

SINGAPORE PAINCARE HOLDINGS LIMITED
Company Registration No.: 201843233N
(Incorporated in the Republic of Singapore)

**RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)
("SIAS") ON ANNUAL REPORT 2021**

Unless otherwise defined, all terms and references used herein shall bear the same meanings ascribed to them in the annual report issued to shareholders on 30 September 2021 (the "Annual Report").

The Board of Directors (the "**Board**") of Singapore Pincare Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to address questions received from SIAS in relation to the Annual Report for the financial year ended 30 June ("**FY**") 2021. There are no queries received from shareholders. The Company wishes to provide the questions received and the corresponding responses in advance of the annual general meeting as follows:

Question 1

In November 2020, the company issued new shares to non-profit TCM services provider Sian Chay Medical Institution ("**Sian Chay**") that resulted in Sian Chay owning approximately 10.02% of the group's enlarged share capital for \$3.96 million. Following an off-market transaction, Sian Chay now holds 15.78% of the company.

- (i) Can the board provide shareholders with greater clarity on its current growth strategy given the investment by Sian Chay and the impact COVID-19 on the operational landscape? In particular, please provide an update on the group's regional/international expansion plans. Has the board set a limit to the capital earmarked for foreign expansion?
- (ii) Are there any collaborations with Sian Chay Medical Institution? Has the group appointed any adviser to help with its TCM drive (as disclosed in the company's announcement dated 17 November 2020)?
- (iii) In the letter to shareholders (page 4), it was stated the group will actively explore opportunities to grow its rehabilitative services through the setting up of new physiotherapy and TCM centres with the recruitment of relevant physiotherapists and TCM practitioners. Can the board elaborate further on the mid-term growth targets (i.e. 3 to 5 years) for the group's expansion into physiotherapy and TCM centres? How significant will be the revenue in this sub-segment?

Company's response:

- (i) As referred to in the Annual Report, as countries bring the Covid-19 situation under control, the Group looks forward to exploring opportunities for geographical expansion. It may expand its business in the region to countries such as Indonesia, Philippines, Malaysia, Vietnam and the People's Republic of China through franchising, joint ventures, acquisitions or strategic alliances as and when the opportunity arises. Please refer to the Company's offer document dated 13 July 2020 for further details.

As disclosed in the Company's announcement dated 17 November 2020, the Group has allocated 50% of the subscription net proceeds received from Sian Chay, being S\$1.975 million, for the purpose of expanding business operations locally and regionally.

- (ii) As mentioned in the Company's announcement dated 17 November 2020, the Group has since appointed Mr. Toh Soon Huat ("**Mr Toh**"), the full-time volunteer Executive Chairman of Sian Chay, as an Adviser to the Company. Mr Toh has been advising the Group on publicity and TCM-related matters. The Group is currently exploring various opportunities to venture into the TCM business.
- (iii) The Group intends to expand its range of treatments in order to become a one-stop centre of pain care treatment including alternatives to western medicine such as TCM and physiotherapy services. The expansion of such services would enable the Group to provide a wider spectrum of pain treatments. There is also potential for an increased patient base from such alternative services for the Group's specialist and primary care services. As the Group's core business remains in providing pain care and primary care services, the revenue from these alternative pain treatments is not expected to be significant in the near future.

Question 2

Despite the challenges brought about by the pandemic, the Company expanded its network with the addition of two specialists and three primary care clinics. The new clinics are:

- Binjai Medical and Paincare Clinic (GM Medical Clinic) (51%; August 2020)
- KCS Anaesthesia Services Pte. Ltd. (40%; December 2020)
- CS Yoong Anaesthesiology and Pain Services Pte. Ltd. (100%; March 2021)
- Kovan Medical and Paincare Clinic Pte. Ltd. (60%; May 2021)
- Medihealth Bishan Clinic & Surgery (60%; July 2021)

The group has also expanded its range of treatment options for patients suffering from acute, chronic and post-operative pain through the establishment of Ready Fit Physiotherapy Private Limited in November 2020, to offer post-operation rehabilitation services.

- (i) How does management identify specialists and primary care providers as it expands the group's network?
- (ii) How does management ensure that the doctors and practitioners who join the group fit in with the group's culture, share the vision and are able to consistently provide a high level of care for patients?
- (iii) Of the group's total assets of \$31.2 million (FY20: \$17.1 million), \$6.47 million (FY20: \$6.00 million) is allocated to goodwill. How does the group ensure that it does not overpay for its acquisitions as it embarks on its expansion? The impairment assessment of goodwill is one of the key audit matters highlighted by the independent auditors (page 46) in the independent auditors' report.
- (iv) Has the board/management considered the benefits of a consistent/unified brand for all its clinics to further consolidate its market positioning?

As disclosed in the letter to shareholders, management regards paincare as a specialised field that requires rigorous training and all GP doctors in the network are trained and certified as "Paincare GPs" by the group's Singapore Paincare Academy prior to offering any services.

- (v) Can management help shareholders understand if the “Paincare GP” certification is an internal accreditation given to doctors in its network? Are there any equivalent national/international accreditation?
- (vi) How does the group determine the appropriate level of paincare? What safeguards are there to ensure that doctors do not overprescribe pain medication?
- (vii) In addition, what are the internal controls put in place by management and by the board to ensure that doctors in the group’s network (including associates) keep and maintain proper medical records?

