



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 A SHAREHOLDER**

The board of directors (the “**Board**”) of Alliance Healthcare Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) would like to thank all shareholders and the Securities Investors Association (Singapore) (“**SIAS**”) for submitting their questions before the Company’s Annual General Meeting to be held at 8 Wilkie Road, #03-08, Wilkie Edge, Singapore 228095 on Tuesday, 29 October 2024 at 2.30 p.m.

Unless otherwise defined, capitalised terms used herein shall have the same meaning as ascribed thereto in the Company’s annual report for the financial year ended 30 June 2024 (the “**Annual Report**”) and the appendix to the Notice of AGM dated 9 October 2024.

The Company’s responses to the substantial and relevant questions received from SIAS and a Shareholder are set out the Annex hereto.

BY ORDER OF THE BOARD

Dr Barry Thng Lip Mong
Executive Chairman and Chief Executive Officer
23 October 2024

*This announcement has been reviewed by the Company’s sponsor, RHB Bank Berhad (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, at 90 Cecil Street, #03-00, RHB Bank Building, Singapore 069531, Telephone: +65 6320 0627.*



RESPONSES TO QUESTIONS FROM A SHAREHOLDER

Question 1

The share prices of Alliance Healthcare as at 9 October 2024 is 13 cents, which is down 35% from its IPO price of 20 cents in 2019. It seems like the Board and Management has not returned any value to investors over the five years of listing. Please share what is the Board's strategy for investors going forward.

Response:

The Board and Management acknowledge the concerns raised regarding the Company's share price performance since its initial public offering ("IPO").

We assure our shareholders that we are committed to enhancing long-term shareholder value and have developed a strategic plan to achieve this objective.

Our strategy focuses on several key areas:

1. **Business Expansion and Diversification:** We are actively seeking opportunities to broaden our service offerings and enter new markets within healthcare services. This includes developing new healthcare services and extending our services to a broader customer base.
2. **Operational Efficiency:** We continuously improve our operational efficiency to reduce costs and enhance profitability. These initiatives include investing in advanced technologies and streamlining workflows to improve service delivery efficiency and quality.
3. **Innovation:** We are committed to remaining at the forefront of healthcare innovation by investing in emerging digital health solutions and exploring new healthcare delivery models that align with evolving market trends and patient needs.

Since our IPO, the Group has declared dividends in each financial year from FY2020 to FY2023, demonstrating its commitment to returning value to our shareholders. The details are as follows:

- FY2020: 0.34 Singapore cents
- FY2021: 0.23 Singapore cents
- FY2022: 0.45 Singapore cents
- FY2023: 0.30 Singapore cents

These strategic initiatives will position the Group for sustainable growth and long-term value creation for our shareholders. We appreciate the continued confidence and support of our shareholders as we work towards achieving our goals.

Question 2

With the renewal of the share buyback mandate given to you by shareholders in the last AGM, please explain why no share buyback exercise was conducted to support share prices.

Response:

While the share buyback mandate provides the Company with the flexibility to purchase its shares, the Share Buyback will only be undertaken as and when the Directors consider it to be in the best interests of the Company and its Shareholders. The Directors will take into account relevant factors such as the amount of surplus cash available, working capital requirements, the Group's growth and expansion plans, and prevailing market conditions.



Question 3

Since there is no dividends declared for FY2024, can the investor relations team look into creating a shareholder privilege or incentive scheme which offers attractive discounts to all the managed services and clinic? This initiative might raise attractiveness of owning the company shares. As a shareholder, I would want to support the company if there are attractive incentives. This can be easily set up with the app services that Alliance Healthcare already provides.

Response:

We appreciate the suggestion regarding creating a shareholder privilege or incentive scheme. The Company is committed to exploring various means to enhance shareholder value. However, we would like to highlight the challenges of implementing such a scheme.

