

META HEALTH LIMITED

(formerly known as Metal Component Engineering Limited)

(Company Registration No. 198804700N)

(Incorporated in the Republic of Singapore)

RESPONSES TO QUERIES FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) IN RESPECT OF THE COMPANY'S 2021 ANNUAL REPORT

The board of directors ("**Board**" or "**Directors**") of Meta Health Limited (the "**Company**" or "**Meta Health**", and together with its subsidiaries, the "**Group**") refers to the questions raised by the Securities Investors Association (Singapore) ("**SIAS**") in respect of the Company's annual report ("**2021 Annual Report**") for the financial year ended 31 December 2021 ("**FY2021**"). The Company wishes to provide its responses to the questions from SIAS as set out below.

Unless otherwise defined, all capitalised terms used herein shall have the same meaning ascribed to them in the 2021 Annual Report.

Question 1

From an engineering-based group, the Company has recently diversified into the healthcare sector, and re-branded to Meta Health. The new business, under Gainhealth, includes a network of licensed clinics-with-pharmacy, an online self-branded e-commerce portal, as well as product placements on regional e-commerce portals.

- (i) **Can management give shareholders a holistic overview of the newly acquired business, Gainhealth, during the AGM? Please include details of the Group's business model, clinics, physicians, staff, digital healthcare assets/platforms and its value proposition. Please also post the presentation slides on SGXNet.**

Company's response

First healthcare asset we invested in and closed on 13 July 2021, was Gainhealth Pte Ltd. With this, we entered the primary care space with a clinic in Ang Mo Kio, and a business that was operating online with sales within multiple ecommerce channels, providing telemedicine services as well as prescription medication fulfilment for several doctors and groups providing telemedicine and homecare services. Gainhealth went on to provide services for Ministry of Health during the Covid-19 spikes in Singapore, under the Home Recovery Program. We are now working on supporting nursing homes and homecare groups further with telemedicine and central pharmacy services. With aging population and need for managing care online to offline better, Gainhealth will be a core part of the primary care landscape in Singapore going forward.

We then invested in MedTel Healthcare Private Limited ("**MedTel**"), an India based platform company with a strong physician lead team, who provided a means to onboard patients with simple whatsapp chatbots and provided medical device data gathering and analytics, which will allow us to personalise healthcare for chronic diseases. With the investment, we obtained the ability to distribute exclusively the MedTel platform in several countries in South East Asia, Hong Kong and Australia.

Regionally, we have expanded Gainhealth into Malaysia with replication of Gainhealth's model to support telemedicine companies with central pharmacy and will distribute MedTel platform through pharmacies and clinic partners there.

One of the strategic investments last year was also made into Indonesia, with PT Gaido Digital Medika. The partner was a travel company and with pandemic recovery in sight, we have started a medical services business with them on getting hospitals to transform digitally and provide better patient engagement programs for chronic diseases and further. We also have participated with the Indonesia G20 efforts in Bali with an aim to help them with the efforts to turn Bali into a health and wellness destination.

Please refer to the presentation slides at the Company's extraordinary general meeting held on 17 January 2022, announced on SGXNet on 17 January 2022, for information on the Group's healthcare division.

- (ii) **Can the Board help shareholders understand the strategic value of the engineering business as the Group diversifies to the healthcare sector?**

Company's response

The Group has been in the metal business for 34 years since its founding in 1987 and had established a strong customer base that included MNCs, EMSs and SMEs. The metal business is a sizeable business of S\$41.7 million turnover for FY2021 and is generating positive cashflow to the Group.

The diversification to the healthcare sector is in line with the Group's intention to seek out and explore new business opportunities to improve shareholders' value, and to engage in investments to generate new revenue streams and operating cashflow for the Group.

Notwithstanding the ongoing diversification to healthcare segment, we will continue to place a high focus and emphasis on our existing metal business and keep our customers' interests as a priority.

- (iii) **What is the Board's capital allocation framework between engineering and healthcare going forward?**

Company's response

As the metal business is a lot more capital intensive than the healthcare business, the capital expenditure ("capex") allocation will be a lot heavier on the former. Nevertheless, any capex will be reviewed in terms of strategic intent, business impact as well as return on investments and approved by the Board as required.

The profile of the Directors can be found on page 7 of the 2021 Annual Report. The Directors collectively have professional experience in legal and engineering.

- (iv) **Has the NC reviewed the overall desired competency matrix of the Board and identified any gaps in skills or competencies that could be addressed in future director appointments, especially as the Group moves into the healthcare sector?**

Company's response

The NC and the Board are of the view that the present Board has the necessary mix of expertise, experience and competencies such as accounting or finance, business or management experience and industry knowledge for the effective functioning of the Board and is appropriate for the current scope and nature of the operations of the Group. The NC would periodically review the competencies of the Board and make necessary recommendations to the Board, as business needs of the Group changes. The Board will continue to review the overall matrix of the Board and may appoint a new Director with relevant experience in the healthcare sector.

Question 2

The metal business remained as the main contributor of revenue in FY2021.

