

QUANTUM HEALTHCARE LIMITED
(Company Registration No. 202218645W)
(Incorporated in Singapore)

RESPONSE TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) DATED 20 APRIL 2024

1. INTRODUCTION

The Board of Directors (“**Board**”) of Quantum Healthcare Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce its responses to the questions raised by the Securities Investors Association (Singapore) (the “**SIAS**”) on 20 April 2024 in relation to the Company’s annual report for the financial year ended 31 December 2023 (“**FY2023**”).

2. QUESTIONS RAISED BY SIAS AND COMPANY’S RESPONSES

	SIAS questions	Company’s responses
Q1	<p>Following the restructuring via a scheme of arrangement, the Group’s core businesses include:</p> <ul style="list-style-type: none">- the Healthcare business (which includes the provision of dental and other services)- the Medical Equipment business- the Medical and Wellness business (which includes the provision of aesthetics business) <p>The Group retained the original vascular business under QT Vascular Ltd.</p> <p>For 2023, the Group recorded revenue and cost of sales of \$13.1 million and \$7.3 million respectively. The dental business was the main contributor to the Group’s top line. Loss for the year was approximately \$(3.38) million.</p> <p>With accumulated losses amounting to \$(249.67) million, equity attributable to owners of the company was a negative \$(3.86) million. Net cash used in operating activities was \$(628,000) and the net cash outflow for the year was \$(4.32) million. The Group ended the year with \$744,000 in cash and cash equivalents.</p>	

	SIAS questions	Company's responses
	<p>i. What are the URLs to clinics' website(s), social media pages, ecommerce storefronts (if any), and mobile applications?</p>	<p>The Group has 11 clinics operating under five distinct dental brands, each meticulously tailored to cater to unique segments of our valued clientele. The details of the five brands are as follows:</p> <ul style="list-style-type: none"> - St. Andrew's Dental Surgeons - https://www.standrewsdental.com.sg/ - Asia Healthcare Dental Centre - https://www.asiahealthcaredental.com.sg/ - Eastern Dental Surgery - https://www.easterndental.sg/ - The Dental Hub - https://www.thedentalhub.com.sg/ - Corporate Dental – Website under construction
	<p>ii. How many doctors are currently employed by the Group and how strategy does the Group employ to attract promising doctors to join?</p>	<p>As of now, Quantum Healthcare employs a dynamic team of 43 skilled dentists across our various dental clinics.</p> <p>Regarding our strategy for attracting talented professionals, we prioritize fostering an environment that values collaboration, innovation, and professional development. We also promote diversified practices of different profiles so that our dentists can find their niche.</p> <p>Through competitive compensation packages, opportunities for career advancement, and a supportive work culture, we aim to appeal to promising dentists who are aligned with our commitment to excellence in patient care and clinical expertise.</p>

	SIAS questions	Company's responses
	<p>iii. Does management see significant benefits in consolidating all the clinics under one brand?</p>	<p>At Quantum Healthcare, we take pride in our diverse portfolio comprising five distinct dental brands, each meticulously tailored to cater to unique segments of our valued clientele.</p> <p>We embrace this diversity to uphold our commitment to providing specialized care that meets the varied needs and preferences of our patients.</p> <p>While there has been a suggestion to consolidate these brands, we understand that each dental brand / clinic we acquired has operated for quite some time and has built a certain reputation in its respective areas. We recognize that an abrupt change in the branding could potentially affect operations.</p> <p>However, the Group is open to evaluating the suggestion and deliberating on consolidation all the clinics under one brand gradually and eventually in the near future, ensuring a smooth transition for both our staff and patients.</p>
	<p>The independent auditors have issued a disclaimer of opinion on the audited financial statements for the financial year ended 31 December 2023. They have highlighted the following:</p> <p><i>As at 31 December 2023, the Group's and company's current liabilities exceeded its current assets by S\$7,189,000 and S\$7,147,000 respectively, and the Group and company have a deficit in shareholders' equity of S\$3,028,000 and S\$5,038,000, respectively, as at that date. These conditions indicate the existence of a material uncertainty which may cast a significant doubt on the ability of the Group and the company to continue as going concern.</i></p>	

	SIAS questions	Company's responses
	<p>iv. Are the operating subsidiaries self-sufficient in terms of cash flow? If so, what is the Company's cash burn rate and what is the Board's strategy to improve the Company's liquidity and working capital?</p>	<p>Yes, the operating subsidiaries operating under our Healthcare business are self-sufficient in terms of cash flow. To maintain a robust liquidity position and optimizing working capital across the organization, the Board remains committed to continuously improving the company's financial resilience and stability.</p> <p>As part of our proactive approach, we are exploring various strategies to enhance liquidity, including potential fundraising initiatives and prudent borrowing arrangements. These efforts underscore our dedication to safeguarding the company's financial health and ensuring its long-term sustainability. We are confident that our comprehensive approach will effectively address any liquidity and working capital needs, positioning the company for sustained success in the marketplace.</p>
	<p>v. Would the directors consider receiving their director fees in shares of the company as a gesture of solidarity, demonstrating their commitment and belief in the Group's success?</p>	<p>The directors appreciate and value the suggestion of receiving their director fees in shares of the Company as a gesture of solidarity. While individual preferences may vary, the Board acknowledges the importance of demonstrating commitment and belief in the Group's success.</p> <p>As part of our ongoing commitment to aligning interests with shareholders and fostering a culture of shared success, the Board will consider this proposal carefully in consultation with relevant stakeholders and in accordance with regulatory guidelines and best practices. We remain dedicated to exploring avenues that enhance shareholder value and reinforce confidence in the Group's future prospects.</p>