Firstly, the dynamic nature of our shareholder base complicates the validation of shareholder eligibility at each clinic. Shareholder composition is constantly changing, making real-time validation unfeasible. Additionally, implementing such a scheme could raise concerns related to the Personal Data Protection Act ("PDPA"), which would involve handling sensitive shareholder information.

Given these factors, introducing a shareholder privilege scheme is not currently feasible. We remain committed to exploring other avenues to enhance shareholder value.

Question 4

Please explain why there was a high increase in Loss on disposal of plant and equipment \$13,884 million, compared to \$521,000 for FY2023 (page 108 of the Annual Report).

Response:

First, we want to clarify that the figures stated in the question must be corrected. The correct amounts are \$13,884 for FY2024 and \$521 for FY2023, not \$13.884 million and \$521,000, as mentioned.

The loss on disposal of plant and equipment in FY2024 primarily arose from the disposal of fixtures, fittings, and renovations associated with relocating one of our subsidiaries to the Group's headquarters. This consolidation was part of our strategic initiative to enhance operational efficiency by centralising key functions. By centralising operations, we aim to reduce duplications, improve coordination between departments, optimize resource utilisation and achieve cost savings related to rent, utilities, and maintenance.

Question 5

Please explain why there was a high increase of \$6.3 million (\$34,724,158 in 2024 compared to \$28,426,216 in 2023) for Short-term employee benefits expense (page 108). Did the Board watch the costs carefully? If the increase was halved to \$3 million, the Group Profitability would have been improved compared to 2023.

Response:

The increase in short-term employee benefits expense was mainly due to:

1. Wage inflation;
2. Financial incentives to attract and retain key talents;
3. Increased staff and related costs due to an increased headcount of employees and doctors, as well as increased business activities in managed healthcare solutions, digital healthcare services, specialist care services, and pharmaceutical services;
4. Staff and related costs for the new medical facilities which commenced operations in FY2024; and
5. The requirement for around-the-clock support from medical staff for certain corporate clinic.

RESPONSES TO QUESTIONS FROM SIAS

SIAS Question 1

As highlighted in the chairman's message, the group achieved strong revenue growth of 17.2%. However, increased operating costs from newly established medical facilities and warehouses, along with losses in the mobile and digital health segment, affected overall performance. The group recorded a modest net profit of \$0.4 million, with \$0.7 million attributable to owners for the financial year ended 30 June 2024.

- (i) Can management clarify the strategic rationale for expanding into executive health screening and medical aesthetics, given that these sectors are already saturated with clinic chains and hospital groups? What specific competitive advantages does the group bring to these highly competitive markets, and how does it plan to differentiate itself?
- (ii) What key financial metrics, such as projected payback periods and hurdle rates, did the board consider when approving expansions into new areas such as medical aesthetics and the one-stop medical centre at Dhoby Ghaut? How does this align with the group's risk appetite, and what assumptions have been made regarding market demand, cost structure, and ROI for these ventures?

Response:

The Group's expansion into a one-stop medical centre and medical aesthetics is a strategic move aligned with our vision to power people to lead healthy and vibrant lives in the community through our integrated eco-system of care. We acknowledge the competitive nature of these sectors, but we believe our integrated healthcare ecosystem model provides us with a strong foundation to better engage, support, and strengthen our relationships with our clients.

Leveraging Our Strong Corporate Client Base

The Group maintains a strong corporate client base through our managed healthcare solutions. Many of these clients require healthcare services such as statutory medical examinations, chronic disease management, and executive health screening. Our one-stop medical centre enables us to offer comprehensive healthcare packages to employers, enhancing the value we deliver while strengthening relationships with these key stakeholders.

Meeting the Growing Demand for Preventive Healthcare and Chronic Disease Management

Preventive healthcare and chronic disease management are increasingly emphasised, with national initiatives such as Healthier SG promoting early detection and the proactive management of chronic conditions. Our medical centre at Dhoby Ghaut aligns with this focus, allowing us to deliver personalised care that supports better long-term health outcomes.

