ASIAMEDIC LIMITED

(Incorporated In the Republic of Singapore)
Company Registration No.: 197401556E

RESPONSE TO QUESTIONS FROM
THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

The Board of Directors of AsiaMedic Limited (the "Company" and together with its subsidiaries, the "Group") would like to provide its response to the questions raised by the Securities Investors Association (Singapore) relating to the Company's Annual Report for the financial year ended 31 December 2022.

Q1. The financial highlight is shown on page 10 and reproduced below:

Financial Highlights

	2018	2019	2020	2021	2022
	S$	S$	S$	S$	S$
Revenue	18,828,662	18,989,960	15,279,133	18,255,133	18,882,431
Profit/(Loss) before taxation	(4,043,913)	(588,233)	(4,295,166)	715,031	2,186,023
Net profit/(loss) after tax attributable to owners of the Company	(4,774,824)	(588,233)	(4,295,166)	715,031	2,186,023
Share capital and reserves	4,376,695	3,813,674*	8,040,118	8,750,132	10,941,172

(Source: company annual report)

Other than FY2020, the group's revenue has been steady over the past 5 years. The group's executive health screening service offering has been further enhanced with a new outlet and in the school-based health screening segment, the group remains a service provider although it is no longer the exclusive service provider.

In FY2022, revenue from the aesthetic business declined to just $1.33 million. A non-cash impairment loss for plant and equipment and goodwill relating to the aesthetics business of $0.4 million and $0.5 million respectively was recognised after taking into consideration that the business has been loss-making as the level of activity of the aesthetic business has not recovered to pre-pandemic levels. The reason for the decrease in revenue of medical aesthetic services was attributed to the "attrition of doctors".

(i) ***What is the board's strategy to ensure that doctors and medical staff stay and grow with the group? Specifically, in the case of the aesthetic business, what were the challenges in hiring and retaining doctors?***

Response

The Board's strategy to ensure doctors and medical staff stay and grow with the Group include ensuring that the Group has in place are (i) competitive short-term and long-term compensation packages and plans, based on merit and performance, (ii) a conducive and supportive working environment, and (iii) opportunities for continuing training and development.

The hiring and retaining of doctors (including those in the aesthetic business) as well as medical staff continue to be one of the top challenges of the healthcare industry globally, more particularly so in Singapore. The growth in the aesthetic industry has resulted in an increase in demand for aesthetic doctors. Due to the Group's relatively smaller scale and profile in the aesthetic business, the Group continues to face challenges in recruiting and retaining aesthetic doctors.

(ii) ***Does the aesthetic business differ from other medical services as it could be more personality driven? Management is currently undertaking a strategic review of its options for the aesthetics business and is taking active measures to address the shortage of doctors, which continues to pose a significant challenge. Can management elaborate further on the options being considered in the strategic review?***

Response

The provision of aesthetic business requires a personal touch which does not differ materially from other medical services.

The Company is exploring options to hire and retain doctors as well as medical staff. The Company is also looking at acquisitions when such opportunities arise. The Company will conduct its due diligence and make relevant announcement in accordance with the listing requirements, if any of such transactions materialise.

(iii) ***Regarding the diagnostic imaging segment, what was the utilisation rate of the group's MRI equipment? How broad is the group's referral network, and what are the efforts by management to expand it?***

Response

For the diagnostic imaging segment, the Group has a broad customer base and strong marketing team and the 2 MRI machines are almost reaching full capacity. As such, the Group is currently in the process of acquiring a new MRI machine. It is the latest state-of-the-art 3-Tesla MRI machine. This 3-Tesla MRI will be installed at the Group's imaging centre at Shaw House, Orchard Road and barring unforeseen circumstances, it is expected to be operational in the third quarter of 2023.

(iv) ***For the onsite healthcare business, can management provide more information on the new projects secured?***

Response

In FY2022, we secured and performed additional work under the community health screening and health coaching projects. This had partly mitigated the lower contribution from the schools under the Group's main onsite healthcare projects.

Q2. The company has stated that no dividend was declared or recommended "due to the performance of the group for FY2022" (page 30; Provision 11.6 Dividend). It added that the group's cash balance will be reserved for business operational purposes. The company does not have a policy on payment of dividend. The board will consider the group's level of cash and retained earnings and projected working capital requirements, capital expenditure and investments in proposing a dividend.

For FY2021 and FY2022, the net profit after tax attributable to owners of the company was $715,031 and $2,186,023 respectively.

(i) ***Can the board help shareholders better understand what it means when the company did not declare a dividend "due to the performance of the group for FY2022"? Has the board set a minimum profit level before declaring dividend?***

Response
Notwithstanding that the Group recorded improved net profit in FY2022, a significant part of this relates to write-back of non-cash impairment charge. The Board does not set a minimum profit level before declaring dividend. In determining whether or not to pay a dividend, the Board will take into account the various factors such as the cash flow from operations, cash level, accumulated losses, actual and expected future earnings, working capital requirements, ability to raise funds, general financing conditions, projected levels of capital expenditure and other investment plans, and business and economic conditions.

