ACCRELIST LTD. (亚联盛控股公司)

(Company Registration No. 198600445D)
(Incorporated in the Republic of Singapore)

RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

The board of directors (the "**Board**" or "**Directors**") of Accrelist Ltd. (the "**Company**" or "**Accrelist**", together with its subsidiaries, collectively the "**Group**") refers to the Company's Annual Report for the financial year ended 31 March 2024 ("**Annual Report 2024**") and the Notice of Annual General Meeting ("**AGM**") dated 16 July 2024 in relation to the AGM to be convened and held at 10 Ubi Crescent, #02-07 Ubi Techpark Lobby A, Singapore 408564 on Wednesday, 31 July 2024 at 1.00 p.m., both of which were issued by the Company on 16 July 2024.

Unless otherwise defined, all capitalised terms used in this announcement shall have the same meanings ascribed to them in the Annual Report 2024.

As at the stipulated deadline for submission of questions (being on 23 July 2024), the Company has received the following questions from Securities Investors Association (Singapore) ("**SIAS**") and the Board wishes to provide the Company's responses to these questions as set out below.

<u>Questions received from SIAS:</u>

1. With the acquisition of SJY Medical's four Singapore-based clinics in April 2023, the total number of clinics operated by the group expanded to 14. The group acquired a 51% equity interest in SJY Medical Pte Ltd for an aggregate consideration of $550,000, consisting of $275,000 in cash and the issuance of new ordinary shares in the company. $157,000 in goodwill was recognised and fully impaired within the year.

   Despite the chairman's remarks on the AMS segment gaining greater recognition as one of the market leaders in Singapore, total revenue declined from $14.1 million to $13.3 million, even with the acquisition of four new clinics.

   (i) Can management explain the factors contributing to the decline in revenue despite the acquisition of new clinics? In addition, can management provide the year-on-year same-store sales performance to give a clearer picture of underlying trends?

   Post-Covid exuberance in consumer spending which stimulated demand in FY2023 has receded while increased outbound travel in FY2024 fuelled by a stronger Singapore dollar continues to divert some demand away from Singapore's consumer sector. Furthermore, inflationary pressures and the increase in GST rate has prompted belt-tightening among consumers. These trends contributed to the decline in revenue for FY2024.

   While the Group is unable to provide commercially sensitive information on the performance of individual stores, we continue to evaluate all of our clinics to ensure that they align with our long-term objectives and meet our performance criteria. As part of our ongoing process of network optimisation, the Group is prepared to make necessary adjustments to our network to maintain our competitive edge and drive sustainable growth.

   (ii) Can management elaborate on the significant decrease in gross profit margin from 44% in FY2023 to 32% in FY2024? How does management plan to address these issues to restore and improve margins?

   Following the acquisition of the SJY Clinics, the Group faced challenges in the integration process to align the service standards and operations of the SJY Clinics with that of the wider A.M Aesthetics network. The Group has invested in additional hiring as well as training by external consultants to address the challenges in pursuit of a turnaround.

We continue to evaluate all of our clinics to ensure that they align with our long-term objectives and meet our performance criteria. As part of our ongoing process of network optimisation, the Group is prepared to make necessary adjustments to our network to maintain our competitive edge and drive sustainable growth.

(iii) Please provide a breakdown of the administrative costs and elaborate on management's key priorities to return the AMS segment to profit in FY2025.

In line with the network expansion, additional hiring and training were necessary to maintain the high levels of service across the A.M Aesthetics network. The SJY Clinics also incurred one-off costs as part of the rebranding. These additional costs incurred in connection with the turnaround efforts for SJY Clinics contributed to higher administrative costs for FY2024.

The Group's key priorities are to ensure that all staff across the A.M Aesthetics network are committed to upholding the highest standards of service through continuous improvements.

Looking ahead towards FY2025, we continue to evaluate all of our clinics to ensure that they align with our long-term objectives and meet our performance criteria. As part of our ongoing process of network optimisation, the Group is prepared to make necessary adjustments to our network to maintain our competitive edge and drive sustainable growth.

(iv) Can management elaborate on the rationale for acquiring SJY Medical, given that the clinics have since been rebranded under A.M Aesthetics? Has the rebranding led to a significant change in the revenue of the four acquired clinics?

The acquisition of SJY Medical was aimed at further expanding the Group's presence across Singapore to reach more customers.

The Group's primary focus in the aesthetics sector first began with the acquisition of Refresh Laser Clinic in 2018, an existing chain of four medical aesthetic clinics which were later rebranded as A.M Aesthetics. This first rebranding exercise under the strategic leadership of Dr Terence Tea has enabled the Group to build its own brand as one of the market leaders in Singapore, and reflects the Group's clear strategy to accelerate expansion with a combination of organic and inorganic growth.

The Group will continue to focus on the A.M Aesthetics brand. A consistent brand across multiple locations creates a unified platform for our marketing efforts and aligns the acquired clinics with the values and service standards of the wider A.M Aesthetics network.

(v) Given the current losses in the aesthetics operations within Singapore, what specific strategies and market analyses have convinced management that this is the right time for expansion outside of Singapore? How does the company plan to mitigate risks associated with this expansion?

Expansion outside of Singapore has long been a strategic goal for the Group in order to grow and diversify its revenue streams. Given that the expanded reach of the Group's local network of medical aesthetic clinics now offers comprehensive coverage across Singapore, the next step would be to establish a presence overseas.

