Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Singapore O&G Ltd

Stock code: 1D8

Meeting details:
Date: 22 May 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. The company reported its full year results on 19 February 2020 in which management acknowledged that the COVID-19 pandemic would affect private healthcare visitations as patients defer non-essential visits to hospitals in the near-term. A decline in medical tourism, especially mainland China patients, would be expected as well.

In Note 34 (page 169 of the annual report – Events after the reporting period), management has said that it is unable to reliably quantify the full impact of the pandemic but the group's performance in 2020 is likely to be impacted as a result of regional and global travel restrictions, quarantine and/or illness of employees and other forms of interruptions to business.

(i) **Would management clarify if the Obstetrics & Gynaecology and Cancer-related segments would be considered as essential services hence less affected during the pandemic, and that the Dermatology segment would be most affected, with Paediatrics somewhere in between the two groups?**

(ii) **As part of the medical community, did the group also participate and contribute to any efforts to help during this challenging time?**

Q2. For FY2019, while revenue increased by 14.6% to $39.8 million, consumables and medical supplies used increased by 32.7% from $4.9 million to $6.5 million, and employee remuneration expense increased by 21.7% from $13.5 million to $16.5 million (page 6).

As a result, before taking into account the impairment of goodwill, profit from operations fell 8.1% from $13.7 million to $12.5 million in FY2019.

The breakdown of the increase can be seen in Note 21 (page 157 – Employee remuneration expense) (reproduced below).

21 Employee remuneration expense

The Group	2019 S$'000	2018 S$'000
Directors' remuneration		
- Directors of the Company	2,155	2,241
- Directors of subsidiaries	9,502	7,387
- Central Provident Fund contributions	189	162
Key management personnel (Other than directors)		
- Salaries and other related costs	651	552
- Central Provident Fund contributions	39	37
Other than directors and key management personnel		
- Salaries and other related costs	3,504	2,825
- Central Provident Fund contributions	441	340
	16,481	13,544

(Source: company annual report)

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The biggest increase was the remuneration to the directors of subsidiaries, presumably the specialists helming each of the operating subsidiaries. In addition, it was disclosed that there was an increase of $0.5 million for incentive bonus for the specialist medical practitioners.

(i) **Can the board elaborate further on the incentive framework for the specialist medical practitioners?**

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

(iii) **Going forward, does the group envisage its employee remuneration expense to increase at the same pace?**

Q3. Despite reporting a record revenue of $39.8 million, the group posted a net loss after income tax of $(1.1) million for FY 2019 due to the impairment of goodwill of $11.9 million associated with the declining earnings of the Dermatology segment.

In fact, goodwill associated with the Dermatology CGU was $26.1 million after the acquisition. Having recognised a $(2.8) million impairment in 2018 and the $(11.9) million impairment in 2019, the goodwill associated with the Dermatology CGU stands at $11.4 million.

In Note 19 (page 157 – Other operating income), the company and its former lead independent director, Mr. Christopher Chong Meng Tak, agreed to a "full and final" settlement of $1.25 million, without any admission as to liability.

On 28 February 2020, the company updated shareholders that the former independent director has been charged with two counts of cheating in connection with his conduct in relation to the company's acquisition of the dermatology business.

(i) **Can the board help shareholders understand the role played by the then-lead independent director in the acquisition and if he had, directly or indirectly, caused the company to overpay for the acquisition of the dermatology business?**

Since then, the group has successfully recruited more medical professionals "organically", such as Dr. Lim Xue Yan and Dr. Irene Teo as Paediatricians in 2017; Dr. Liew Hui Min, dermatological specialist in December 2018; and Dr. Clara Ong, O&G Specialist and Dr. Petrina Wong, Paediatrician in 2019.

(ii) **Is the board/management now focused on bringing in more medical professionals through recruitment rather than making acquisitions of established clinics?**

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^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)