(ii) ***In addition, has the board benchmarked itself against other healthcare/medical companies listed on the SGX-ST?***

Response
It is not meaningful to benchmark the performance of AsiaMedic against other healthcare/medical companies listed on the SGX-ST as our financial position, operations and future plans are different.

(iii) ***Can the board provide an update on how it plans to strike a balance between investing in the group's growth and generating returns for shareholders in the form of steady dividends?***

Response
The Board aims to fairly reward the Company's shareholders subject to relevant commercial and reinvestment necessities and considerations, and balancing that with the Group's funding needs for expansion plans and readiness to capitalize on available opportunities. The scale of operations of AsiaMedic is much smaller as compared to other healthcare/medical companies listed on the SGX-ST. The current focus of the Board is to grow and expand the Group's businesses. In particular, as highlighted above, the Group is currently in the process of acquiring a latest state-of-the-art MRI machine which represents a significant capital expenditure.

Although our financial performance in the last 2 years has been encouraging, we hope to further strengthen the Group's balance sheet having regard that the Group recorded accumulative losses of $8.5 million from FY2018 to FY2020.

Q3. The group's balance sheet is shown on page 44 of the annual report and reproduced below:

Balance Sheets

As at 31 December 2022

	Note	Group 2022 $	Group 2021 $	Company 2022 $	Company 2021 $
Non-current assets					
Plant and equipment	10	**1,468,115**	557,098	**123,063**	19,996
Investment in subsidiaries	11	**–**	–	**7,703,247**	2,203,247
Investment in associate	12	**2,190,185**	1,991,995	**181,500**	181,500
Right-of-use assets	28	**6,529,595**	3,659,274	**6,529,595**	3,659,274
Goodwill	13	**–**	523,864	**–**	–
		10,187,895	6,732,231	**14,537,405**	6,064,017
Current assets					
Inventories	14	**259,634**	253,281	**–**	–
Trade receivables	15	**3,013,657**	2,100,354	**37,613**	–
Other receivables and deposits	16	**448,613**	617,473	**690,320**	708,882
Prepayments		**288,266**	194,741	**59,433**	38,423
Other financial assets	17	**1,980,560**	–	**1,480,560**	–
Cash pledged as security	18	**911,520**	818,100	**–**	–
Cash and cash equivalents	19	**6,642,404**	9,473,762	**3,107,097**	5,832,792
		13,544,654	13,457,711	**5,375,023**	6,580,097

(Source: company annual report)

As at 31 December 2022, the group invested $1.98 million in short-term investment into credit linked notes issued by DBS Bank Ltd (referencing SGD Monetary Authority of Singapore bills) that matured in March 2023. This was entered into by the group for financial management purposes.

(i) ***What were the reasons for the group's decision to invest in credit-linked notes (CLN), and did the board approve the investment into financial derivative products? What other options were considered other than credit- linked notes and how did the board/management eventually decide on credit-linked notes and this particular issue?***

<u>Response</u>

The CLNs are issued by the Development Bank of Singapore (DBS), with the Monetary Authority of Singapore (MAS) Bills as the credit/derivative event.

Contrary to its name, the CLNs are meant for risk-averse investors. The risk or derivative event of these CLNs is that MAS has a credit event (eg. it files for bankruptcy, it defaults on its payment, or it restructures its debt).

The CLNs are a form of deposits to earn interest income. Other options of low-risk instruments to earn interest income are fixed deposits (FDs) with financial institutions and Singapore Government Securities Treasury Bills (SGS TBs).

Management took into account the following factors when deciding to place funds into CLNs:

- Interest rate – CLNs has the highest interest rate among the 3 instruments. It is a fixed rate. The average interest rate of our CLNs at 31 December 2022 was 4.25% p.a.

- Risk – The risk is (i) the inability to repay or default by DBS Bank, and/or (ii) MAS has a credit event. Management is of the view that the likelihood of both events occurring is remote.

In addition to CLNs, the Group also has FDs of $2.5 million as at 31 December 2022.

(ii) ***What were the interest rates and is the board/management fully aware of the risks associated with investing in credit-linked notes?***

Response
Please refer to the above section.

(iii) ***Has the board put in place a robust risk management framework for the group's investments? It would appear that the group committed the full $1.98 million amount into one instrument.***

Response
Please refer to the above section.

BY ORDER OF THE BOARD

Foo Soon Soo (Ms)
Company Secretary

29 April 2023

This announcement has been reviewed by the Company's Sponsor, Xandar Capital Pte Ltd. It has not been examined or approved by the Singapore Exchange Securities Trading Limited (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 Ms Pauline Sim (Registered Professional, Xandar Capital Pte Ltd) at 3 Shenton Way, #24-02 Shenton House, Singapore 068805. Telephone number: (65) 6319 4954.