Company’s response:

- (i) The management identifies specialists and general practitioners through their professional networks and/or recommendation by consultants.
- (ii) General practitioners (“**GP**”) and pain care specialists who join the Group have undergone rigorous training conducted by Dr. Bernard Lee, the Group’s Executive Director and Chief Executive Officer, in respect of pain care services. In addition, general practitioners who join the Group would have worked as a locum doctor in the Group’s primary care clinics for a few months to understand the Group’s culture, mission and vision before joining as a business partner. In order to maintain the quality of services and standards across the board, all clinics are also subject to regular internal team audits.
- (iii) For new acquisitions in FY2021, the respective purchase consideration was arrived at based primarily on negotiations between the Company and the sellers on a “willing-buyer, willing-seller” basis with reference made to the price-to-earnings ratio, profitability analysis, synergies of the combination and the Company’s knowledge of the similar transactions.

Furthermore, based on the assessment performed in this financial year, the recoverable amounts of the cash generating units are higher than the carrying amounts of the acquisitions.

- (iv) For a new organic clinic set up, the Group has established the branding of “DR+ Medical and Paincare Center” to enhance a more consistent branding. However, for an inorganic clinic acquisition, the Group has previously maintained the clinic name in view of the goodwill associated with the acquired clinic, and may continue to do so.
- (v) The “Paincare GPs” certification is an internal accreditation given to all general practitioners in the Group who have undergone the training. There is no equivalent national/ international accreditation.
- (vi) As mentioned in the Company’s response to Question 2 (ii), all GPs and pain care specialists undergo rigorous training to deliver pain care services professionally (including delivery of the right level of medication). All clinics are subject to the Group’s internal team audits to ensure that the standard and quality of services given to the patients are consistent. Furthermore, the Group has set up a Medical Ethics and Advisory Committee (“**Committee**”) which looks into the ethical and professional conduct of all of the doctors. Any mishaps or any patient’s complaint would be addressed by the Committee, which looks into morbidity and complications arising from any treatment, pain care or otherwise.

- (vii) In FY2021, the Group embarked on a series of productivity enhancement initiatives, including digitalising its customer relationship management processes so as to improve patient services and its medical recording system. As for the associates, the Group only has significant influence as an investor to participate in discussions on their financial and operating policies. The Group is not able to make decisions and does not have any control or joint control over their policies.

Question 3

As noted in the corporate governance report, the company has appointed RSM Risk Advisory Pte Ltd (“RSM”) as the internal auditor to carry out its internal audit on the system of internal controls. RSM is a corporate member of the Institute of Internal Auditors Singapore. The internal audit team has unrestricted access to the company’s documents, records, properties and personnel, including the audit committee (AC).

The internal audit team is staffed with personnel with relevant qualifications and experience and takes reference from the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors when performing their reviews (page 34).

- (i) Can the AC elaborate further on the scope of the internal audit?
- (ii) Does the internal audit cover the medical aspects of the group’s operations?
- (iii) Were the group’s associates included in the internal audit?

The AC disclosed that it had reviewed the findings of the internal auditors and noted that the company is closely monitored to ensure timely and proper implementation of the internal auditors’ recommendation. No material internal control weaknesses had been raised by the internal and external auditors in the course of their audits for FY2021 which have not been adequately addressed (page 31).

- (iv) What are the key findings of the internal audit? Can the AC clarify if there were any material internal control weaknesses raised by the auditors?
- (v) What are some of the improvements made to the group’s internal controls following the recommendations made by the internal auditors?

Company’s response:

- (i) As disclosed in Page 34 of the Annual Report, the internal auditors had completed an internal control review of the Group in FY2021. The work done carried out consisted of the review of key processes, such as compliance and risk management, as well as patient registration and fee processing.
- (ii) The internal audit function covers the system and processes of the clinic operations of the Group. It does not review the medical work aspects of the Group.
- (iii) Associates are entities which the Group has significant influence but not control, as referred to in the response to Question 2 (vii) above. Accordingly, the internal audit function of the Group does not carry out work done on its associates.

- (iv) The AC wishes to clarify that the findings raised by the internal auditors in respect of FY2021 were mainly related to the formalisation and/or standardisation of certain policies and procedures of the Group. These were observations highlighted by the internal auditors for improvement purposes, which were not considered material internal control weaknesses.
- (v) The management is currently working on formalising and/or standardising certain policies and procedures of the Group following the recommendations made by the internal auditors. The management will ensure the promptness and timeliness in the implementation of these recommendations. A follow-up audit will be carried out by the internal auditors during their next scheduled visit in FY2022.

By Order of the Board

Lee Mun Kam Bernard
Executive Director and Chief Executive Officer

14 October 2021

Singapore Paincare Holdings Limited (the “**Company**”) was listed on Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 30 July 2020. The initial public offering of the Company was sponsored by Novus Corporate Finance Pte. Ltd. (the “**Sponsor**”).

This announcement has been prepared by the Company and reviewed by the Sponsor, in compliance 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.

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