ALLIANCE HEALTHCARE GROUP LIMITED
(Incorporated in the Republic of Singapore on 6 June 2006)
(UEN. 200608233K)

RESPONSES TO QUESTIONS FROM
SECURITIES INVESTORS ASSOCIATION (SINGAPORE) AND SHAREHOLDERS

The board of directors (the "**Board**") of Alliance Healthcare Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") would like to thank the Company's shareholders ("**Shareholders**") for submitting their questions before the Company's Annual General Meeting to be held on 27 October 2022 at 2.30 p.m.

Unless otherwise defined, capitalised terms used shall have the same meaning as ascribed thereto in the Company's annual report for the financial year ended 30 June 2022 (the "**Annual Report**").

The Company's responses to the questions received from SIAS and Shareholders are set out below.

Question 1

As cautioned by the chairman in his message to shareholders, revenue in the mobile and digital health services segment is expected to "moderate" with the waning in demand for services related to COVID-19.

In FY2022, revenue from mobile and digital health services doubled from $4.4 million to $8.8 million. This was mainly due to increased revenue from Jaga–Me generated from the provision of COVID–19 related medical services, including home swabs, onsite vaccination and telemedicine consultations for home recovery programme.

(i) Can the company help shareholders better understand if management is actively seeking other use cases/applications for Jaga-Me?

(ii) Has there been a significant decrease in the activities/volume in Jaga-Me as COVID-19 related medical services are scaled back?

(iii) Separately, what are the reasons that the increase in revenue from specialist care services (10.2%) lagged that of GP clinic services (28.4%)?

(iv) Is the group actively looking to expand its network of specialist clinics, beyond colorectal, ENT and orthopaedics? How much synergy/network effect is there as the group expands its network of GP and specialist clinics?

(v) Can management help shareholders better understand the competitive advantage of the group's pharmaceutical services?

Response:

(i) Jaga-Me is a mobile health company that enables patients to obtain healthcare services comfortably and safely at home. Our proprietary digital platform connects patients to an extensive ecosystem of independent skilled healthcare professionals, including nurses, doctors and caregivers, for quality, personalized care in the comfort of their homes.

With decreasing demand for COVID-19- related services, Jaga-Me has reallocated resources to expand its mobile care services to hospitals, private specialist clinics and corporations. For example, Jaga-Me supported the National Cancer Centre in administering cancer treatment to their patients at home. Jaga-Me has also ventured into corporate mobile healthcare services, providing corporate employees with chronic disease management, vaccination, and health screening.

(ii) The revenue from mobile and digital health services was $2.4 million in the six months that ended 30 June 2022 compared to $6.4 million in the first six months that ended 31 December 2021. This decrease in revenue was mainly due to a reduction in COVID-19 swab services. The Group, however, remains engaged by the Ministry of Health to support its home vaccination and mobile vaccination programs, which could expand beyond the COVID-19 vaccine to other non-COVID-19 vaccines such as influenza and pneumococcal. Also, the Group continues to see strong demand for telemedicine services.

(iii) With more patient visits, revenue from GP clinic services increased by approximately S$4.0 million or 28.4% from S$14.1 million in FY2021 to S$18.1 million in FY2022 and revenue from specialist care services increased by approximately S$1.0 million or 10.2% from S$9.8 million in FY2021 to S$10.8 million in FY2022.

However, shareholders may wish to note that in FY2021, the COVID-19 pandemic significantly impacted the GP clinic services and caused a decrease in revenue of approximately 9.3% from FY2020. In the same year, specialist care services recorded an increase of approximately 9.5% from FY2020.

Compared to FY2020, revenue from the specialist care services and from the GP clinic services increased by approximately 21.3% and 16.8% respectively in FY2022. The higher revenue growth rate for the specialist care services was mainly due to the recruitment of an additional Ear, Nose and Throat specialist under My ENT Specialist by the Group in October 2020.

(iv) The Group is always on the lookout for opportunities and suitable partners to expand its network of specialist clinics beyond colorectal, ENT and orthopaedics. Our in-house specialist clinics benefit from patient referrals from our in-house GP clinics and corporate clients.

(v) Over the years, the Group's pharmaceutical service has established an extensive global network of suppliers from reputable partners in Asia and other regions, such as Australia, Europe and the United States of America.

During the Covid-19 pandemic, despite severe disruptions in the global logistics and supply chains, we could leverage our global network of suppliers to help ease the supply of medicines to the Group and hospitals. This proven track record has helped us become a recognized vendor to both public and private hospitals in Singapore.

Question 2

Despite a 12.2% increase to $5.49 million for the managed healthcare solutions segment, the segment had not been profitable. While losses were lower in FY2022 ($6,280 vs $189,385), EBITDA has decreased significantly compared to the levels achieved in FY18 and FY19.

The trend in revenue, EBITDA and segment results for the managed healthcare solutions segment is shown below:

	Revenue ($)		EBITDA($)	Segment results ($)
FY	External	Total		
2018	4,912,320	5,005,290	1,573,330	1,348,971
2019	5,261,014	5,412,079	1,334,843	1,154,251
2020	4,894,683	5,031,453	713,418	546,459
2021	4,918,093	5,252,327	(58,373)	(189,385)
2022	5,493,224	5,786,132	111,350	(6,280)

(Source: company annual reports)

(i) What are the reasons that EBITDA and segment results decreased significantly (with EBITDA turning negative in FY2021) even though total revenue has remained above $5 million and hit a new high in FY2022?