	SIAS questions	Company's responses
Q2	In FY2022, the Group recognised an impairment loss on goodwill of \$(4.6) million due to ADG acquisition, out of the initial amount of \$8.75 million. As noted in the letter to shareholders, the Group will continue expanding its dental business in 2024.	
	<p>i. Can management help shareholders recall the factors leading to the large \$(4.6) million in impairment in 2022?</p>	<p>The impairment loss of \$(4.6) million recorded in 2022 were impacted by a combination of economic and operational factors:</p> <ul style="list-style-type: none"> • An increase in interest rates led to adjustments in the discount rate, impacting asset valuation. • Operating expenses experienced a significant increase, driven by our efforts to scale up operational expansion and by the increase in salaries to maintain market competitiveness in payroll costs. <p>While these challenges have led to impairment, we remain committed to addressing them transparently and strategically, leveraging our strengths and exploring avenues for sustainable growth in the future.</p>
	<p>ii. Do the independent directors consider the Group's acquisition of ADG to be on the high side, considering the large and significant impairment to the goodwill?</p>	<p>The Board (including the independent directors) acknowledges the concerns raised regarding the acquisition of 60% of ADG and the subsequent impairment to the goodwill. However, the Board wishes to clarify that based on independent valuation done for the acquisition of 60% of ADG, the purchase consideration is at a discount to the mid-point of the range of valuations provided by the valuer using Income Approach and it is below the range of valuations provided by the valuer using Market Approach.</p>

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		<p>Further details can be found on Pg 16, 17 and 56 of the Circular dated 24 December 2021:</p> <p>https://links.sgx.com/FileOpen/QT%20Circular%208%20Jan%202022_Final.ashx?App=Announcement&FileID=695648</p> <p>While it's important to recognize and address these considerations, it's also worth noting the commendable effort in expanding the business from \$9M for the financial year ended 2022 ("FY2022") to \$13M FY2023 via organic growth and acquisitions without requiring additional capital injection to fund these acquisitions. This growth reflects the strategic vision and execution of the management team, demonstrating their commitment to enhancing shareholder value and positioning the company for long-term success.</p> <p>Moving forward, the Board remains committed to prudent decision-making and continuous evaluation of our acquisition strategies to ensure alignment with our overarching objectives and the best interests of our shareholders.</p>
	<p>iii. What specific processes and criteria does the Board follow in evaluating and approving acquisitions, especially when a substantial portion of the consideration, such as over three-quarters, is attributed to goodwill?</p>	<p>The Board follows a rigorous and transparent process in evaluating and approving acquisitions, particularly when a significant portion of the consideration is attributed to goodwill. This process typically involves thorough due diligence to assess the strategic fit, financial implications, and potential risks associated with the acquisition. The criteria considered include factors such as market dynamics, growth potential, synergy opportunities, regulatory compliance, and financial performance.</p>

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		<p>Additionally, the Board relies on input from various stakeholders, including management, financial advisors, legal counsel, and independent experts, to ensure a comprehensive and well-informed decision-making process. Throughout this process, the Board exercises prudence and diligence to safeguard shareholder interests and uphold the company's long-term sustainability.</p> <p>Ultimately, the Board's objective is to make sound and prudent decisions that maximize shareholder value while mitigating risks associated with acquisitions. By adhering to robust processes and criteria, the Board aims to enhance transparency, accountability, and strategic alignment in its evaluation and approval of acquisitions.</p>
	<p>iv. What measures has the Board implemented to ensure prudence and prevent instances of potentially overpaying for acquisitions?</p>	<p>The Board has consistently practicing the following steps to ensure prudence and mitigate the risk of potentially overpaying for acquisitions. These measures include:</p> <ul style="list-style-type: none"> • Rigorous Due Diligence: The Board conducts comprehensive due diligence processes to thoroughly assess the target company's financial health, market position, growth prospects, and potential synergies with our existing operations. This helps in accurately evaluating the value proposition of the acquisition. • Independent Valuation: Where appropriate, the Board seeks independent valuation assessments from valuers to provide an objective and unbiased perspective on the fair value of the target company and its assets.

