



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

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Issuer: Singapore Medical Group Limited

Security: Singapore Medical Group Limited

Meeting details:

Date: 25 April 2019

Time: 4.00 p.m.

Venue: 1 Orchard Road, Level 4 Tan Chin Tuan Function Room 2, Singapore 238824

Company Description

Singapore Medical Group Limited is engaged in the operation of medical clinics and provision of general medical services and investment holdings. The Company operates through three segments. Its Health Business segment consists of general ophthalmological services, such as implantable contact lens and cataract surgery; orthopedic services, including treatments for joint and cartilage injuries; oncology services, including the prevention, diagnosis and treatment of cancer; obstetrical and gynecological services, which caters to the wellness of women; otolaryngology services; dermatology services, and general medicine and health screening services. Its Aesthetics Business consists of refractive surgery services; dental services, including general dental services, prosthodontics, orthodontics, implant dentistry, oral surgery and gum treatment, and aesthetics medicine services. Its Others segment consists of group-level corporate services, as well as business consultancy functions.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=50T)

1. As noted in the Message to shareholders, management has executed well on its organic and inorganic growth strategies with record revenue and profit recognised in FY2018. With key specialist verticals that includes Oncology, Obstetrics & Gynaecology (“O&G”), Paediatrics, Diagnostic Imaging and Aesthetics, the group is leveraging its strong foundation in Singapore to scale up its healthcare platform aggressively in the region.

- (i) Did the board/management carry out a systematic review to determine to long term capital allocation targets for different markets after careful consideration of opportunities, the long term growth trends and the group’s strengths? If so, please also clarify the group’s long term allocation target by geography and by specialist verticals.**

- (i) City Fertility Centre (Australia): Since the acquisition in March 2018, has the leading fertility specialist group in Australia performed up to management’s expectations? Being a leading IVF specialist group with seven IVF centres and nearly 50 doctors across Australia, are there synergies with the rest of the group?**

- (ii) Regional markets: What are the risks as the group brings its premium healthcare services to the regional markets, such as the launch of the 4,000 square feet SW1 Vietnam in the first half of 2019? How soon does management expect each new clinic/market to break-even?**

2. On 1 March 2018, the company proposed to undertake a renounceable non-underwritten rights issue on the basis of one rights share for every twenty ordinary share in the capital of the company at the issue price of \$0.48 per rights share.

At the close of the exercise, the company announced on 10 July 2018 that valid acceptances amounted to 52.41% and together with the excess applications of 8.75%, the total acceptance and applications amount to 61.16% of the new rights shares available for subscription.

The net proceeds raised was approximately \$6.59 million, after deducting costs of \$0.25 million. Under the maximum subscription scenario, the company would have raised \$10.8 million.

- (i) Can the board help shareholders understand if it had evaluated (ex post) the low application rate for the rights issue? If so, what were the findings?**

- (ii) With net proceeds of just \$6.59 million raised, how are the group’s plans affected?**

- (iii) Has the board evaluated its other options to raise the capital necessary to support its growth plans?**

- (iv) Given the low subscription rate, does the board/management intend to provide market with better clarity of its growth plans and achievements and also to re-evaluate its current business model and activities?**

3. On 20 February 2019, the company announced that CHA Healthcare Singapore Pte. Ltd. ("CHS"), a substantial shareholder of the company holding approximately 6.86% interest, has agreed to provide to the company a \$10 million convertible loan to support the company's business expansion and growth.

At the same time, the company informed that CHS would acquire 83,000,000 shares from the following shareholders:

- Mr Tony Tan Choon Keat (being a director)
- Dr. Beng Teck Liang (being a director)
- Dr. Wong Seng Weng (being a director)
- Dr. Ho Choon Hou (being a substantial shareholder of the company)
- Ms. Wong Sian Jing (being the chief financial officer of the company)

- (i) Has the board evaluated if the sale of shares by the directors and executives will affect their long term commitment to the group?**
- (ii) Would the board help shareholders understand the group's leadership bench strength for its different operations and business units?**
- (iii) Did the board review and propose a possible share placement/subscription by CHS to directly increase their investment in the group and to strengthen the balance sheet at the same times?** This would also better align the interests of the management and directors with that of the minority shareholders (compared to a shares sale by selected shareholders).