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**RESPONSES TO SIAS' QUESTIONS ON  
SINGAPORE MEDICAL GROUP'S ANNUAL REPORT FY2020**

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The Board of Directors (the “**Board**”) of Singapore Medical Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the questions on 15 April 2021 from the Securities Investors Association (Singapore) (“**SIAS**”) relating to the Annual Report for FY2020 as part of their initiatives to improve the quality of Annual General Meetings. The requisite replies are appended as follows:

*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 one of the annual report. The Group’s brands such as LSC Eye Clinic, The Cancer Centre, Cardiac Centre International, Astra Women’s 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.*

At present, each of these brands has established a longstanding reputation and has become recognisable amongst both existing and potential patients who may no longer be able to easily identify with a new unified brand. However, it is worthy to note that each of the Group’s clinics today are visibly co-branded as associates of Singapore Medical Group.

Looking ahead, the Board together with the Group’s management team will carefully study the merits of potentially unifying the brands and adjust its branding strategy accordingly.

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

The Group has implemented enhanced safe management practices and social distancing measures across all of its clinics.

During the Circuit Breaker Period, stricter safe management measures were introduced that had restricted the total number of patients that certain specialist clinics could see per day.

However, with the relaxation of these specific requirements following the circuit breaker period, the Group’s clinic capacity has not been materially affected.

- (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 breakeven? Can management elaborate further on the pace of establishing new clinics/new verticals, given the impact of COVID-19 on domestic demand and the slow re-opening of borders?*

Depending on the specialist vertical, the typical gestation period before a new clinic is able to breakeven is between 9 to 24 months.

Notwithstanding the challenging business conditions as a result of COVID-19 and closed borders, the Group will continue to chart organic growth initiatives in Singapore through the hiring of new specialists and the opening of new clinics in key and complementary verticals as and when opportunities arise. Any material developments on organic growth efforts will be announced to shareholders accordingly via SGXNet.



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

The Group's management has identified Vietnam as an exciting market to potentially further its overseas expansion and overarching overseas growth strategy of exporting Singapore's best healthcare practices out into the region.

Accordingly, to capture the rising demand for premium specialist healthcare against the backdrop of Vietnam's rapidly advancing economy, the Group opened a third medical centre in the prime District 1 of Ho Chi Minh City, Vietnam.

The Group's two medical centres in Ho Chi Minh City were able to withstand the impact from COVID-19 and emerged relatively unscathed from the pandemic. Looking ahead, the Group's medical centres are poised for growth. While the Group has established a strong hub of medical centres in Ho Chi Minh City, it is also exploring opportunities to establish a wider presence in Vietnam.

*Q2. As at 31 December 2019, the Group's goodwill amounted to S\$126.1 million for the Women's Health, Paediatrics, Diagnostic and Aesthetics business. 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 at 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 S\$35.3 million to S\$32.3 million (page 92).*

*The “Impairment asset 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 amount, not decrease it.*

The key change in assumption was the decline in projected earnings as a result of COVID-19. Accordingly, the Group recognised a non-cash impairment loss on goodwill amounting to S\$3.0 million in the Paediatrics business which was acquired in 2017.

For further information on the reasons behind the change in assumptions which led to the decline in projected earnings within the Paediatrics Business Unit, please refer to the response in Q2(iv) below.

*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 treatment in Singapore.*

*In the impairment testing of goodwill only the paediatrics business recognized an impairment.*



- (ii) *Can management help shareholders better understand (and quantify) the impact of COVID-19 on specialist verticals that were most affected including paediatrics, oncology and diagnostic imaging?*

The circuit breaker measures implemented by the Government of Singapore from 7 April 2020 to 19 June 2020 ("Circuit Breaker Period") resulted in all non-essential medical services being deferred in addition to the temporary closures of the Group's aesthetics, Lasik and health screening clinics. Accordingly, these specialist verticals were impacted significantly over the period.

Within the Oncology and Cardiology verticals, demand for the Group's specialist services continue to be affected by border restrictions resulting in a significant decline of medical tourists coming to Singapore.

However, management would like to reiterate that the Group saw strong, sustained pent up demand return across various specialist verticals following the Circuit Breaker Period including health screening, dental, Lasik and aesthetics. This momentum has continued into FY2021 as domestic demand remains resilient.

- (iii) *Has the paediatrics business performed up to management's expectations prior to COVID-19?*

Prior to the onset of COVID-19, the Paediatrics Business Unit performed within expectations.

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

The Covid-19 pandemic led to lockdowns, the enforcement of wearing masks, school closures, children no longer having co-curricular activities and less interaction overall with other children during FY2020. As a result, these structural changes led to less children falling sick and lower overall demand for paediatric services which impacted the Group's operations.

On the regulatory front, one such example is the Ministry of Health's enhanced subsidies for vaccinations recommended under the National Childhood Immunisation Schedule ("NCIS") and National Adult Immunisation Schedule ("NAIS") at all Community Health Assist Scheme ("CHAS") General Practitioner ("GP") clinics and polyclinics which took effect from 1 November 2020.

Under these enhanced subsidies, all eligible Singaporean children are also able to receive full subsidies for childhood developmental screening at all CHAS GP clinics and polyclinics, so that they may receive the necessary developmental assessments together with their childhood immunisations from their family doctor<sup>1</sup>.

While this is only one example, regulatory shifts such as the above may potentially impact future demand for private specialist paediatric services.

The Group's management continues to monitor the situation closely while formulating strategies to drive growth within the paediatric vertical.

<sup>1</sup> [https://www.chas.sg/news\\_events\\_article.aspx?id=1635](https://www.chas.sg/news_events_article.aspx?id=1635)

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<sup>2</sup>.

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



(Source: Yahoo finance <https://sg.finance.yahoo.com/chart/50T.SI/>)

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?

With regard to questions 3(i) and 3(ii), the Board refers to the update announcement published via SGXNet dated 15 April 2021 which states that the Company and the third party mentioned in the Announcements have decided not to proceed with further exploration of the transaction at this stage<sup>3</sup>.

Nevertheless, the Board reiterates that it continues to explore various avenues to enhance shareholder value, including corporate actions that can unlock value for shareholders.

Any material developments on future corporate actions will be announced to shareholders accordingly via SGXNet.

(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?

The Group's management had reviewed the unusual price movements and the significant trading volume. Save for the response announced via SGXNet on 18 December 2020, the Company's management was not aware of any information not previously announced concerning the Company which might have explained the trading activity.

<sup>2</sup> <https://links.sgx.com/1.0.0/corporate-announcements/LRMU2QYUP8UD66GF/c7dad121403d8eef91eddcd8a773d1878f06b314459b50aed6327243d8af3100>

<sup>3</sup> [https://links.sgx.com/FileOpen/SMG\\_Update%20Announcement\\_15042021.ashx?App=Announcement&FileID=661031](https://links.sgx.com/FileOpen/SMG_Update%20Announcement_15042021.ashx?App=Announcement&FileID=661031)



By Order of the Board

Dr Beng Teck Liang  
Executive Director and Chief Executive Officer  
23 April 2021

*This announcement has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("Sponsor") in accordance with Rule 226(2)(b) of the SGX-ST Listing Manual Section B: Rules of Catalist. This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Mr. Eric Wong, Director, Investment Banking, Singapore. The contact particulars are 50 Raffles Place #09-01 Singapore Land Tower Singapore 048623, Telephone: +65 6337 5115.*