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RESPONSES TO QUESTIONS FROM SIAS ON ANNUAL REPORT 2023

The Board of Directors (the "**Board**") of Livingstone Health Holdings Limited ("**Livingstone Health**" or the "**Company**" and together with its subsidiaries, the "**Group**") refers to the queries from the Securities Investors Association (Singapore) ("**SIAS**") on the Company's Annual Report 2023.

The Company sets out below the responses to all substantial and relevant questions below. In principle, the Company does not elaborate on matters that are deemed commercially sensitive.

Q1. The group achieved its second consecutive profitable year under Livingstone Health Holdings Limited, despite a decline in revenue to $32.9 million in FY2023. The revenue growth in the Internal Medicine, Anaesthesiology & Pain Management, and Orthopaedic Surgery segments was partially offset by a decrease in revenue from the Aesthetics & Wellness and Family Medicine segments. It should be noted that the Family Medicine segment had witnessed higher sales in the previous year due to vaccine-related sales.

(i) Has the group realised any synergies from cross-selling its medical services as the network expands? How does management incentivise or encourage referrals to clinics within the group?

Company's Response:

Livingstone Health's ecosystem has generated significant synergies for patient cross-referrals. Most referrals involve the Group's primary healthcare arm, Phoenix Medical Group ("**PMG**") by referring patients to the relevant tertiary specialists within the Group. Ardennes Healthcare Pte Ltd, PMG's health screening service has also allowed the Group to extend its reach to more patients, in turn generating an increase in referrals for primary and tertiary healthcare services for the Group.

(ii) Can the board elaborate further on the group's growth plans? Specifically, how does the group attract doctors and/or medical groups to join Livingstone when there is significant competition from other healthcare groups seeking expansion opportunities?

Company's Response:

Beyond launching the health screening service, the Group announced in November 2022 several strategies in response to post-pandemic challenges. These include:

- Increasing the footprint and patient touchpoints of Livingstone Health's primary care arm, PMG;
- Strengthening the Livingstone eco-system and patient base, while improving internal efficiencies; and
- Centralisation of operations and generating economies of scale at the Group's new headquarters ("HQ") at 217 Henderson Road.

In the normal course of business, the Group will strategically recruit doctors and tertiary specialists who share similar mindsets, career progression philosophies and commitment to delivering high-quality medical services. Amid the competitive landscape, the Group remains nimble and adaptable as our shared vision guides the team to overcome challenges as a united front. We are confident our strategies, along with our hiring approach, will appeal to new doctors seeking to join the team as we execute our growth strategies forward.

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(iii) What is the target patient group for the Aesthetics & Wellness segment (Cove Aesthetic Clinic)? Does the segment serve foreign patients who travel to Singapore for aesthetics services? If so, how is the group capitalising on the return of tourists to Singapore?

<u>Company's Response:</u>

At Cove Aesthetic Clinic, we offer a diverse and comprehensive range of treatments to cater to the individual patient's specific aesthetic needs and skin conditions. We serve a diverse group of patients from varying age groups with unique reasons for pursuing aesthetic treatments, with the main focus on our local population. The Group intends to continue to attract new patient for other areas of wellness treatment.

(iv) What is the impact, or the potential impact, from the Healthier SG initiative for the Family medicine segment (Phoenix)?

<u>Company's Response:</u>

The Healthier SG initiative encourages Singaporeans to develop a long-term relationship with their family doctors, which in turn drives patient demand for General Practitioners.

In response, PMG, the Group's primary healthcare arm, aims to open more clinics and meet anticipated demand, translating into greater opportunities for cross-referrals for the Group's specialist tertiary services and its partners.

Q2. Despite revenue decreasing from $34.1 million to $32.9 million, trade receivables increased from $5.9 million to $6.9 million as at 31 March 2023.

12. Trade receivables

	Group		Company	
	2023	2022	2023	2022
	S$	S$	S$	S$
Third parties	**6,080,822**	5,964,051	**–**	–
Related party	**838,140**	–	**–**	–
Unbilled receivables	**77,420**	–	**–**	–
Less: Loss allowance (Note 32)	**(138,693)**	(58,711)	**–**	–
	6,857,689	5,905,340	**–**	–

(Source: company annual report; emphasis added)

(i) Given that the group is principally in the business of operating medical clinics, can management provide further details regarding the nature of the trade receivables, which amount to a significant $6.1 million as at 31 March 2023?

