fertility treatments as well as supplemental services including genetic screening using its proprietary genetic screening platform, social infertility and donor programs.

CHA today operates 26 general hospitals and medical centres with more than 2,000 beds in six (6) countries around the world, with more than 1300 doctors, 2500 nurses, and 500 researchers & medical staff serving some three (3) million patients annually. In the US, CHA operates the largest privately owned, for-profit general hospital in Los Angeles located in Hollywood. In addition, CHA's platform covers 44 research and educational institutions including CHA University Medical School and 30 commercial companies including two companies listed on Korea Stock Exchange with a combined market capitalization of S\$1,888 million as of 19 February 2019.

CHS currently holds approximately 6.86% of the Shares in the Company.

4. FINANCIAL EFFECTS

4.1 Bases and assumptions

4.1.1 The financial effects of the issuance and allotment of the Conversion Shares set out below are for illustrative purposes only and do not purport to be indicative or a projection of the results and financial position of the Group after the issuance and allotment of the Conversion Shares. The financial effects of the issuance and allotment of the Conversion Shares on the Group have been computed based on the unaudited consolidated financial statements of the Group for the financial year ended 31 December 2018 and the following bases and assumptions:-

- (a) there is full conversion of the Convertible Loan based on the Conversion Right resulting in the issue of 23,640,662 Conversion Shares;
- (b) no adjustments have been made to the number of Conversion Shares in accordance with the Convertible Loan Agreement;
- (c) the financial effect on the consolidated earnings per Share ("**EPS**") of the Group after the issuance and allotment of the Conversion Shares is computed based on the assumption that the issuance and allotment of the Conversion Shares was completed on 1 January 2018 and that no returns are earned on the deployment of the proceeds from the Convertible Loan;
- (d) the financial effect on the consolidated net asset value ("**NAV**") per Share and the consolidated net tangible asset ("**NTA**") per Share of the Group after the issuance and allotment of the Conversion Shares is computed based on the assumption that the issuance and allotment of the Conversion Shares was completed on 31 December 2018; and
- (e) estimated expenses in connection with the Convertible Loan are approximately S\$300,000.

4.2 Share capital

4.2.1 For illustrative purposes only, the effects of the allotment and issuance of the Conversion Shares on the Share capital of the Group as at the date of this announcement are as follows (rounded to the nearest whole number):-

	Before issuance of the Conversion Shares	After issuance of the Conversion Shares
Issued and paid-up Share capital (S\$'000)	118,939	128,639
Number of Shares	480,721,635	504,362,297

4.3 NAV per Share

For illustrative purposes only, the financial effects of the allotment and issuance of the Conversion Shares on the NAV per Share of the Group as at 31 December 2018 are as follows (rounded to the nearest whole number):-

	Before issuance of the Conversion Shares	After issuance of the Conversion Shares
NAV (S\$'000)	130,778	140,478
Total number of Shares as at 31 December 2018	480,651,635	504,292,297
NAV per Share (Singapore cents)	27.21	27.86

4.4 NTA per Share

For illustrative purposes only, the financial effects of the allotment and issuance of the Conversion Shares on the NTA per Share of the Group as at 31 December 2018 are as follows (rounded to the nearest whole number):-

	Before issuance of the Conversion Shares	After issuance of the Conversion Shares
NTA (S\$'000)	4,235	13,935
Total number of Shares as at 31 December 2018	480,651,635	504,292,297
NTA per Share (Singapore cents)	0.88	2.76

4.5 Earnings per Share

For illustrative purposes only, the financial effects of the allotment and issuance of the Conversion Shares on the earnings per Share ("EPS") of the Group for the financial year ended 31 December 2018 are as follows:-

	Before issuance of the Conversion Shares	After issuance of the Conversion Shares
Net profit attributable to owners of the Company (S\$'000)	12,928	12,628
Weighted average number of Shares	471,076,458	494,717,120
Basic EPS (Singapore cents)	2.74	2.55

5. RATIONALE FOR THE CONVERTIBLE LOAN AND INTENDED USE OF PROCEEDS

- 5.1 The Company is proposing to enter into the Convertible Loan Agreement so as to raise additional funding for general business purposes and to fund investments so as to expand and capitalise on opportunities for growth. Pursuant to the terms of the Convertible Loan Agreement, the Company shall use the entire proceeds of the Convertible Loan for such purposes as may be agreed with CHS from time to time, including general business purposes or to fund investments. For the avoidance of doubt, the Company shall not use the Convertible Loan to fund the payment of any dividends of the Company.
- 5.2 The net proceeds from the Convertible Loan of approximately S\$9.7 million (after deducting estimated expenses of approximately S\$0.3 million) ("**Net Proceeds**") is intended to be used for the following purposes:-

Use of Net Proceeds	Estimated Percentage
Mergers and acquisitions	80%
General business purposes	20%

Pending the deployment of the Net Proceeds, the Net Proceeds may be placed as deposits with financial institutions or invested in short term money markets or debt instruments or for any other purposes on a short term basis as the Directors may deem fit, from time to time.