Capitalising on Growth in Medical Aesthetics

Many of our clients are working adults who demand reliable aesthetic services. Evoque Medical Aesthetics is set up to meet this demand.

Capital Investment Evaluation

When evaluating new ventures, the Board considers a range of key financial metrics to ensure alignment with the Group's strategic and economic objectives. These metrics include Net Present Value (NPV), Payback Period, and Internal Rate of Return (IRR).

The expansion into executive health screening and medical aesthetics aligns with the Group's risk appetite by balancing growth opportunities with financial prudence. Dhoby Ghaut MRT station is the interchange for the North-South, North-East and Circle lines in Singapore and is strategically located to serve our corporate clients.



In conclusion, our expansion into executive health screening and medical aesthetics is a strategic move that complements our existing services and aligns with market trends. By leveraging our established corporate client base, integrated ecosystem, and technology-driven solutions, we aim to deliver long-term value to shareholders.

Revenue in the GP clinic services segment decreased from \$17.2 million to \$16.8 million, and EBITDA and profit before tax decreased by 36% and 85% respectively while depreciation and amortisation increased by 40%.

- (iii) Besides the cessation of COVID-related activities, were there any other factors contributing to the revenue decline in the GP clinic services segment in FY2024? How does management balance improving the financial performance of the GP clinic services segment while maintaining or enhancing patient care?

Response:

Revenue in the GP clinic services segment decreased by approximately S\$0.5 million or 2.9% from S\$17.3 million in FY2023 to S\$16.8 million in FY2024. The decline was mainly due to a reduction in patient visits following the cessation of the government subsidies at the Public Health Preparedness Clinic and polyclinics for Antigen Rapid Tests, Polymerase Chain Reaction tests, and the treatment of all respiratory infections effective from 1 April 2023.

The declines in EBITDA and profit before tax were primarily attributed to high operating costs, such as staff-related costs and depreciation costs incurred with the opening of a newly established medical centre, which commenced operations in January 2024.

The Group remains focused on improving the financial performance of the GP clinic services by expanding our service offerings in chronic disease management and preventive care. Continuous training and development for clinic staff ensure that high standards of care are maintained. These initiatives aim to strengthen the segment's financial performance while upholding the Group's commitment to delivering high-quality patient care.

Management has also mentioned a paradigm shift towards decentralised healthcare services in Singapore.

- (iv) Can management provide insights on how the Ministry of Health's "Healthier SG" scheme has impacted the group's operations, both positively and negatively? What opportunities or risks does this initiative create for the group's business model?
- (v) How does HeyAlly, as part of the group's digital health strategy, fit into the broader "Healthier SG" initiative, and what synergies does it create for the group's overall healthcare offering?

Response:

The Ministry of Health's "Healthier SG" initiative, which promotes preventive healthcare, aligns well with our commitment to enhancing population health by focusing on chronic disease management and preventive care. The Group believes this initiative will allow primary care physicians to provide continuing care for their patients across the entire health continuum and could potentially increase the demand for our GP services.

HeyAlly, as part of the Group's digital health strategy, facilitates better patient engagement by making healthcare services more accessible and personable.



SIAS Question 2

The group is supporting four government-restructured hospitals by helping their patients recover in the comfort of their own homes under the Mobile Inpatient Care at Home (“**MIC@Home**”) program using Jaga-Me.

- (i) What is the business model of Jaga-Me under the MIC@Home program? Can management provide more detail on the key performance obligations, and what are the primary value drivers for this program?

Response:

The MIC@Home program aims to provide hospital-level care in the comfort and privacy of patients' homes, enhance recovery experience, reduce hospital stays, and optimise healthcare costs. Since April 2024, the Ministry of Health has adopted this model as a mainstream solution for healthcare delivery.

Under the MIC@Home program, Jaga-Me is contracted by the four government-restructured hospitals to support their medical teams in providing home-based healthcare services for their patients according to their strict clinical guidelines. The Ministry of Health has announced its intention to progressively create more virtual beds in the coming years to complement the physical hospital beds, which could potentially increase the demand for Jaga-Me services.