<u>Company's Response:</u>

The nature and the details of the Group's trade receivables are disclosed in Note 12 of the Annual Report 2023 and Part (ii), (iii) and (iv) of our responses below.

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(ii) **In addition, can management shed light on the reasons behind the outstanding trade receivables with the related party?**

<u>**Company's Response:**</u>

The Group was engaged by SN Orthopaedic Pte Ltd for medical related services as disclosed in our previous results announcement. The management has reviewed and assessed the recoverability of its trade receivables from related party and will ensure the recoverability of the debts is not compromised while continuing to engage the related party for medical related services.

In addition, there has been a significant increase in the amount of gross trade receivables that have been past due for more than 180 days over the past two years. By referring to the aging schedules compiled from previous annual reports, it appears that an amount exceeding $1 million may have remained past due for over two years.

The loss allowance for trade receivables are determined as follows:

	Current	Past due more than 1 to 30 days	Past due more than 31 to 60 days	Past due more than 61 to 90 days	Past due more than 91 to 180 days	Past due more than 180 days	Total
Group							
31 March 2023							
Expected credit loss rates	**0%**	**0%**	**0%**	**0%**	**0%**	**10.0%**	
Trade receivables (gross) (S$)	**2,079,452**	**1,308,294**	**800,706**	**393,380**	**1,021,090**	**1,393,460**	**6,996,382**
Loss allowance (S$)	**–**	**–**	**–**	**–**	**–**	**(138,693)**	**(138,693)**
31 March 2022							
Expected credit loss rates	0%	0%	0%	0%	0%	4.8%	
Trade receivables (gross) (S$)	532,146	1,741,962	1,105,574	598,522	767,266	1,218,581	5,964,051
Loss allowance (S$)	–	–	–	–	–	(58,711)	(58,711)
31 March 2021							
Expected credit loss rates	0%	0%	0%	0%	0%	5.8%	0.3%
Trade receivables (gross) (S$)	2,136,124	875,998	382,298	245,688	524,882	264,124	4,429,114
Loss allowance (S$)	–	–	–	–	–	(15,246)	(15,246)

(Compiled from company annual reports)

(iii) **Can the company provide an upper limit and use appropriate bands to illustrate the aging of the trade receivables? Please also provide a breakdown of the $1.4 million amount that is past due as at 31 March 2023 (or 30 June 2023).**

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<u>Company's Response:</u>

Aging of trade receivables as at 31 March 2023

	Gross S$	Loss allowance S$	Net S$	% of Net
Current/Not due	2,079,452	-	2,079,452	30.3%
Past due more than 1 day to 30 days	1,308,294	-	1,308,294	19.1%
Past due more than 31 days to 60 days	800,706	-	800,706	11.7%
Past due more than 61 days to 90 days	393,380	-	393,380	5.7%
Past due more than 91 days to 180 days	1,021,090	-	1,021,090	14.9%
Past due more than 180 days to 365 days	914,896	-	914,896	13.3%
Past due more than 365 days	478,564	(138,693)	339,871	5.0%
Total	**6,996,382**	**(138,693)**	**6,857,689**	**100.0%**

The breakdown of the S$1.4 million amount past due is shown in the red rectangle in the table above.

(iv) What are the underlying reasons for the outstanding trade receivables? What are the profiles of customers with long outstanding debt?

<u>Company's Response:</u>

Our customers comprise mainly individuals and corporate clients. The Group's trade receivables from individual debtors and corporate debtors represent 1.4% and 98.6% respectively of the total gross trade receivables. The Orthopaedic Surgery and Anaesthesiology and Pain Management segments contributed over 80% of the Group's third-party trade receivables, which is in line with higher revenue contributed from these segments. The increase was mainly due to higher sales generated by Internal Medicine Segment and Orthopaedic Segment.

The credit period granted to trade customers range from 30 to 90 days (2022: 30 to 90 days). Based on past collection history, the trade receivables from our corporate clients are recoverable despite the longer period taken to collect the debts. The Group is actively following up on the payment status with customers regularly by sending statement of accounts and reminders to ensure timely collection.

