



SINGAPORE O&G LTD.

(Company Registration No. 201100687M)

ANNUAL GENERAL MEETING 2020 – QUESTIONS AND RESPONSES

The following questions were received from the Securities Investors Association (Singapore) (“SIAS”) and the shareholders of Singapore O&G Ltd. (“SOG”, the “Company” or collectively with its subsidiaries, the “Group”) for the period from 6 to 19 May 2020 for the Company’s Annual General Meeting on 22 May 2020. Accordingly, please find below the responses from the Company.

Question 1

[Received from SIAS, Shareholders: Ms. Ong Chye Hong, Mr. Ng Chee Kiong and Mr. Tan Yong Nee]

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?**

Our Responses

All our clinics remained open even during the Circuit Breaker period. However, we need to adhere to the MOH guidelines of providing only essential services to our patients. These includes pregnancy-related cases and other urgent medical conditions that cannot be delayed.

Our Dermatology clinics are also operational during the Circuit Breaker period although aesthetics and related services are not available.

Due to the regional and global travel restrictions, it further impacts the Singapore’s medical tourism and healthcare industry.

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

Our Responses

As a healthcare group, our Specialist Medical Practitioners have assisted in patients' education efforts to help them better understand the impact of COVID-19 on pregnancy, precautionary measures for themselves and their families, and the care of their new-borns and children. They also helped in the discussion and preparation of the protocols in handling the pandemic in the various private hospitals.

Question 2

[Received from SIAS]

For FY 2019, revenue increased by 14.6% to S\$39.8 million, consumables and medical supplies used increased by 32.7% from S\$4.9 million to S\$6.5 million, and employee remuneration expense increased by 21.7% from S\$13.5 million to S\$16.5 million.

As a result, before taking into account the impairment of goodwill, profit from operations fell 8.1% from S\$13.7 million to S\$12.5 million in FY 2019.

The breakdown of the increase can be seen in Note 21 (page 157 of the Annual Report 2019 – Employee Remuneration Expense).

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 S\$0.5 million for incentive bonus for the specialist medical practitioners.

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

Our Responses

Our remuneration compensation entails a fixed annual base salary and incentive profit-sharing bonus.

- (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?**

Our Responses

We have stringent recruitment guidelines and processes and we recruit like-minded Specialist Medical Practitioners to the Group. The quality of their work is monitored and the Group has a medical review committee to review medical complaints. In addition, we review our patients' feedback regularly and will investigate and take appropriate actions where necessary against any of our Specialist Medical Practitioners for complaints relating to ethical issues.

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

Our Responses

The increase in employee remuneration expense for FY 2019 was largely due to the expansion of the Group with the recruitment of four new Specialist Medical Practitioners i.e. two (2) Paediatricians, one (1) Dermatologist and one (1) O&G Specialist.

Question 3

[Received from SIAS]

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

In fact, goodwill associated with the Dermatology cash-generating-unit (“CGU”) was S\$26.1 million after the acquisition. Having recognised a S\$2.8 million impairment in 2018 and the S\$11.9 million impairment in 2019, the goodwill associated with the Dermatology CGU stands at S\$11.4 million.

In Note 19 (page 157 of the Annual Report 2019 – Other Operating Income), the Company and its former lead independent director, Mr. Christopher Chong Meng Tak, agreed to a “full and final” settlement of S\$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?**

Our Responses

In November 2017, the Company learnt that Mr. Christopher Chong (“**Mr. Chong**”) had concealed from the Company and Dr. Joyce Lim the fact that he had an interest in a Hong Kong private limited company, Paromay Limited, and that Paromay Limited would receive S\$1.5 million from Dr. Joyce Lim in connection with the acquisition of the business and medical practices of JL Laser & Surgery Centre Pte. Ltd., JL Esthetic Research Centre Pte. Ltd. and JL Dermatology Pte. Ltd.. Consequently, the Company issued a letter of demand on 7 December 2017 to Mr. Chong demanding his immediate resignation as independent director and claiming for S\$1.5 million from Mr. Chong.

Proper due diligence was conducted at the point of acquisition and the Board and management felt it was a fair and strategic acquisition, in line with SOG’s future plans as set out at IPO.

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?**

Our Responses

The Group is always looking to bring in more like-minded Specialist Medical Practitioners to grow with us, and it is not limited to ways of recruitment or acquisitions of established clinics.

Question 4

[Received from Shareholder: Ms. Ong Chye Hong]

This is history but given the impairment effect on the Group's results, should we be concerned with the basis of valuation of Dr. Joyce's practice?

Our Responses

At the point of acquisition, proper due diligence was conducted and the Board and management felt it was a fair and strategic acquisition which is in line with SOG's future plans as set out at IPO.