It contributed \$41.7 million, an increase of \$9.5 million as economies recover from the impact of the COVID-19 pandemic. Growth in Malaysia was the strongest (34%), followed by China (29%) and Thailand (13%). The Group's manufacturing footprint comprises six manufacturing sites in three countries, namely China, Malaysia and Thailand.

- (i) **What were the utilisation rates of the manufacturing sites?**

Company's response

The utilisation rates of the manufacturing sites had improved from a range of 48% to 67% in FY2020, to 56% to 72% in FY2021, which was consistent with the overall increase in revenue of 30% from the metal business year-on-year.

- (ii) **Given that the Company reports MCE Thailand, MCE Malaysia and MCE China separately, can the Board/management help shareholders understand the level of integration and the level of collaboration between the entities? How does the corporate headquarter in Singapore optimise the Group's overall operations?**

Company's response

Like any operational headquarters, the Company's corporate headquarter in Singapore is responsible for the overall strategic and risk management of the Group, and consists mainly of corporate managers from finance, human resource, supply chain management, engineering, quality and business development. The manufacturing sites located in different countries are responsible for the production and ensuring quality of products that will satisfy customers, at the lowest possible manufacturing cost to the plants.

- (iii) **Can management provide shareholders with an update on the situation on the ground in China? Is the Group facing heightened manpower and supply chain disruptions due to the lockdown/COVID-19 measures in China?**

Company's response

The situation in China is very much as what was reported in the media and had adversely impacted customer demand and caused severe manpower and supply chain disruptions. The management will continue to ensure that customers' demands are met and will endeavour to keep costs down in the light of such uncertainties and challenges.

Question 3

On 13 July 2021, the Company acquired 85.1% of equity interest in Gainhealth for a purchase consideration of \$4.52 million, consisting of \$3.77 million in cash and \$0.75 million in new shares.

The Company record a goodwill of \$4.47 million on the acquisition of Gainhealth. This goodwill of \$4.47 million accounts for 98.7% of the purchase consideration as the identifiable net assets (less non-controlling interest) amounted to just \$65,500.

- (i) **Can the Board, especially the Independent Directors, help shareholders understand the level of due diligence (including commercial due diligence) carried out prior to any acquisitions?**

Company's response

As stated under Board Matters, Corporate Governance report in the Annual Report 2021, the principal functions of the Board include review of the Group's policies, strategies and internal controls as well as major funding and investment proposals.

On the level of due diligence (including commercial due diligence) carried out prior to any acquisitions, the Board reviews the appointment of the external consultants, the findings of the financial and legal due diligence, independent valuation, and management recommendations, and assess the merits, risks and returns before accepting or rejecting the decision to proceed with any acquisitions.

- (ii) **What deliberations did the Board have on the deal structure and deal quantum leading up to the acquisition of Gainhealth? Did the Board consider it prudent to acquire Gainhealth for \$4.52 million when the identifiable net assets (less non-controlling interest) amounted to just \$65,500?**

Company's response

The Board consider it prudent to acquire Gainhealth for \$4.25 million when the identifiable net assets (less non-controlling interest) amounted to just \$65,000, reason being, as stated in the Company's circular to shareholders dated 23 June 2021 in relation to, among others, the acquisition of Gainhealth ("**Circular**"), the consideration of \$4.25 million was arrived at based on the following:

- (a) the valuation of Gainhealth undertaken by an independent valuer, Cushman & Wakefield VHS Pte Ltd;
- (b) prevailing economic conditions which had an impact on the valuation; and
- (c) potential growth outlook of Gainhealth, including several channel partnerships developed regionally by Gainhealth.

Please refer to section 2.4 of the Circular on the rationale for the acquisition of Gainhealth.

- (iii) **What were the risks identified during the Board's approval process? How is management mitigating the risks?**

Company's response

The Board have considered a number of risks, such as market, liquidity, credit, operational, legal and regulatory risks that could be material.

Accordingly, management have ensured that adequate measures are in place to either address or mitigate the risks as identified. Where assistance from outside the Group resources are required, the Group have collaborated with external consultants and/or advisers that include the appointment of legal and financial advisers, and independent valuers to properly appraise the risks and value of the investment. Where continued interest from the vendors are essential for the subsequent integration of the new investment into the Group, the Board ensured that key management personnel from Gainhealth are retained for a reasonable period and that there are plans to hire new management expertise in the Group to take the new business to the next level during and after the integration.

- (iv) **Would the Board consider how it could structure any future deals such that there is a greater sharing of reward/risk with the vendors?**

Company's response

The acquisition of Gainhealth was a case in point whereby there is a sharing of reward/risk with the vendors in that the vendors were issued with the Company's shares as part of the consideration and as an added incentive for the continuing interest of the vendors of Gainhealth post-acquisition, a performance bonus shall be payable when certain target is achieved in a future determinable time. Moreover, a key management of Gainhealth has signed new service agreement to remain under the employment of Group for a period of three (3) years.

The Company will continue to structure any future deals such that there is a greater sharing of reward/risk with the vendors wherever applicable.

BY ORDER OF THE BOARD

Lee Wei Hsiung
Company Secretary
27 April 2022

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "Sponsor"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("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.

The contact person for the Sponsor is Ms Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 77 Robinson Road, #06-03 Robinson 77, Singapore 068896, telephone (65) 6636 4201.

