Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Healthway Medical Corporation Limited

Stock code: 5NG

Meeting details:
Date: 24 June 2020
Time: 2.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Q1. As noted in the chairman's statement, the group reduced its loss for the financial year ended 31 December 2019 to $(2.94) million. The performance of the group is shown below:

- FY2014: $9.84 million
- FY2015: $1.68 million
- FY2016: $(44.1) million
- FY2017: $(34.8) million
- FY2018: $(5.81) million
- FY2019: $(2.94) million

In the quarterly business update and financial performance for the quarter ended 31 March 2020, the group reported a 1.8% increase in revenue to $27.6 million and a profit attributable to shareholders of $186,000.

(i) **Can management help shareholders understand the key factors affecting the group's profitability in 2019? In addition, can management elaborate further on the specific factors that allowed the group to report a profit of $186,000 in 1Q2020?**

In FY2018 and FY2019, staff costs accounted for 65%-66% of total revenue. For comparison, the staff costs-revenue ratio for large listed medical group was at a 50%-51% level.

(ii) **Has the board reviewed the overall competitiveness of the group, in particular its staff costs?**

(iii) **With a network of 91 clinics and medical centres, does the group enjoy any significant economies of scale?**

Q2. On 21 April 2017, the company raised $59.8 million from the issuance of Tranche 2 of the Convertible Notes (page 42). On 2 July 2019, the company extended the intended use of proceeds to include the acquisition of other business supplementary or complementary to the existing business of the group. Out of the total amount of $20 million allocated to acquisition and investment in GP and specialist clinics, the unutilised amount as at 31 March 2020 was $14.82 million.

(i) **Is the group still focused on an acquisition-oriented growth strategy?**

As disclosed in Note 16 (page 107 – Intangible assets), the group had recognised goodwill of over $201 million (at cost) and an additional $32.5 million in brand names from its acquisitions. The total accumulated impairment losses to goodwill amounted to $(89.5) million. For instance, out of the $60.8 million in goodwill attributed to Paediatrics, the group has recognised an impairment of $(46.9) million while the $7.2 million in goodwill for Dentistry has been totally impaired.

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

	Goodwill				
	Cost 2019 $'000	Accumulated impairment losses 2019 $'000	Brand names 2019 $'000	Net book value 2019 $'000	Net book value 2018 $'000
Service groups					
Family medicine	69,024	(4,500)	8,000	72,524	70,438
Dentistry	7,191	(7,191)	–	–	–
Paediatrics	60,761	(46,911)	9,656	23,506	23,506
Orthopaedics	35,196	(18,293)	9,657	26,560	26,560
Wellness and aesthetic	4,657	(4,657)	–	–	–
Obstetrics & gynaecology	3,792	(1,904)	–	1,888	1,888
Nobel specialist	20,844	(6,000)	5,081	19,925	19,925
	201,465	**(89,456)**	**32,394**	**144,403**	**142,317**

(Source: company annual report)

(ii) **What guidance has the board given to management as it carries out its acquisitions? Specifically, how does the group maintain prudence and acquire companies/businesses at fair prices without overpaying for aggressive assumptions in its valuation models?**

(iii) **In addition, how is the group structuring transactions to ensure that the interests of the vendors are aligned with that of the company in the long term?**

Q3. In the Report on corporate governance, the company has stated that Mr Lin Weiwen, Moses, an independent director of the company has expressed his intention to retire as a director of the company at the conclusion of the company's forthcoming Annual General Meeting ("AGM").

The company is proposing the appointment of Ms Poh Mui Hoon as an independent director of the company.

Further information regarding Ms Poh Mui Hoon can be found on pages 52 to 56.

The nominating committee (NC) has stated that it sources candidates via suggestions from directors or management, or from external sources.

(i) **Would the NC help shareholders understand how the current practice supports the board diversity policy?**

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

It was also disclosed that Ms Poh is a shareholder, executive director and co-founder of Esseplore Pte. Ltd., a company in which Mr Sin Boon Ann, the independent chairman of the company is a shareholder, executive chairman and founder of. Notwithstanding the pre-existing business relationship between Ms Poh and Mr Sin, the said relationship is not expected to affect Ms Poh's independence as an independent director of the company.

(ii) **On what basis did the board/NC determine that the said relationship between the proposed director and the chairman would not compromise the independence of the proposed director?**

(iii) **How does the board improve its diversity so as to avoid groupthink and to foster constructive debate?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

Join our mailing list here to receive latest news and upcoming events.

CONNECT WITH US

^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)