

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

RESPONSES TO QUESTIONS FROM 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 21 October 2021 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 2021 (the “**Annual Report**”).

The Company’s responses to the questions received from Shareholders are set out below.

Question 1

- A. Please refer to page 1 of the Annual Report about “Corporate profile”. In the 3rd paragraph, it was stated that “We believe that technology-driven business provides us with insights into disease trends and healthcare utilisation, which empower us to help our corporate clients and insurance partners to maximise their returns on their health dollar as well as improve the delivery of healthcare.” How much of the Group’s \$46.4m revenue came from “insurance partners”.
- B. And how much of the Group’s \$46.4m revenue came from MediShield.

Response:

- A. Revenue from our insurance partners is derived mainly from the managed healthcare solutions that the Group offers to them. The managed healthcare revenue forms approximately 11% of FY2021’s revenue. A breakdown of the revenue contribution by segments can be found on page 90 of the Annual Report. Besides insurance partners, the Group also serves more than 3,500 corporate clients in our managed healthcare segment.
- B. MediShield is a basic health insurance plan, administered by the Central Provident Fund Board, which helps to pay for large hospital bills and selected costly outpatient treatments, such as dialysis and chemotherapy for cancer. Our managed healthcare revenues are from the services we provide to the panel clinics and our insurance partners.

Question 2

Please refer to page 90 of the Annual Report about “Financial information by operating segments”. For “Pharmaceutical services” segment, total revenue increased by 4.0% from \$14.8m in 2020 to \$15.4m in 2021, mainly due to an “increase demand for medical supplies arising from the local hospitals stocking up in preparation for any supply chain disruption.” However, its segment EBITDA margin has declined by 0.4% from 9.7% in 2020 to 9.3% in 2021 despite increased sales. What went wrong?

Response:

The Group derives revenue from its pharmaceutical services through the selling and distributing of pharmaceutical products to, among others, hospitals, pharmacies and clinics in Singapore and to other overseas markets, as and when required. Margins may vary depending on the product mix. Besides

the product mix, the slight drop of the EBITDA margin of 0.4% in FY2021 was mainly due to higher write-downs of consumables and medical supplies in FY2021.

Question 3

Please refer to page 105 of the Annual Report about “Intangible assets”. For “CGU - Entities operating under “My Family Clinic” “, why the “growth rates approved by management” increased from “4%” in 2020 to “4 -12%” in 2021? Which entities saw increased forecast growth rates above 4% in 2021?

Response:

“My Family Clinic” is a chain of GP clinics operating under the Group’s GP segment.

As disclosed on page 105, the forecasted growth of 12% in FY2023 is to normalise business to pre-COVID-19 level.

Since FY2020, revenue from the GP clinic services was affected due to lower patient volumes as a result of the onset of COVID-19 in late Jan 2020. However, with a gradual reopening of the Singapore economy, the Group saw a rebound in the revenue of its GP clinics with a 7% y-o-y rise in revenue in the second half year of FY2021 (“2H FY2021”). As Singapore continues to reopen and adapt to a new normal under the COVID-19 pandemic, the Group is cautiously optimistic of a continued recovery for its GP clinics segment.

A breakdown of the segmental revenue of the Group’s financial performance for 2H FY2021 and 2H FY2020 can be found on page 8 and 9 of the Group’s FY2021 financial results released on SGXNET on 27 August 2021.

Question 4

Please refer to page 90 of the Annual Report about “Financial information by operating segments”. For “Managed healthcare solutions” segment, understand that this segment was “loss-making in FY2021 due to the decrease in patient visits”. However, why did this segment suffer an EBITDA loss of \$58,373 even at EBITDA level? There was no cost recovery.

Response:

To cushion the impact on the managed healthcare solutions business segment due to the drop in patient visits, the Group also provided direct medical services to employees of corporate clients in FY2021, which had lower margins. Thus, even though segment revenue of managed healthcare solutions for FY2021 and FY2020 were comparable, profitability and EBITDA for FY2021 were lower.

In addition, the Group also incurred higher system maintenance and security compliance cost in FY2021 to run its proprietary Medinet systems which provide third-party administration and a comprehensive medical network and platform for insurers, corporates, healthcare providers, employees and policyholders, to ensure the data security.

Question 5

- A. Please refer to page 4 of the Annual Report about “Chairman’s message”. In the 8th paragraph, it was stated that “AHG’s 55% owned subsidiary, Jaga-Me, works closely with public agencies and companies to support the safe and timely reopening of the economy by providing COVID-19 swabs for events and pre-departure purposes.” On page 1 of the Annual Report, it was stated that “The Company is also one of the three medical providers appointed by the Ministry of Health to spearhead home vaccinations in Singapore”. How much of the Group’s \$46.4m revenue came from such Covid-related services, e.g. “COVID-19 swabs for events and pre-departure purposes” and “home vaccinations”.
- B. Which business segment were they classified under.

