

ISEC HEALTHCARE LTD.
(Company Registration No. 201400185H)
(Incorporated in Singapore on 2 January 2014)
(the “**Company**”)

RESPONSE TO SGX QUERIES

The Board of Directors (the “**Board**”) of ISEC Healthcare Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) refer to the questions addressed to the Company from SGX. The Company’s responses to the queries are set out in this announcement.

Background:

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”.

Query 1:

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?

Company’s response:

The Company entered into a sale and purchase agreement (“SPA”) with the vendors in 2016 for the acquisition of the JL medical group of companies, in which the agreement included a clause on profit guarantee, for each of the five (5) financial years commencing from 1 January 2017. The Company does not have financial key performance indicators (“KPI”) for doctors so there is no inducement or pressure to interfere with the doctors’ management of patients. There is a complete independence of doctors within JLM medical group of companies from management and controlling shareholders in terms of decisions made on patient care, and handling and management of patients.

The intention of the profit guarantee contemplated under the terms of the SPA was to ensure that the “annual profit after tax” as represented by the vendors of JLM medical group of companies is a fair and feasible representation. Should there be any “material” discrepancy on the actual achievement, the vendors of JLM group of companies will make good the shortfall.

For avoidance of doubt, the resident doctor of the JLM group of companies may not be the same as the vendor of the JLM group of companies. Hence, such profit guarantee should not affect the professional judgement of the resident doctor. The vendors who are also resident doctors are mindful to act ethically, guided by the Singapore Medical Council’s (“SMC”) “Ethical Code and Ethical Guidelines” and “Handbook on Medical Ethics”. The management has always emphasized to all doctors that patients’ interests should be placed on the priority, and that clinical judgment and treatment should never be clouded by any financial or monetary considerations.

The three vendors who are doctors have each had more than 20 years of clinical experience and have always maintained a very high standard of medical ethics in their practice, and none has ever been involved in any medico-legal cases. When they entered into the sales and purchase agreement with the Company, they also reiterated to the management that patients’ interests will always take precedence over any financial or monetary consideration, and that the “profit guarantee” was just a business transaction and it should not and will not affect the way they practice medicine and treat their patients. Trust can only be earned through ethical practice and by always putting patients’ interest first. When the vendor-doctors recruited new doctors, they also looked for like-minded doctors who are ethical and patient-centric, for they know that the only way to have a successful medical practice is to have doctors who are not only competent but more importantly who are ethical and compassionate.

The revenue generated by JLM group of companies for the past 3 years from 2017 to 2019 has been consistent. The consultation fees have been relatively constant, and likewise the margins from the sale of medications has also been generally consistent over the past 3 years (being 2017 to 2019).

In addition, for the past 3 years from 2017 to 2019, the vendors made a “profit top-up”, as some of the acquired clinics from the JL medical group of companies did not meet the profit guarantee. This provides some indication that our doctors and staff are not under any pressure to meet the threshold for the profit guarantee, as the “annual profit after tax” would have been achieved had the doctors and staff been influenced by the profit guarantee. The profit guarantee arrangement was entered for a period of 5 years, and will be due to expire in year 2021.

Query 2:

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?

Company's response:

Our medical practitioners for JL medical group of companies are guided by the SMC's "Ethical Code and Ethical Guidelines" and "Handbook on Medical Ethics". The Group has also been placing strong emphasis to ensure our medical practitioners maintain proper medical practising licenses, in which the license may be subject to be revoked by SMC if our medical practitioners are found to behave unethically. In addition, our medical practitioners are also required to declare any claims made against them by the patients.

On top of that, the Board has a good corporate governance which provides an avenue for whistle blowing in confidence, should the staff be pressured or coerced by doctors to engage in non-ethical practices. The staff have been reminded to refer to the Whistle Blowing Policy for channels to report to the Board should any such issue arises. The Whistle Blowing Policy also provides an avenue for the patients and people in public to report to the Board if they are aware any non-ethical practices.

The management has always emphasized to all doctors that patients' interests should be placed on the priority, and that clinical judgment and treatment should never be clouded by any financial or monetary considerations.

We have stringent recruitment policy and processes and we select like-minded doctors with a strong sense of principles and medical ethics.

We regularly review any feedback or complaints by patients and we will act promptly and investigate any complaints by the patients especially with regards to any potential breach of ethical issues by our medical staff.

By Order of the Board

Dr. Lee Hung Ming
Executive Vice Chairman
26 June 2020

*This announcement has been prepared by the Company and its contents have been reviewed by PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist.*

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

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