Subsequent to the financial year ended 31 March 2023, the Group collected receipts amounting to approximately S$3.2 million, of which S$0.5 million and S$0.1 million relate to receipts recovered from receivables which are past due more than 180 days to 365 days and receivables that are past due more than 365 days respectively. The total collection represented approximately 47.4% of the Group's trade receivables as at 31 March 2023. The Group will continue its effort in monitoring the outstanding receivables and be more proactive in the collection process.

	Individual debtors	Corporate debtors	Total
Current	25,746	2,053,705	2,079,451
Past due more than 1 day to 30 days	11,159	1,297,135	1,308,294
Past due more than 31 days to 60 days	1,538	799,168	800,706
Past due more than 61 days to 90 days	1,567	391,814	393,381
Past due more than 91 days to 180 days	819	1,020,271	1,021,090
Past due more than 180 days to 365 days	7,636	907,260	914,896
Past due more than 365 days	46,017	432,547	478,564
Total	**94,482**	**6,901,900**	**6,996,382**

(v) What is the AC's view on the use of 10% as the expected credit loss rate given the circumstances?

<u>Company's Response:</u>

The expected loss rates were derived mainly based on the Group's historical credit loss experience for various customer groups that are assessed by internal ratings, adjusted for forward-looking factors specific to the debtors and the economic environment which could affect the ability of the customers to settle the receivables.

Based on the Group's historical credit loss experience, the AC is not unduly concerned about the expected credit loss rate. The Board has also reminded management to remain vigilant in monitoring and assessing the creditworthiness of counterparties.

Q3. The board comprises one executive director, one non-independent non-executive chairman and three independent directors. The biographies of the directors can be found on pages 4 and 5 of the annual report.

With the exception of Dr Wilson Tay, who serves as both an executive director and the chief executive officer of the company, there are no other directors on the board who possess a medical background.

(i) Considering that none of the board members, apart from Dr. Wilson Tay, have experience managing or working in a medical facility or in any medical capacity, how effective is the board in providing guidance on operational and medical-related matters?

<u>Company's Response:</u>

The Group believes that medical related experience is more relevant to key executive appointments such as the Company's executive directors and executive officers. While medical-related matters are undoubtedly crucial for our operations, the Board's focus lies in providing strategic direction and upholding strict corporate governance standards.

The Group recognises that an effective board benefits from the diversity of expertise and perspectives. The current Directors bring a wide range of strategic knowledge and have made significant contributions to the Group over the years.

The CEO and Executive Director, Dr Wilson Tay, is well supported by an executive team, supported by both our Deputy CEO and Head of Family Medicine, Dr Chua Hshan Cher and our Chief Business Officer, Dax Ng, who has relevant work experience in medical facilities. Our Chief Operating Officer and Chief Medical Officer are also senior experienced medical doctors.

The Company is also guided by the Non-Executive Directors who are corporate veterans with significant experiences in publicly listed companies. The diversity of thought and background in the existing Board composition, with wide spectrum of knowledge and skills, enables strategic discussions and effective debates over key corporate matters. Our Lead Independent Director, Mr Fong Heng Boo is also a director of Singapore General Hospital Pte Ltd and Singapore Health Services Pte Ltd.

(ii) Would the board be re-evaluating the board composition, board diversity and the competency gaps in the board?

Company's Response:

As disclosed on Pages 42 to 46 of the Corporate Governance Report in the Annual Report 2023, the Board seeks to strike an optimal balance and mix of Directors with complementary skills, knowledge, experience, and core competencies.

The Board is of the opinion that the experience and core competencies of its current directors have guided the Group through multiple challenges during the pandemic and remain relevant today. Looking ahead, the operating environment remains highly volatile amid economic uncertainty and strong guidance from the Directors would be vital for the long-term performance of the Group.

Nonetheless, the Board is on the lookout for individuals who can bring strategic insights and contribute value to the Group and will keep shareholders updated should there be any material developments.

BY ORDER OF THE BOARD

Dr Wilson Tay Ching Yit
Executive Director and Chief Executive Officer
21 July 2023