It is also noted that certain non-controlling shareholders of Jaga-Me have exercised their put options to sell shares to the group at \$3 per Jaga-Me share. The group currently owns 75.3% of Jaga-Me and the mobile and digital health service segment has been loss-making.

- (ii) What is the current leadership structure at Jaga-Me? How is the board ensuring that leadership is adequately equipped to drive operational efficiency and profitability?

Response:

The key leaders in Jaga-Me are the Chief Executive Officer ("Jaga-Me CEO"), Chief Medical Officer (CMO), and Director of Nursing and Medical Operations. They are supported by a team of experienced medical and operational professionals, ensuring full oversight and execution of operational strategies.

The Group supports Jaga-Me with key centralised functions, including Marketing and Business Development, Finance, Information Technology, Human Resources, Legal and Compliance. This arrangement helps Jaga-Me streamline costs while receiving the necessary support to scale up its business.

The Jaga-Me board actively oversees these dynamics by conducting regular performance reviews and ensuring that leadership has the resources and support to navigate the evolving healthcare landscape effectively.



- (iii) Does management anticipate that the mobile and digital health services segment, including Jaga-Me, will remain loss-making in the near future? How much more capital is the group willing to invest in growing this segment, and what are the expected milestones for turning a profit?
- (iv) How critical is the mobile and digital health services segment, particularly Jaga-Me, to the group's broader strategic growth plans?

Response:

Management noted that the mobile and digital health services segment, particularly Jaga-Me, has been experiencing losses, mainly due to ongoing investments in marketing, business development, technology, home-based healthcare clinic protocols, and scaling up operations. While this segment is expected to remain unprofitable in the short term, the losses are reducing due to the Group's efforts to improve financial performance. These initiatives include driving greater service adoption, optimising operational workflows through automation, and expanding strategic partnerships with healthcare institutions.

The Group remains committed to supporting the mobile and digital health services segment while maintaining a disciplined approach and focusing on profitability. Future capital investments will be made selectively, targeting customer acquisition efforts and technological advancements that enhance operational efficiency.

The mobile and digital health services segment is a crucial pillar of the Group's long-term strategic growth plans and vision to make healthcare more accessible and personable. With a rapidly ageing population, Jaga-Me is also well-positioned to meet the growing demand for home-based healthcare services.

Separately, it is noted that revenue from the managed healthcare solutions segment increased by nearly 80% to \$15.2 million (page 6; Operating and financial review). This was attributed to more programs established with business partners, higher patient volume and more corporate clients (with two new in-house corporate clients onboarded in January 2023 and July 2023).

- (v) What are the typical contract durations with corporate clients?
- (vi) What are the retention rates of corporate clients and clinics using the Alliance MediNet platform?

Response:

Contracts with corporate clients typically vary in duration based on their specific needs and the scope of services provided. Most of our contracts are evergreen, while others are structured for two to three years, often with options for extension. This flexibility enables us to build long-term partnerships and adapt to evolving client requirements.

Retention rates for direct corporate clients and clinics using the Alliance MediNet platform remain strong, exceeding 90% annually for both groups. We are committed to consistently delivering value and enhancing service quality through our comprehensive managed healthcare solutions, ensuring high satisfaction levels and fostering long-term relationships.



SIAS Question 3

Despite recording an operating cash inflow of \$4.5 million, the board has decided not to recommend any dividend for FY2024. This decision is especially notable as the group celebrates its 30 years of healthcare excellence, a milestone proudly highlighted on the cover page of the annual report.

Cash and cash equivalents decreased marginally from \$19.6 million to \$18.6 million as at 30 June 2024.

