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: Singapore Medical Group Limited

Stock code: 5OT

Meeting details:
Date: 26 April 2021
Time: 3.00 p.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. Would the board/management provide shareholders with greater clarity on the following operational matters? Specifically:

(i) **Market positioning:** The group's vision and mission, including its core values, are shown on page 1 of the annual report. The group's brands, such as LSC Eye Clinic, The Cancer Centre, Cardiac Centre International, Astra Women Specialists, Kids Clinic, are also shown on the same page. **Has the board/management considered the benefits of a consistent/unified brand across the different specialisations?**

(ii) **COVID-19: Has the Safe Management Measures put in place to stop the spread of COVID affected the clinics' capacity? If so, what is the impact?**

(iii) **Organic growth:** Despite the pandemic, the group opened new clinics, extended to complementary verticals and established a new specialist vertical (pages 10 to 11 – Operations review). **What is the typical gestation period for a new clinic to achieve breakeven? Can management elaborate further on the pace of establishing new clinics/new verticals, given the impact of COVID on domestic demand and the slow re-opening of borders?**

(iv) **Vietnam: Can management provide shareholders with greater clarity on the operational and financial performance of its two medical centres in Ho Chi Minh?**

Q2. As at 31 December 2019, the group's goodwill amounted to $126.1 million for the Women's Health, Paediatrics, Diagnostic business and Aesthetics businesses. The breakdown of the goodwill can be seen on page 92 (Note 14 – Intangible assets: Impairment testing of goodwill).

During the financial year, an impairment loss of $3 million was recognised on goodwill attributable to the Paediatrics business in view of the projected decline in earnings arising from the negative impact of COVID-19 on the business. The carrying value of the goodwill attributed to the Paediatrics business has been reduced from $35.3 million to $32.3 million (page 92).

The "Impairment assessment of goodwill and investment in subsidiaries" is also a key audit matter highlighted by the independent auditor in their report (page 50). Management has disclosed that it had applied a higher long-term growth rate of 1.7% (FY2019: 1%) while the pre-tax discount rate remained at 10.5%.

(i) **What were the changes in the key assumptions used in the value-in-use calculations that led to a lower recoverable amount of the Paediatrics business?** Increasing the long-term growth rate would increase the recoverable amount, not decrease it.

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As disclosed on page 4, the group was impacted by travel restrictions as foreign patients historically contributed 15% to 20% of the group's revenue. It was stated that specialist verticals such as oncology and diagnostic imaging were most impacted as a result of the significant drop in the number of foreign patients seeking treatments in Singapore.

In the impairment testing of goodwill, only the paediatrics business recognised an impairment.

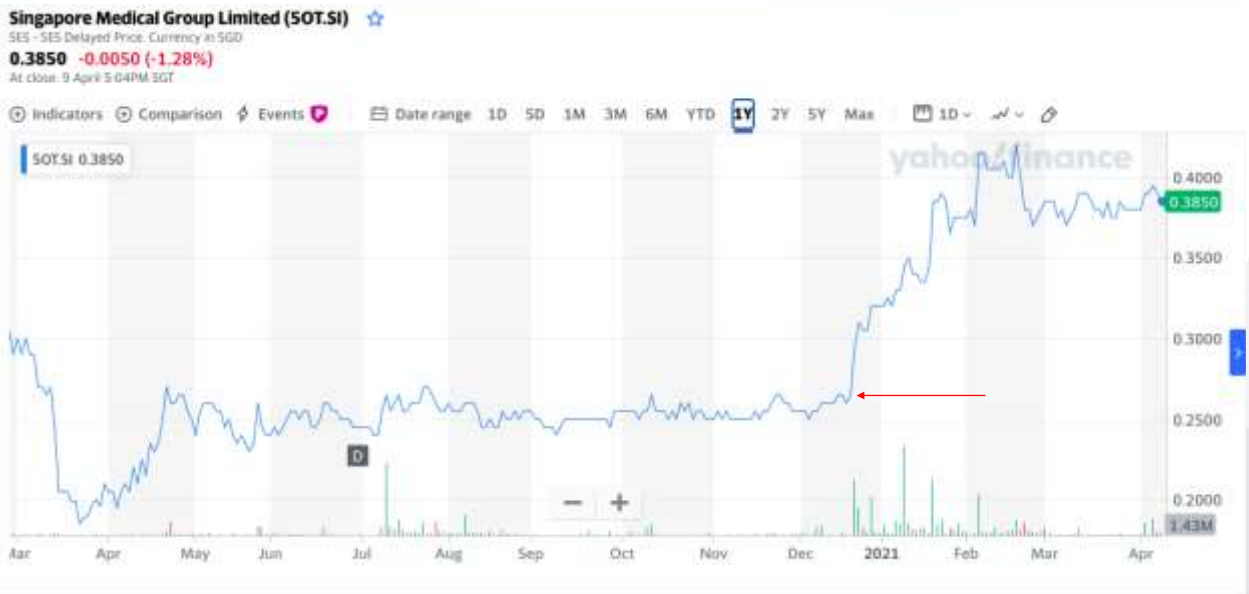
(ii) **Can management help shareholders better understand (and quantify) the impact of COVID on specialist verticals that were most affected, including paediatrics, oncology and diagnostic imaging?**

(iii) **Has the paediatrics business performed up to management's expectations prior to COVID?**

(iv) **What were the main structural and regulatory shifts across the paediatrics landscape (page 5) in Singapore that affected the group?**

Q3. On 18 December 2020, the company made a general announcement at 11:42pm which included a PDF document named "Project Super – Announcement". The company disclosed that it received a query from its sponsor regarding the unusual price movements and the significant volume of trading in the shares of the company on the Singapore Exchange Securities Trading Limited ("SGX-ST") today[1].

A Yahoo finance chart showing the price of the company's shares is reproduced below:



(Source: Yahoo finance https://sg.finance.yahoo.com/chart/5OT.SI/)

[1] https://links.sgx.com/1.0.0/corporate-announcements/LRMU2QYUP8UD66GF/c7dad121403d8eef91eddcd8a773d1878f06b314459b50aed6327243d8af3100

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The board disclosed that the company was in discussions with a third party regarding a possible transaction involving the company's shares. The board also cautioned that the discussions are preliminary and there is no certainty or assurance that such discussions will progress beyond the current stage or that any transaction will materialise as a result of such discussions.

The company last provided an update on 19 March 2021 stating discussions are ongoing and there is no certainty or assurance that any transaction will materialise from such discussions.

(i) **Who is leading the discussions with the third party?**

(ii) **What is the level of involvement by the board?**

(iii) **In addition, has the board/management reviewed the unusual price movements and the significant volume of trading as observed by the sponsor and carried out its own internal investigations?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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

Join our mailing list here to receive latest news and upcoming events.

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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