

MEDINEX LIMITED

Incorporated in the Republic of Singapore

Registration No. 200900689W

**RESPONSE TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)
ON ANNUAL REPORT 2024**

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 10 July 2024 (the “**Annual Report**”).

The Board of Directors (the “**Board**”) of Medinex Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the questions raised by the Securities Investors Association (Singapore) (“**SIAS**”) relating to the Company’s Annual Report for the financial year ended 31 March 2024 and appends the replies as follows:

Question 1 from SIAS:

Q1. As shown in Note 33 Segment information (page 86), the pharmaceutical services segment and medical services segment were loss-making in FY2024. Specifically, underperformance of two clinics under Sen Med Holdings—X-ray + Medical Screening and Family Clinic at Towner—saw their revenue decrease by 56.6%, while the pharmaceutical business experienced a decline of 13.8%.

33. Segment information (Continued)						
Business segment (Continued)						
	Medical support services	Business support services	Pharmaceutical services	Medical services	Unallocated expenses	Consolidated
	\$	\$	\$	\$	\$	\$
Year ended 31 March 2024						
Revenue						
External revenue	4,543,014	4,224,356	3,308,244	508,891	–	12,584,505
Profit/(loss) from operations						
Share of results from joint venture, net of tax	–	–	–	–	174,331	174,331
Interest income	–	–	–	–	53,697	53,697
Inventories and consumables & changes in inventories	5,007	–	2,767,666	135,182	–	2,907,855
Finance costs	22,442	2,990	16,275	12,244	1,222	55,173
Depreciation and amortisation expenses	245,426	83,965	81,009	141,224	171,456	723,080
Employee benefits expense	600,865	1,075,853	568,356	181,853	2,919,126	5,346,053
Income tax expense	61,418	107,956	–	383	(20,827)	148,930
Reportable segment profit/(loss) before income tax	3,408,188	2,588,979	(177,726)	(134,124)	(4,669,185)	1,016,132
Net profit/(loss) for the financial year after income tax	3,346,770	2,481,023	(177,726)	(134,507)	(4,648,358)	867,202

(Source: company annual report; emphasis added)

In Note 15, it was further stated that the recoverable amount of the subsidiary (Sen Med Holdings Pte Ltd) is negligible. The 55% interest in Sen Med Holdings was acquired by the group in March 2019 at a cost of \$1.732 million, of which \$1.27 million was recognised as goodwill.

(i) **What were the underlying reasons for the decline in revenue from The Family Clinic @ Towner Pte. Ltd. and X-Ray + Medical Screening Pte. Ltd.?**

Currently, the group's remaining medical services operation is Express Medical Pte Ltd. It is noted that the group had also disposed of the company's entire equity interest of 5,677 shares in Nuffield Holdings Private Limited for a cash consideration of \$1.33 million, resulting in a loss of \$(56,042).

(ii) **Will the board put on hold any further acquisitions in the medical services segment and instead conduct a strategic review? What is the group's competitive advantage in investing in and operating medical services, which rely heavily on individual doctors?**

(iii) **Has the board reviewed the group's approach to making acquisitions involving significant goodwill? Has the board considered providing guidance to management on structuring deals to protect against downside risk?**

(iv) Separately, it was disclosed that \$108,648 in bad debts were written off in FY2024. **Who was the counterparty and what was the nature of the services/good provided to the debtor?**

Company's responses:-

(i) Effective from 1 April 2022, the Government implemented the Primary Care Plan ("PCP") for all Work Permit holders (excluding migrant domestic workers) and S Pass holders residing in dormitories. This new primary healthcare system is structured into six geographical zones across Singapore. It mandates that employers subscribe to screening and medical services provided by designated Anchor Operators within these zones. As a result of this initiative, there has been a noticeable decrease in the number of foreign workers attending medical screenings at the two specified clinics, which historically catered to this particular patient demographic.

(ii) The board already has in place a robust investment and risk management process including regular review of our acquisitions and strategic direction. We will continue to evaluate potential acquisition opportunities that align with our strategic objectives. Our competitive advantage lies in our robust operational and financial expertise, which we leverage to cultivate collaborative relationships with partners, including those with significant reliance on individual practitioners.

(iii) The board has reviewed our approach and will continue to adhere to stringent guidelines for conducting due diligence and valuations to mitigate the investment risks of potential acquisitions. These measures have proven effective in our latest acquisitions of Carlin Management Services, among others. The acquisition of Sen Med Holdings underwent the same rigorous evaluation. The COVID-19 pandemic, which led to the unexpected shift in government policies, was an unpredictable event beyond the scope of any investment assessment. In response to this shift in the macro environment, the board made a swift decision to divest and mitigate the loss. This action is part of our investment considerations to continuously adapt to market changes, safeguarding the interests of our shareholders.

- (iv) The bad debts written off were from third party clients in the medical and non-medical services segment who faced financial difficulties. The services provided include accounting, secretarial and tax services.

Question 2 from SIAS:

Q2. In FY2018, external revenue and reportable segment profit before income tax in the pharmaceutical services segment were \$4.1 million and \$0.15 million respectively. In FP2020, external revenue was \$5.0 million, with segment profit at \$0.19 million over a 15 month period.

Since FY2021, the segment results were \$(0.146) million in 2021, \$0.043 million in 2022, \$0.017 million in 2023 and \$(0.178) million in 2024.