- (i) What were the key deliberations by the board regarding the suspension of dividend payments, particularly in a year with positive operating cash flow? Could the suspension of dividend send an unintended signal of potential financial distress to the market?
- (ii) What are the board's long-term plans for balancing capital investment in growth initiatives versus returning cash to shareholders? Are there specific milestones or financial targets that could lead to the reinstatement of dividend payments in the future?

Response:

The Board's decision not to recommend a dividend for FY2024 is aligned with our prudent approach to preserving cash to support ongoing business activities and fuel future growth initiatives, which are critical for long-term value creation.

The Group's financial position remains sound, with cash and cash equivalents of \$18.6 million as at 30 June 2024. This decision does not indicate financial distress but reflects our disciplined capital management to support the Group's strategic objectives and growth plans.

The Group's declaration of dividends is subject to various factors, including, but not limited to, the level of cash and reserves, results of operations, business prospects, capital requirements, general financial condition, any circumstances that might affect the reserves available for dividends, and other factors considered relevant by the Board.

The Board is focused on executing key strategic initiatives to drive sustainable revenue growth. These initiatives include expanding strategic partnerships with healthcare institutions for the MIC@home programs, accelerating revenue generation from the newly established medical centre and medical aesthetic clinic to achieve economies of scale, and enhancing technology in our MediNet, Jaga-Me partner and customer portals, and digital health platforms to improve operational efficiency and patient care experience. These efforts are expected to strengthen the Group's market position and deliver long-term value to shareholders.

The Board remains committed to balancing capital investment in growth with returning value to shareholders. It will continue to monitor the factors above and consider dividend declarations as and when appropriate.



The ageing of the assets is as follows:

	Gross amount		Loss allowance	
	2024	2023	2024	2023
	\$	\$	\$	\$
<u>Group</u>				
Trade receivables and contract assets:				
Current	14,084,879	13,511,684	-	-
1 to 60 days past due	14,719,310	6,623,712	-	-
61 to 90 days past due	883,290	253,756	-	-
Over 90 days past due	3,088,875	1,268,965	503	4,947
Total	32,776,354	21,658,117	503	4,947
<u>Company</u>				
Trade receivables and contract assets				
Current	3,164,708	1,995,570	-	-
1 to 60 days past due	5,000,078	1,492,987	-	-
61 to 90 days past due	312,500	169,561	-	-
Over 90 days past due	2,685,063	3,860,519	-	-
Total	11,162,349	7,518,637	-	-

(Source: company annual report)

It is further noted that trade receivables and contract assets past due by more than 90 days has increased from \$1.27 million to \$3.09 million as at 30 June 2024.

- (iii) What are the reasons for the significant increase in trade receivables and contract assets past due?
- (iv) Can management provide insights into the profiles of the debtors responsible for the overdue amounts? How long have these receivables been outstanding, and what are the specific amounts involved?
- (v) What specific actions has management taken to address and collect these overdue receivables? Are there any new policies or procedures being implemented to improve collection efficiency going forward?

Response:

The increase in trade receivables and contract assets as of 30 June 2024, is primarily attributed to a rise in medical claims during the second half of FY2024. At the financial year end, these claims were pending verification and reimbursement from insurers and corporate clients.

A significant portion of these overdue amounts is owed by well-established insurance companies and corporate clients with whom we have longstanding relationships. Most of the overdue balances over 90 days have been outstanding for less than a year. The higher volume of claims and the need for detailed reconciliation by the payers resulted in longer verification times from insurers. In some cases, delays were further impacted by staff movement within their finance or claims processing departments.

Addressing these overdue receivables is a key priority for Management. We have initiated direct discussions with the relevant insurers and corporate clients to expedite the resolution of outstanding amounts. Additionally, we are strengthening credit management by implementing tighter controls, particularly about Third-Party Administrator (TPA) payments, and are reviewing and adjusting credit limits where appropriate.

To further improve collection efficiency, Management has implemented a biweekly review process to monitor outstanding balances from insurers closely. This ensures timely follow-up and proactive engagement with debtors to facilitate quicker payment settlement.