(ii) What are management's strategies to restore/improve the segment's profitability?

(iii) How much time is needed to onboard a new customer on the group's managed healthcare solutions platform? For example, the group signed up Cigna Europe Insurance Company S.A. - N.V. Singapore Branch and EQ Insurance Company Ltd in 2019, major Singapore healthcare institutions (covering the employees of these healthcare institutions and their dependents) in 2020 and Aviva Ltd. in 2021. Are there substantial onboarding costs that are not passed on to the new customers?

Response:

(i) Revenue from the managed healthcare solutions business segment decreased in FY2020 and FY2021 because of reduced visits to our panel clinics due to the COVID-19 pandemic. To cushion the financial impact, the Group opted to provide direct medical services to the employees of our corporate clients in FY2021. Such additional services, however, have lower margins.

In addition, the EBITDA and segment results in FY2021 and FY2022 were adversely affected by increasing operating expenses, including higher system maintenance, security compliance and operational costs such as employee-related expenses, facilities expenses, and office and administrative expenses. Nonetheless, despite the pandemic, the Group continues to grow its corporate clients (as elaborated in paragraph (ii) below), and this increase in client portfolio resulted in an improvement of the EBITDA and profitability in FY2022.

(ii) The Group continues its efforts to onboard new corporate clients to our managed healthcare solutions. As a result, the Group saw the number of corporate clients grow by nearly 1,000 between FY2020 and FY2022. With the increase in the number of corporate clients, coupled with an anticipated recovery in the volume of patient visits, we are cautiously optimistic about the performance of managed healthcare solutions segment.

The Group will also leverage technology and explore offshoring options to improve its operational efficiency and manage operating costs.

(iii) The time and effort to onboard a client depend on several factors, e.g., the size of the company, the complexity of the employee health benefit plans, the extent of customization required. The onboarding cost to the clients is the result of commercial negotiations.

Question 3

In the company's offer document dated 24 May 2019, the company stated its intention to recommend and distribute dividends of not less than 30% of the group's net profits attributable to shareholders in each financial year ending 30 June 2020 and 30 June 2021.

For FY2022, the company has proposed a first and final dividend of 0.45 Singapore cents, representing a payout ratio of 30%.

As shown in the consolidated statement of cash flows (page 76), the group has cash and cash equivalents amounting to $20.7 million as at 30 June 2022, with total loans and borrowings adding up to $6.0 million. The net cash flows from operating activities in FY2022 and FY2021 were $9.8 million and $4.7 million respectively.

(i) Are there any requirements for significant capital investments or is the company looking to make any major acquisitions (with cash) in the near term?

(ii) Given the strong cash flow from operations, and the strong financial position of the group, has the board deliberated on increasing the payout ratio?

(iii) In addition, has the board deliberated on a formal dividend policy?

Response:

(i) The Group remains optimistic about the Mobile and Digital Health Services segment's long-term growth prospects and is committed to significantly investing in strengthening our digital technology capabilities.

In line with our strategy to become a regional pharmaceutical product supplier, the Group plans to expand and upgrade our existing storage facility in Singapore.

Also, the Group is always looking for opportunities to grow our GP and specialist care services and invest in companies that could strengthen our service propositions.

(ii) Given the above plans mentioned in (i), the Board deems it appropriate to conserve adequate resources for opportunities to reinvest in the Group's business activities.

(iii) The Board has deliberated on a formal dividend policy. After much deliberation and due consideration, the Board is of the view that it is in the Company's best interest not to have a fixed dividend policy at this juncture in view of the reasons stated in paragraphs (i) and (ii) above such that the Group would have the financial flexibility and strengths as and when suitable opportunities arise.

Question 4

Special Business - Resolution 7:
Instead of issuing new shares, could the Directors issue existing treasury shares at a premium from the buyback price?

Response:

The Company has the authority to allot and issue shares and convertible securities, and existing Treasury Shares may be utilised instead of issuing new shares, at the Company's discretion.

The price of new shares / existing Treasury Shares to be issued will be determined by factors including the market price of the Company's shares, the Company's financial performance, economic situation, industry trends and general market conditions.

Question 5

Special Business - Resolution 8:
What is the Board's intention for the 2.14 million treasury shares?

Response:

The treasury shares may be used for (i) the implementation of the Alliance Performance Share Plan should it be approved by shareholders at the forthcoming AGM; (ii) future acquisitions; or (iii) other purposes permitted by law. The Company will make appropriate and timely announcements when the treasury shares are utilised in future.

BY ORDER OF THE BOARD

Dr Barry Thng Lip Mong
Executive Chairman and Chief Executive Officer
21 October 2022

---

*This announcement has been reviewed by the Company's sponsor, RHB Bank Berhad, through its Singapore branch (the "**Sponsor**") in accordance with Rule 226 (2) (b) of the Catalist Rules. 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 Mr Alvin Soh, Head, Corporate Finance, RHB Bank Berhad, Singapore branch, at 90 Cecil Street, #04-00 Singapore 069531, Telephone: +65 6320 0627.*