Response:

COVID-19 swabs and home vaccinations are conducted through our 55% owned subsidiary, Jaga-Me, which are classified under our mobile and digital health services segment together with our digital healthcare platform, HeyAlly. The mobile and digital health services segment generated S\$4.4 million in sales in FY2021, growing more than 280% year-on-year and turning in a profit within its first full year of contribution. The positive performance also affirms our focus to expand our mobile and digital healthcare segment is in the right direction.

Question 6

- A. Please refer to page 115 of the Annual Report about “Acquisitions of interest in subsidiaries with change in control”. It was stated that “The put option is exercisable within 3 months from (each of) the date of Jaga-Me’s audited accounts for financial years ended 30 June 2021, 2022 or 2023 if the following conditions are met: (i) Jaga-Me’s net operating profit after tax (“**NOPAT**”) is \$1.5 million or higher; exercisable at \$4.80 per ordinary share; or Jaga-Me’s NOPAT is below \$1.5 million, but its operating revenue is \$4 million or higher; exercisable at \$3.00 per ordinary share.” Based on page 90 of the Annual Report, for “Mobile and digital health services” segment which had a total revenue of \$4,498,508 and EBITDA of \$611,792 in FY2021, can the Audit Committee confirm that condition (ii) was met but condition (i) was not met?
- B. If so, why Jaga-Me Pte Ltd’s EBITDA (about \$611,792) was only 40.8% of \$1.5m target NOPTA?

Response:

The total revenue and EBITDA of the Group’s mobile and digital health services business segment, disclosed on page 90 of the Annual Report, consist revenue and EBITDA from our mobile and digital healthcare services. Based on audited financial statements of Jaga-Me for FY2021, its NOPAT is below \$1.5 million, but its operating revenue is \$4 million or higher; hence the put option is exercisable at \$3.00 per ordinary share.

Page 115 of the Annual Report set out the conditions to be satisfied for the put option to be exercisable within the period stated therein. They are not meant to be a profit forecast of Jaga-Me.

Question 7

Please refer to page 105 of the Annual Report about “Intangible assets”. For “CGU - Jaga-Me Pte Ltd”, why “Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the CGUs” decreased by 7% from “22%” in 2020 to “15%” in 2021? If Jaga-Me’s NOPAT fell below the target \$1.5m for FY2021, what are the bases behind this assessment by management?

Response:

Jaga-Me, a new start-up company, recorded net losses for its initial years after incorporation. The onset of COVID-19 has sped up the growth of Jaga-Me, which turned profitable for FY2021 with the significant jump in revenue. The Group is cautiously optimistic of Jaga-Me’s long-term growth prospects given the acceleration in mobile and digital healthcare business segment, and hence the revision of the discount rate as reflected by the improved performance and financial position of Jaga-Me during this period.

Question 8

Please refer to page 120 of the Annual Report about “Events after the end of the reporting year”. It was stated that “In September 2021, the Group acquired 20% of the share capital in SG IMED Pte. Ltd. for an aggregate cash consideration of \$630,000 through a wholly-owned subsidiary, Alliance Healthcare Pte. Ltd.” Which business segment will SG IMED Pte Ltd be classified under?

Response:

SG IMED develops and leases its proprietary software, Hummingbird Software, a B2B clinic management and electronic medical record solution for medical service providers such as GPs, specialists, and dentists. Hummingbird Software offers a fully integrated and configurable practice management solution with features including an online appointment system, data analytics, medical billing, pharmacy and inventory modules. It will provide the Group with a unified platform allowing medical providers to communicate more effectively, providing better healthcare to patients.

The Group will evaluate SG IMED’s operating performance and allocate its resources under its mobile and digital health service business segment. Accordingly SG IMED will be classified under the Group’s mobile and digital health service business segment.

Question 9

Please refer to page 93 of the Annual Report about “Employee benefits expense”. As a % of the Group’s revenue, “Total employee benefits expense” increased by 1.7% from 49.3% in 2020 to 51.0% in 2021. What happened?

Response:

As explained on page 7 of the Annual Report, the employee benefits expense increased by approximately S\$2.6 million or 12.3% from S\$21.1 million in FY2020 to S\$23.7 million in FY2021, mainly attributable to the full year consolidation of Jaga-Me which the Group acquired in January 2020, and an increase in payment to the specialists in line with the increase in profitability of the specialist clinics.

Question 10

Please refer to page 56 of the Annual Report about “Corporate governance report”. Noted that the remuneration of Executive Director Dr. Mok Kan Hwei, Paul has increased from a remuneration band of “S\$500,001 to S\$750,000” in 2020 to a remuneration band of “S\$750,001 to S\$900,000” in 2021. Can the Remuneration Committee share what remuneration factor(s) specifically led to the increase? How much is attributable to each of these remuneration factor(s)?

Response:

As disclosed on page 55 of the Annual Report, in setting remuneration packages, the Remuneration Committee (the “RC”) will take into account the performance of the Group as well as the executive directors and key executives aligning their interests with those of shareholders and linking rewards to corporate and individual performance as well as industry benchmarks. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the Company.

The increase in Dr Mok’s remuneration in FY2021 was mainly due to the higher performance-related remuneration, which was in line with the increase in profitability of his specialist clinics in FY2021.