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		<ul style="list-style-type: none"> • Financial Analysis and Modeling: The Board employs robust financial analysis and modeling techniques to evaluate various scenarios and sensitivities, ensuring that the proposed acquisition is financially viable and accretive to shareholder value. • Benchmarking and Market Comparisons: The Board compares the proposed acquisition to similar transactions in the industry to assess the reasonableness of the proposed terms and pricing, helping to avoid overpayment. • Approval Thresholds and Governance: The Board establishes clear approval thresholds and governance processes to ensure that proposed acquisitions undergo appropriate levels of scrutiny and oversight before final approval, thereby minimizing the risk of overpaying. So far, all acquisitions for FY2022 and FY2023 have went through Board paper reviews and have received Board approvals. <p>By adhering to these measures, the Board aims to make informed and prudent decisions regarding acquisitions, safeguarding shareholder interests and preserving the financial health and sustainability of the company.</p>
Q3	<p>At the annual general meeting scheduled to be held on 29 April 2024, Thomas Tan Gim Chua will be retiring pursuant to Article 110 of the company's constitution and will be seeking his re-election.</p> <p>The director's biography can be found on page 5 of the annual report. Additional information on directors seeking re-election can be found on pages 153 to 162. As detailed in director's disclosure, Mr Thomas Tan Gim Chua's other principal commitments are:</p>	

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	<ol style="list-style-type: none"> 1. White Water Capital Pte Ltd 2. Intex Fabric Sdn Bhd 3. Lifeline Corporation Pty Ltd 4. Perpetual Insurance Agency Pte Ltd 5. Ridgeline Technology Pte Ltd 6. Folomi (S) Pte Ltd 7. Lifeline Corporation Pte Ltd 8. Lifeline Wellness Pte Ltd 9. Lifeline Holdings Pte Ltd 10. Ezwills Pte Ltd 11. Lifeline Innovator Sdn Bhd 12. Lifelab Pte Ltd 13. Arona Industrial Products Pte Ltd 14. Lifeline Healthcare Pte Ltd 15. Asia Dental Group Pte Ltd 16. Kairogenix Pte Ltd 17. QT Vascular Ltd 18. Quantum Healthcare Holdings Sdn Bhd 19. Quantum Specialist Sdn Bhd 	
	<p>i. Can the director confirm his current roles, including managing director of Ridgeline Technology Pte Ltd, executive director of White Water Capital Pte Ltd, Chief Executive Officer of Perpetual Insurance Agency Pte Ltd and Lifeline Corporation Pte Ltd, among other non-executive positions outside the Group?</p>	<p>Mr Tan confirms his current roles, which include serving as the managing director of Ridgeline Technology Pte Ltd, executive director of White Water Capital Pte Ltd, Chief Executive Officer of Perpetual Insurance Agency Pte Ltd, and Lifeline Corporation Pte Ltd, among other non-executive positions outside the Group.</p>

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		<p>It is important to note that while holding these roles, the director may not need to be fully dedicated to each business, as many of them already have in place capable management teams to oversee day-to-day operations. This arrangement allows the director to contribute strategic guidance and oversight while also fulfilling responsibilities within the Group as the Chief Executive Officer.</p>
	<p>ii. How much time and energy does the director commit to the Group? Is Mr Thomas Tan Gim Chua serving in the chief executive officer role on a part-time basis given his other executive roles outside of the Group?</p>	<p>Mr. Thomas Tan Gim Chua ("Mr. Tan") is fully committed to his role within Quantum Healthcare Limited, where his primary focus and dedication lie. While he may hold additional executive roles outside the Group, Mr. Tan always ensures that his responsibilities within Quantum Healthcare receive his utmost attention and priority.</p> <p>His involvement in other ventures does not compromise his commitment to Quantum Healthcare Limited; rather, it enriches his perspectives and broadens his expertise, ultimately benefiting our organization. Rest assured, Mr. Tan's leadership as Chief Executive Officer is unwavering, and he remains deeply invested in the success and growth of Quantum Healthcare Limited, as evidenced by his controlling stake in the Company.</p>
	<p>iii. Is there a potential conflict of interest between the CEO's position at Lifeline and the Group's medical equipment business, particularly concerning geriatric medical rehabilitation and other medical equipment?</p>	<p>No, there is no potential conflict of interest between the CEO's position at Lifeline and the Group's medical equipment business. The Group's medical equipment business has not commenced. Currently, the Group's vascular business refers to vascular-related</p>

	SIAS questions	Company's responses
		<p>equipment/devices which are niche and of different area/jurisdiction from Lifeline.</p> <p>The Company has in place practices to address potential conflicts of interest. All Directors are required to notify the Company promptly of all conflicts of interest as soon as it is practicable after the relevant facts become known to him as well as refreshing the required declaration annually. Director is required to recuse himself from all deliberations/voting in relation to the matters which he has a conflict of interest in, unless the Board is of the opinion that the participation of the conflicted Director is in the best interest to the Company. Nonetheless, he will abstain from voting in relation to conflict-related matters.</p>

By Order of the Board
QUANTUM HEALTHCARE LIMITED

Thomas Tan Gim Chua
Chief Executive Officer and Executive Director
24 April 2024

*This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance 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 announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

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