Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: ISEC Healthcare Ltd

Stock code: 40T

Meeting details:
Date: 24 June 2020
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As noted in the Corporate profile, the group became a subsidiary of Aier Eye International (Singapore) Pte. Ltd. ("Aier Eye") following the latter's acquisition of a 56.53% stake in ISEC Healthcare. Aier Eye is a wholly-owned subsidiary of Aier Eye Hospital Group Co., Ltd., a company incorporated in the People's Republic of China, listed on the Shenzhen Stock Exchange.

(i) **With Aier Eye becoming the new controlling shareholder and following changes to the board, has the company further finetuned its long-term strategic growth plans of the group? For the benefit of all shareholders, can the company (re)state its strategic growth plans?**

The group bought over the 49% non-controlling stake in ISEC (Penang) Sdn. Bhd., making it a wholly-owned subsidiary in April 2019. ISEC Myanmar Company Limited also commenced operations in Myanmar in 2019. In February 2020, the group's network was further enlarged with the acquisition of Indah Specialist Eye Centre Sdn. Bhd.

(ii) **Would the board provide shareholders with better clarity on its targeted capital allocation by region (Singapore, Malaysia, Myanmar, others) and by segment (ophthalmology, general medical services, aesthetics, others)?**

Q2. The "Impairment assessment of goodwill and cost of investment in subsidiaries" is a key audit matter (KAM) highlighted by the independent auditor in their Report on the audit of the financial statements (page 40).

Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM:

> As at 31 December 2019, the group recorded goodwill of $33.7 million, which is allocated to the following cash generating units ("CGUs"): ISEC Eye Pte. Ltd. ("ISEC Eye"), Southern Specialist Eye Centre Sdn. Bhd. ("SSEC") and JLM Companies. During the financial year, goodwill allocated to CGUs, namely JL Medical (Sembawang) Pte. Ltd. and JL Medical (Woodlands) Pte. Ltd., has been impaired by an aggregate of $1.2 million…

(i) **What guidance has the board given to management as it carries out its acquisitions? Specifically, how does the group maintain prudence and acquire companies/businesses at fair prices without overpaying for aggressive assumptions in its valuation models?**

(ii) **In addition, how is the group structuring transactions to ensure that the interests of the vendors are aligned with that of the company in the long term?**

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Q3. On 15 April 2020, the company provided an update relating to the profit guarantees arising from the acquisition of the 4 JL Medical Group of Companies. In particular, JL Medical (Sembawang) Pte. Ltd. had a shortfall of $63,431.80.

In April 2017, the Singapore Medical Association (SMA) iterated that ethical guidelines for the medical profession prohibit profit guarantees involving healthcare services as the financial imperative they impose is incompatible with the guidelines.

Specifically, to avoid situations where a doctor's professional judgment is, or is seen to be, influenced by financial considerations, Section H3.1(c) of the 2016 Singapore Medical Council's "Handbook on Medical Ethics" states that a doctor ought to be careful to:

> *"Not to allow any financial arrangement that commits you to give a revenue or profit guarantee to a third party to influence how you manage patients. You should avoid such arrangements as a matter of good practice as the pressures on you to meet your financial obligations would be great".*

(i) **Would the board help shareholders understand if the acquisition of the JL medical group of companies may influence, or seen to influence, the doctors' professional judgment in view of the profit guarantee?**

(ii) **In view of the profit guarantees, what were the safeguards that have been put in place to ensure that medical practitioners are not pressured to behave unethically at the expense of the patients?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)

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