Securities Investors Association (Singapore)
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www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: Clearbridge Health Limited

Stock code: 1H3

Meeting details:
Date: 28 June 2023
Time: 10.00 a.m.
Venue: <<live webcast>>

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Q1. Losses from continuing operations were $(11.4) million and $(13.9) million in FY2022 and FY2021 (restated) respectively. The group has accumulated losses of $(54.5) million as at 31 December 2022.

(i) **Operating performance of medical clinics/centres:** Segment gain/(loss) was $1.4 million and $(1.3) million in FY2022 and FY2021 respectively. **What are the management's strategies and priorities to improve the profitability of medical clinics/centres?**

(ii) **Scale:** In FY2022, the group achieved total revenue of $47.8 million, with $930,000 originating from regions outside Singapore. **Will the board assess the viability and profitability of the group's regional operations, including the scale (or lack thereof), in the Philippines, Hong Kong, Malaysia, and China?**

(iii) **Strategic investments: Can the board/management (re)state the group's business model and competitive advantage in strategic investments? Has the board reviewed the long-term performance of the company's strategic investments? What adjustments will the board be making to its investment criteria?**

(iv) **Biolidics: How will the group monetise (and maximise) the value of its remaining 10.22% stake in Biolidics?**

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Q2. The disposal of Clearbridge Medical Asia Pte Ltd and SAM Laboratory Pte Ltd was completed in October 2022 and the sale consideration of $11.0 million was satisfied entirely by the issuance of convertible exchangeable bonds by Lunadorii Inc. (the "purchaser").

As noted in the independent auditor's report, the group has estimated the fair value of the convertible exchangeable bonds at inception to be $10,625,000 (Note 32). This valuation is highly subjective as the convertible exchangeable bonds is a complex instrument (includes embedded derivative) and its value is sensitive to the forecast of their future cash flows and other significant inputs such as discount rate, long term growth rate, probability of default event and liquidity event (Note 34). The independent auditor has stated the following:

Due to lack of other reliable or publicly available information about the Purchaser, [they] were also unable to assess the reasonableness of the fair value using other reliable valuation method. Consequently, they are unable to determine the reasonableness of the fair value of the convertible exchangeable bonds of $10,625,000 at inception.
The group has also represented that the fair value of the convertible exchangeable bonds as at 31 December 2022 continues to approximate $10,625,000 as ascertained at inception.
Due to lack of information available to support this assumption, they were unable to ascertain the reasonableness of this basis. As a result, they are unable to determine if the carrying value of the convertible exchangeable bonds as at 31 December 2022 is appropriately stated, and whether any adjustments might have been found to be necessary.

(i) **What were the board's deliberations regarding the satisfaction of the sale consideration by the issuance of convertible exchangeable bonds by Lunadorii Inc? Did the board negotiate for cash settlement?**

(ii) The maturity date of the bonds is on 7 October 2025. **How confident is the board/management on the ability of the purchaser to redeem the bonds?**

(iii) **Is the group now exposed to the creditworthiness of the purchaser? How will the board/audit committee (AC) be monitoring this risk?**

In addition, as part of the disposal, the group recognised loans receivable due from certain entities within the disposed group and the purchaser amounting to $12,054,571 as at 31 December 2022 (Note 21 Other receivables). No expected credit loss has been recognised for this balance.

(iv) **What is the justification by management to not recognise any expected credit loss against this balance?**

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(v) The bulk of the amount ($11.75 million) has been recognised as non-current loan to third parties (page 115). **When will the outstanding loans be collected? What are the efforts by management to collect the amounts from CMBA, SAM Labs and the purchaser?**

(vi) **Separately, did the group provide any indemnity to the purchaser against any potential negative outcome arising from the litigation against CBMA and TMJ by PT Tirta Medika Nusantara ("TMN")?**

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Q3. The company's independent auditor has issued a disclaimer of opinion in their independent auditor's report dated 9 June 2023 in relation to the consolidated financial statements of the group and the company for the financial year ended 31 December 2022.

The auditor has not expressed an opinion on the financial statements as it has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit report on the financial statements because of the significance of the matters described in the basis for the disclaimer of opinion. The basis for the disclaimer of opinion is due to the auditors not being provided with sufficient information, including relevant financial and non-financial information, of the purchaser and the disposed groups, and other supporting information as a result of the company having difficulty accessing through the Purchaser the TMJ and IGM Information used by the group for consolidation purposes, as more particularly described below.

(i) **Can the AC help shareholders better understand their efforts in facilitating the independent auditor during the audit?**

(ii) **Did the AC procure the assistance of the disposed entities to facilitate the group's statutory audit by the independent auditors as part of the disposal agreement? If not, why not?**

In addition, the independent auditor has notified the board that they do not wish to seek re-appointment as the independent auditors of the company at the forthcoming AGM. Accordingly, Messrs Ernst & Young LLP (EY) will cease to be the independent auditors of the company following the conclusion of the forthcoming AGM.

The board has also confirmed that (i) there were no disagreements with EY on accounting treatment within the last 12 months, and (ii) the company is not aware of any circumstances connected with EY not seeking re-appointment as the independent auditors of the company that should be brought to the attention of the shareholders and which has not been disclosed.

(iii) **Can the AC clarify if it had invited EY to be re-appointed as the independent auditor of the company? When was the AC made known of EY's decision?**

(iv) **What criteria were used in the selection process for the new incoming auditor? Can the AC disclose the number of audit firms from which it requested proposals and the number of proposals received by the company?**

(v) **How did the incoming and outgoing auditors compare on the Audit Quality Indicators Disclosure Framework issued by ACRA?**

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

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