The Group has had an overseas presence in Malaysia and continues to prepare for future expansion outside of Singapore. The planned acquisition of a 60.0% equity stake in Accrelist Nanjing reflects our optimism in China's thriving medical aesthetics market. We will continue to collaborate with experienced local partners who have deep sector knowledge in order to mitigate risks associated with overseas expansion.

2. Mr Chin Sek Peng was appointed as independent director, chairman of the audit committee and member of the remuneration and nomination committees of the company on 26 March 2024.

Mr Chong Eng Wee was appointed as independent director and member of the audit and remuneration committees of the company on 5 July 2024.

(i) Would the nominating committee (NC) elaborate further on the rationale, selection criteria, board diversity considerations and the search and nomination process, that led to the nominations and appointments of the independent directors, as required in the SGX template?

As disclosed in the corporate governance report in the Annual Report 2024, the Company adheres to a Board Diversity Policy which sets out guidelines in identifying nominees for directorship positions, focusing on a balanced mix of expertise, complementary skills, core competencies, and experiences. The Company is dedicated to building a diverse, inclusive, and collaborative culture, recognising that differences in skills, experience, background, gender, age, ethnicity, and other factors are essential for achieving strategic objectives and sustainable development. All board appointments are made to ensure the Board can effectively discharge its duties and support the Company's core businesses and strategy.

The appointment of Mr Chin Sek Peng and Mr Chong Eng Wee to the Board brings a diverse mix of experience and expertise. Their collective wealth of experience and deep expertise in accounting, finance, law and regulatory compliance will undoubtedly contribute to the Group's continued success as well as strengthen the Board's collective stewardship.

(ii) Can the NC provide details on the number of director candidates interviewed during the recent search and nomination process? Specifically, how many of these candidates were female, and what efforts were made to ensure gender diversity in the selection pool?

The Board sought references and recommendations for candidates from its own network of contacts as well as the Singapore Institute of Directors to ensure diversity in the selection pool. Female candidates were part of the selection pool and the shortlist of candidates included one female candidate who later decided to pursue other opportunities instead.

The Board recognises that gender diversity is a key recommendation under the Code to ensure an appropriate balance and diversity. The Board Diversity Policy emphasises that all candidates for Board and senior management positions must be duly qualified, with equal opportunities provided to both women and men during the selection process. Subject to the availability of suitable candidates, the board will exercise its best endeavours to appoint at least one female director in the future to safeguard against gender bias, foster a diversity of views in board stewardship and support the advancement and development of female executives.

(iii) Has the board assessed its diversity, considering factors such as gender, skills, experience, and background? How does the current composition align with the company's Board Diversity Policy and strategic objectives?

Please see response to 2(i) and 2(ii). As disclosed in the corporate governance report in the Annual Report 2024, the Board is of the opinion that, given the scope and nature of the Group's operations, the present size of the Board, is appropriate for effective decision making.

3. The company holds a 53.31% controlling stake in Catalist-list Jubilee Industries Holdings Ltd. and recently, in July 2024, invested in a 28.53% strategic stake in Bursa Malaysia-listed MClean Technologies Bhd, a precision cleaning and packaging services provider for various industries.

(i) Can the board/management clarify the strategic rationale behind the investment in MClean Technologies? How does this align with the group's primary focus in the aesthetics sector, and what is the planned exit strategy for this stake?

The Group has a successful track record of value creation through strategic investments, having recently realised the gains in its investment in Bursa Malaysia-listed EG Industries Berhad in FY2023. MClean Technologies was identified as a potentially viable investment opportunity at an attractive entry price vis-à-vis its share price at the time of the acquisition.

MClean Technologies caters mainly to customers in the hard disk drive, consumer electronics, and oil and gas sectors. Given the experience of its senior management in the consumer electronics industry, the Group anticipates potential strategic collaborations and cross-selling opportunities. These synergies could offer a pathway to expand Jubilee's customer base and leverage complementary strengths for future growth while the Group continues to work towards improving the performance of Jubilee's MBU.

The investment is aligned with the Group's long-standing involvement in the consumer electronics sector through its stake in Jubilee which pre-dates the Group's diversification into the medical aesthetics market.

Having just completed the acquisition of MClean Technologies on 2 July 2024, it is premature to discuss the Group's exit strategy for this stake. Accrelist's mission statement is to uncover new opportunities and unlock value with a multi-year investment horizon. The Group will update shareholders as and when any future developments regarding its stake in MClean Technologies may arise.

Separately, Jubilee, following the disposal of its Electronics business unit and other stakes, has declared its intention to return a portion of the sale proceeds to the fullest extent permissible under the laws in an effective and cost-efficient manner.

(ii) Can management detail the specific regulatory, legal, and financial challenges that have impeded Jubilee's ability to return capital to shareholders? What steps are being taken to overcome these obstacles?

Any decision to declare or recommend dividends lie with the Board of Jubilee, a separately listed company. We continue to engage Jubilee's management closely and understand that Jubilee continues to assess various options for capital deployment, which may include dividends or other means of returning value to shareholders, as circumstances permit.

(iii) How is management helping the subsidiary in navigating the relevant laws and regulations for capital return? How is management ensuring that the chosen method is the most effective and cost-efficient?

Please see response to 3(ii).

(iv) What specific plans does the company have for utilising the proceeds from Jubilee's distribution? Will these funds be returned to shareholders?

Please see response to 3(ii).

BY ORDER OF THE BOARD

Dr. Terence Tea
Executive Chairman and Managing Director

26 July 2024

This announcement has been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

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