- (i) **Has there been a significant and permanent structural change that has impacted the competitiveness and profitability of the group's pharmaceutical operations (Nex Healthcare Pte. Ltd.)?**
- (ii) **What are management's plans to turnaround Nex, return it to a growth trajectory and restore its profitability?**
- (iii) **What are the major pharmaceutical products or product classes sold by Nex?**

Company's responses:-

- (i) There was a drop in demand for therapeutic products in FY2022 and FY2023 as COVID caused a drastic reduction in the number of patients who visited general practitioner ("GP") clinics. There are some headwinds ahead with the Government's introduction of Healthier SG ("HSG") as the policy mandates that GP clinics have to purchase drugs from MOH's supply chain agency to cater to these HSG patients. As such, this is expected to have an impact on our sales to GP clinics.
- (ii) The Company is adopting a 3-pronged approach to grow this business. The first approach is to increase our efforts in signing up new clinics to purchase drugs from us. Currently, only about 150 clinics purchase products from us out of the 1,500 clinics in Singapore. As such, there is some scope to increase our client base. Secondly, we need to pivot from solely wholesale trading of pharmaceutical products to providing consultancy services to foreign pharmaceutical companies thinking of registering their products in Singapore. Thirdly, we will also look into providing delivery services to other pharmaceutical companies to increase utilisation of our delivery assets.
- (iii) The table shows the list of the top 10 products that we sell to our clients. Our pharmacy currently holds about 200 products.
 - 1. Crestor
 - 2. Duromine
 - 3. Viagra
 - 4. Acnotin
 - 5. Anarex
 - 6. Dhasedyl
 - 7. Ciloxan
 - 8. Duolac
 - 9. Cialis
 - 10. Arcoxia

Question 3 from SIAS:

Q3. On 23 October 2023, the company announced that it has invested \$3.02 million in certain quoted securities which resulted in the group’s aggregate cost of investment in quoted securities exceeding 35% of the group’s latest audited consolidated net tangible assets.

The total market value of the group’s quoted investments amounted to \$3.15 million out of the group’s NTA of \$8.0 million. At the end of the financial year, the group recognised fair value loss on financial assets held as financial assets at fair value through other profit or loss (“FVTPL”) amounting to \$1.01 million (FY2023: loss of \$815,677).

18. Financial assets at fair value through profit or loss (“FVTPL”)

	Group		Company	
	2024	2023	2024	2023
	\$	\$	\$	\$
Quoted equity investments	2,468,451	3,367,095	2,467,671	3,366,315
Unquoted equity securities	–	1,390,195	–	1,390,195
	2,468,451	4,757,290	2,467,671	4,756,510
Balance at beginning of financial year	4,757,290	5,572,967	4,756,510	5,572,187
Additions during the financial year	483,000	–	483,000	–
Disposal during the financial year	(1,764,154)	–	(1,764,154)	–
Fair value loss recognised through profit or loss	(1,007,685)	(815,677)	(1,007,685)	(815,677)
Balance at end of financial year	2,468,451	4,757,290	2,467,671	4,756,510

Fair value loss recognised through profit or loss are included in “other expenses” line item of the consolidated statement of comprehensive income.

(Source: company annual report; emphasis added)

Unquoted equity securities refer to the group’s investment in Nuffield Dental Holdings Private Limited which has since been divested at a loss of \$56,042.

- (i) **Why is management investing in quoted equities, and how does this align with the group’s overall strategic objectives?**
- (ii) **Is there a concern that management's focus on quoted securities investments might**

distract from the core business operations? How does management plan to mitigate this risk?

- (iii) What are the specific investment criteria and mandate for investing in quoted securities? Can management provide details on the decision-making process?**
- (iv) What risk management framework is in place to oversee and manage the investments in quoted securities? How does the board ensure that these investments do not adversely impact the group's financial stability?**
- (v) Separately, what is the total shareholder return of the company's own shares since its listing on 8 December 2018? Does the board consider management's performance and achievements satisfactory over this period? Given the performance trends and shareholder returns since the listing, what strategic initiatives does the board envision implementing to enhance future growth and value creation for shareholders?**

Company's responses:

- (i)** The investment in quoted equities aligns with our strategy to diversify income streams and leverage market opportunities. We are aware of the risks involved and have adopted appropriate risk management measures to oversee these investments. The company will perform monthly review on the fair value of the investment and monitor the receipt of dividend declared.
- (ii)** Our management team's primary focus is in our core business operations and there is no distraction risk. This is proven by our revenue increase in both our medical and business support services for the group.
- (iii)** Apart from actively seeking potential Merger and Acquisition opportunities within the market, our management team places significant emphasis on identifying investments that offer high liquidity and substantial growth potential. Each proposed investment undergoes meticulous evaluation to ensure alignment with our strategic objectives and risk management framework.
- (iv)** We adopt a comprehensive risk management framework designed to ensure the security and growth of our investments while minimizing potential risks. Some key considerations include market assessment and analysis of the financial health of the entities in which we invest, diversification of our portfolio to mitigate risk even within the healthcare industry, regular monitoring and reporting on the portfolio's performance of our investments and ensure compliance to regulatory requirements and alignment with our long-term goals and investment limits. In addition, the board provides counsel and oversees the investment activities.
- (v)** The total shareholder return since listing is 13.76%. The board believes that the management has taken great strides in navigating challenges and positioning the Company for future growth. Our strategic initiatives aimed at driving sustainable growth for the group will be achieved via areas of digital marketing, mergers and acquisitions, financial optimization, technological investments, academy offerings and sustainability and risk management.

By Order of the Board

Jessie Low Mui Choo
Executive Director and Chief Executive Officer
24 July 2024

This announcement has been prepared by the Company and reviewed by the Company's sponsor, Novus Corporate Finance Pte. Ltd. (the "**Sponsor**"), in compliance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (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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