- 5.3 The Company will make periodic announcement(s) as and when the Net Proceeds are materially disbursed and whether the disbursements are in accordance with use of proceeds as stated in this announcement. The Company will also provide a status report on the use of such Net Proceeds in the Company's annual report. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation.

6. CONFIRMATION BY THE DIRECTORS

The Directors are of the opinion that, after taking into consideration (i) the Group's present bank facilities; and (ii) the present bank facilities and the net proceeds of the Convertible Loan, the working capital available to the Group is sufficient to meet its present requirements. Notwithstanding the foregoing, the Company is proposing to undertake the issuance of the Convertible Loan to raise additional funding for general business purposes and to fund investments.

7. EXTRAORDINARY GENERAL MEETING

The Company will convene an extraordinary general meeting ("EGM") to seek the approval of Shareholders to allot and issue the Conversion Shares, on and subject to the terms of the Convertible Loan Agreement. A Circular containing, *inter alia*, further information on the Convertible Loan Agreement (and the transactions contemplated thereunder), and the notice to convene the EGM will be despatched by the Company to Shareholders in due course.

8. PURCHASE OF EXISTING SHARES BY CHS

- 8.1 The Company has been informed that CHS has entered into a sale and purchase agreement with the Vendors for the purchase by CHS of an aggregate of 83 million Shares ("**Vendor Shares**") (representing approximately 17.27% of the total Share capital) held by the Vendors, at the consideration of S\$0.605 per Share, as set out below:

Vendor	Number of Vendor Shares	% Shareholding
Mr Tony Tan Choon Keat	28,500,000	5.93
Dr Beng Teck Liang	28,500,000	5.93
Mr Ho Choon Hou	17,500,000	3.64
Dr Wong Seng Weng	7,500,000	1.56
Ms Wong Sian Jing	1,000,000	0.21

TOTAL	83,000,000	17.27
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Upon completion of the Share Purchase, CHS will hold approximately 24.13% of the Company's Share capital.

- 8.2 The respective Shareholdings of each of CHS and the Vendors: (i) currently; (ii) upon the completion of the Share Purchase; and (iii) upon the conversion in full of the Convertible Loan are set out below:-

Shareholder	Current Shareholding (No./ %)⁽¹⁾	Shareholding upon the completion of the Share Purchase (No. / %)⁽¹⁾	Shareholding upon the conversion of the Convertible Loan⁽²⁾
CHS	33,000,000 / 6.87%	116,000,000 / 24.13%	139,640,662 / 27.69%
Mr. Tony Tan Choon Keat	64,408,073 / 13.40%	35,908,073 / 7.47%	35,908,073 / 7.12%
Dr. Beng Teck Liang	60,975,058 / 12.68%	32,475,058 / 6.76%	32,475,058 / 6.44%
Mr. Ho Choon Hou	44,826,348 / 9.32%	27,326,348 / 5.68%	27,326,348 / 5.42%
Dr. Wong Seng Weng	17,568,853 / 3.65%	10,068,853 / 2.09%	10,068,853 / 2.00%
Ms. Wong Sian Jing	335,000 ⁽³⁾ / 0.07%	135,000 / 0.03%	135,000 / 0.03%

Notes:

- (1) These percentages relating to the shares are based on the 480,721,635 Shares in issue as at the date of this announcement. For the avoidance of doubt, these 480,721,635 Shares do *not* include the share options and share awards which are (a) vested but not exercised or (b) not vested, as at the date of this announcement.
- (2) These percentages relating to the Shares are based on 504,362,297 Shares (i.e., 480,721,635 Shares in issue as at the date of this announcement and 23,640,662 Conversion Shares issued upon the conversion of the Convertible Loan pursuant to the Conversion Right). For the avoidance of doubt, these 504,362,297 Shares do *not* include the share options and share awards which are (a) vested but not exercised or (b) not vested, as at the date of this announcement.
- (3) Ms Wong Sian Jing intends to exercise up to 800,000 of her vested Share options, such that she will have enough Shares to enable her to sell 1,000,000 Shares under the Share Purchase.

- 8.3 The Share Purchase is to be completed within three (3) months of the date of the sale and purchase agreement.

9. GENERAL

- 9.1 No placement agent has been appointed in relation to the Convertible Loan.

- 9.2 None of the Directors have any interest, direct or indirect, in the transaction contemplated under the Convertible Loan Agreement. Save for CHC and CHS, the Directors are not aware of any other substantial Shareholder having any interest, direct or indirect, in such transactions and have not received any notification of any interest in this transaction from any other substantial Shareholder.

10. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement

constitutes full and true disclosure of all material facts about the Convertible Loan, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement 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 announcement in its proper form and context.

11. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Convertible Loan Agreement is available for inspection during normal business hours at 1004 Toa Payoh North, #06-03/07, Singapore 318995 for a period of three (3) months from the date of this announcement.

By Order of the Board

Dr. Beng Teck Liang
Executive Director and Chief Executive Officer

20 February 2019

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.