The acquisition of Dr. Joyce Lim's business and medical practices has:

- Provided the Group with in-roads into the practice of dermatology which SOG was not formerly engaged in.
- Has provided the Group with a diversified and recurrent stream of revenue.
- Enabled the Group to accelerate the expansion of healthcare offerings that are complementary to women's healthcare. With hormone changes, many pregnant women will encounter skin problems and we are able to provide an extension of this service with our Dermatology segment.

Dr. Lim comes with strong credentials and is a well-regarded skin specialist with more than two decades of experience. She also has a pool of regular patients that have stayed with her for many years. However, dermatology business is dependent on the treatments and procedures that patients require and they vary in prices, and this market is also getting more competitive.

Question 5

[Received from Shareholder: Ms. Ong Chye Hong]

Moving forward, what are the controls in place for acquisitions of new business?

Our Responses

The Company adheres to strict corporate governance principles and remains committed to good corporate practices. We have stepped up our internal control framework to strengthen our policies, processes and procedures to mitigate future risks more effectively.

Question 6

[Received from Shareholder: Mr. Ng Chee Kiong]

On page 4 of Annual Report 2019, Chairman's Statement, "Notwithstanding the impairment of goodwill of S\$11.9 mil in FY 2019, the group posted a net profit after tax of S\$10.8 mil".

Note 5, page 147 of the Annual Report 2019, the goodwill impairment was due to the Dermatology segment. Can the board briefly explain how the amount of S\$11.9 mil is arrived in layman term? What are the factors are considered in the goodwill impairment? In the event if Dermatology business segment due to unforeseen factors such as COVID-19 and is making a loss in FY 2020, will the remaining goodwill of S\$11.4 million for Dermatology be impaired?

Our Responses

The carrying amount of the goodwill is subject to impairment review at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated.

The goodwill impairment of S\$11.9 million relates to the excess of the carrying amount over the recoverable amount of the CGU i.e. Dermatology segment as at 31 December 2019.

The recoverable amount of the CGU was determined based on value-in-use calculation. The value-in-use calculation was derived by using discounted cash flow method based on financial forecast prepared by management and adjusted to market's participants' perspective. Market assumptions including market participants' margins and cash conversion cycle based on the latest publicly available information.

In a simple explanation, the Company had paid more than the fair value of identifiable assets back then, and the value of this acquisition (asset) declined by S\$11.9 million in FY 2019. Some of the factors considered in the impairment review includes the current value of future streams of cash flow.

We are unable to predict the goodwill impairment for FY 2020, but we will strive to improve the earnings of our Dermatology segment.

Question 7

[Received from Shareholder: Mr. Chua Chin Heng]

- (i) **With reference to SOG's press release on 28 February 2020 on CPIB's press release on 27 February 2020, please elaborate on any new development post SOG's press release on 28 Feb 2020.**

Our Responses

The Company have fully co-operated with CPIB in their investigation and we do not have any new development to be announced.

- (ii) **With reference to point 3 of SOG's press release, it states that "Paromay Limited would receive S\$1.5 million from Dr. Joyce Lim in connection with the acquisition of JL's Business". This raises the question of:**

- **whether there was due diligence conducted on Paromay Limited as part of the acquisition process;**
- **whether Dr. Joyce Lim and SOG was aware of this arrangement as part of the Company's acquisition process;**
- **whether Dr. Joyce Lim's payment to Paromay Limited was documented; and**
- **were there acquisition/compliance processes to address issues of possible irregularities that could arise from the acquisition.**

Our Responses

The Company is not aware of the arrangement during the acquisition process and the conflict of interest concerning Paromay Limited came to light through the Group's whistle-blowing policy after the acquisition process was completed. Due to this, due diligence was not conducted on Paromay Limited.

Proper due diligence was conducted at the point of acquisition and the Board and management felt it was a fair and strategic acquisition.

Question 8

[Received from Shareholder: Mr. Tan Yong Nee]

Please explain why dividend was cut and state clearly when dividend payment will be restored.

Our Responses

At SOG, we focus on business sustainability and steady growth year-on-year.

The payment of dividend is at the discretion of our Board of Directors with consideration of several factors such as the Group's earnings, financial position and capital needs for the Group's operations and expansion plans.

We will continue to grow the Group to maximise returns for our shareholders.

For FY 2019, an interim dividend of 0.62 Singapore cents per share has been paid on 3 September 2019.

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This announcement has been prepared by the Company and its content have been reviewed by the Company's Sponsor, 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 Catalyst.

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 statements or opinions made or reports contained in this announcement.

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