The Board is of the opinion that it is in the best interest of the Company to maintain confidentiality of the remuneration details of the executive directors.

Question 11

Please refer to page 57 of the Annual Report about “Corporate governance report”. Noted that the “Aggregate of the total remuneration paid or payable to the top key management personnel (who are not directors of the Group or the CEO)” has increased by as much as 24.9% from \$781,928 in 2020 to \$976,240 in 2021. Can the Remuneration Committee share what remuneration factor(s) specifically led to the increase? How much is attributable to each of these remuneration factor(s)?

Response:

Kindly refer to response to question 10 for the remuneration factors.

The increase in key management remuneration in FY2021 was mainly because of the higher performance-related remuneration for the pharmaceutical services segment and salary adjustments to align with industry benchmarks.

In addition, during the transition period when the new chief financial officer took over from the previous chief financial officer, the Company has to pay salaries to both of them.

Question 12

Please refer to page 106 of the Annual Report about “Inventories”. May I ask the Audit Committee why “The write-downs of inventories charged to profit or loss included in consumables and medical supplies used” has increased 5.2 times from \$13,928 in 2020 to \$72,561 in 2021?

Response:

Given that the COVID-19 pandemic has caused unprecedented disruptions to the supply chain since its onset in late January 2020, the Group increased its stock for pharmaceutical products and medical supplies to prepare for such supply chain disruption. The Group’s inventory increased to S\$2.8 million as at 30 June 2020 from S\$1.4 million as at 30 June 2019. On the other hand, the Group experienced a reduction in drawdown from local hospitals and clinics for certain pharmaceutical products and medical supplies because of lower demand as a result of COVID-19 pandemic. Hence, more consumables and medical supplies were expired in FY2021, which resulted in increased written-downs of inventories.

Question 13

- A. Please refer to page 106 of the Annual Report about “Trade and other receivables”. While the Group’s revenue has increased by 8.5% yoy, Trade receivables for Outside parties have increased as much as \$3.16m (33.2%) from \$9.51m in 2020 to \$12.7m in 2021. On page 107 of the Annual Report, the aggregate trade receivables from the 3 top customers have increased by \$2.10m (26.3%) from \$7.98m in 2020 to \$10.1m in 2021. It seems that the credit risk of our 3 top customers (perhaps the said corporations and insurers) have heightened. What went wrong?
- B. May I ask the Audit Committee how much of the \$12.7m trade receivables to other parties have been collected so far?

Response:

Our managed healthcare solutions and mobile and digital healthcare business segments contributed over 75% of the Group’s third-party trade receivables. The increase in the third-party trade receivables of approximately S\$3.2 million was a result of the increase in trade receivables for the aging bands of current and past due 60 days or less. Out of the S\$12.7 million third-party trade receivables as at 30 June 2021, S\$6.7 million were not due and S\$4.4 million were past due 60 days or less, as compared to S\$5.9 million were not due and S\$2.1 million were past due 60 days or less as at 30 June 2020.

The increase was mainly due to higher sales generated by these two business segments in 2H FY2021, especially by the mobile and digital healthcare business segment for the COVID-19 swabs and home vaccinations provided to the Ministry of Health during this period.

Besides higher sales in 2H FY2021, the COVID-19 pandemic has disrupted the back-end operations of some of the Group’s corporate clients and insurance partners, resulting in a delay in processing of payments to the Group, especially during the period after the Government tightened the COVID-19 measures with effect from 16 May 2021, which work-from-home would be the default at workplaces. Nevertheless, the Group had no significant bad debt in FY2021.

For similar reasons, the aggregate third-party trade receivables from our top 3 customers increased to S\$4.8 million as compared to S\$3.6 million as at 30 June 2020. The top 3 customers are our insurance partners and corporate clients, who are reputable in their market and financially sound.

Subsequently after the year end, we collected more than 75% of the third-party trade receivables.

Question 14

Please refer to page 106 of the Annual Report about “Trade and other receivables”. May I asked the Audit Committee why Accrued income increased 3.3 times from \$276k in 2020 to \$897k in 2021?

Response:

The accrued income was mainly related to the unbilled revenue in relation to the COVID-19 swab projects and home vaccination programs during the last month of the respective financial years. The billings for these services were issued in the subsequent month after verification been completed by the various parties.

The increase of the accrued income in FY2021 was in line with higher revenue in FY2021 as compared to FY2020.

Question 15

Please refer to page 117 of the Annual Report about “Capital commitments”. How will the “capital commitments” trend be like over the next 2-3 years? How will they be funded?

Response:

The Group will continue to invest in technology infrastructure and systems to grow its mobile and digital healthcare business to accelerate our digital transformation of the delivery of healthcare services. We also plan to upgrade and enhance our storage facility to vamp up our capability for medical supplies, requiring more stringent storage conditions and higher volume.

The Company intends to use internal sources of funds or external borrowings or a combination of both to finance the capital investment depending on the assets to be purchased, the cost of investment, the payment schedule and amount (if any) to borrow by the Group.

BY ORDER OF THE BOARD

Dr Barry Thng Lip Mong
Executive Chairman and Chief Executive Officer
18 October 2021

*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.*