



Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Email: admin@sias.org.sg
www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: Healthway Medical Corporation Limited

Stock code: 5NG

Meeting details:

Date: 27 April 2023

Time: 2.00 p.m.

Venue: <<live webcast>>

Q1. For the financial year ended 31 December 2022, the group achieved its third consecutive year of profit and reported revenue of \$159.9 million, representing 14.3% growth compared to \$139.9 million in FY2021.

The group's performance can be attributed to revenue growth in both the Primary Healthcare and Specialist Healthcare segments. The Primary Healthcare segment experienced a surge in patient volume, resulting in an overall increase in revenue of more than 15% compared to FY2021, while the Specialist Healthcare segment saw a revenue increase of more than 10% year-on-year.

The increase in operating costs was in accordance with higher revenue growth and was mainly attributable to employee costs, costs of medical supplies, consumables, laboratory expenses, depreciation of property, plant, and equipment, and other expenses including upkeeping of equipment and utilities.

Net profit after income tax for FY2022 was \$12.3 million, representing a 15% increase from FY2021.

- (i) Can management provide insight into any notable trends within the primary healthcare segment in Singapore? What proportion of the revenue generated in FY2022 was COVID-19 related, and how has the group adjusted its operations in light of the scaling back of large-scale pandemic programs?**
- (ii) Does the management see opportunities for further consolidation within the sector? Is the group well-positioned to lead any potential market consolidation and is considering doing so?**
- (iii) Do all the group's clinics, both primary healthcare and secondary, use the same in-house Clinic Management System? Is this system fully integrated and optimised for efficiency?**
- (iv) How advanced is the group's digitalisation strategy in terms of systems, processes, workflow management, and the provision of medical care, such as teleconsultation?**
- (v) What is the management's perspective on the impact of the Ministry of Health's introduction of Healthier SG on the primary healthcare segment?**

In the Specialist Healthcare segment, the group has 38 specialists in 11 disciplines. In 2022, the group expanded its service offering through the acquisition of Ten Surgery Group and Ascension Therapy Group, and five new specialists: a Cardiologist, an Ophthalmologist, a Paediatric surgeon, a Psychiatrist and an Endocrinologist, who joined the group under the Nobel brand.

- (vi) **Can management elaborate further on its medical direction? Which are the specialist areas that it will be growing and the reasons for doing so? In addition, can management also help shareholders understand the reasons for managing and operating “Nobel specialist” almost as a stand-alone within the Specialist Healthcare segment (see below).**

Business segments

The Group has the following strategic business units.

- Primary Healthcare comprising family medicine, dentistry, healthcare benefit management and investment in strategic medical related business; and
- Specialist Healthcare comprising paediatrics, orthopaedics, obstetrics and gynaecology and Nobel specialist comprising cardiology, gastroenterology, psychiatry, ophthalmology (eye), otorhinolaryngology (ear, nose and throat), general surgery and speech therapy.

(Source: company annual report; Note 29 Segment information)

Q2. As disclosed in the corporate governance report, the company does not have a fixed dividend policy.

The form, frequency and quantum of future dividends on the company's shares that the directors may recommend or declare in respect of any particular financial year or period will be subject to the factors such as the level of the company's cash and retained earnings; actual and projected financial performance; projected levels of capital expenditure and expansion plans; (d) working capital requirements and general financing conditions; and others.

The company has not paid a cash dividend since 2010.

Security Name	Type	Ex-date	Record date	Payment date	Particulars
HEALTHWAY MEDICAL CORP LTD	ENTITLEMENT	07 Jun 2013	11 Jun 2013	-	DNSPEC 82.29/1K
HEALTHWAY MEDICAL CORP LTD	RIGHTS	20 May 2011	24 May 2011	-	OFFER OF 1 FOR 8 ...
HEALTHWAY MEDICAL CORP LTD	DIVIDEND	20 May 2010	24 May 2010	14 Jul 2010	SCRIP DIVSCHEME S...
HEALTHWAY MEDICAL CORP LTD	RIGHTS	19 Jan 2010	21 Jan 2010	-	OFFER OF 1 FOR 5 ...
HEALTHWAY MEDICAL CORP LTD	DIVIDEND	25 Sep 2009	29 Sep 2009	18 Nov 2009	SCRIP SGD 0.0012 O...
HEALTHWAY MEDICAL CORP LTD	DIVIDEND	19 May 2009	21 May 2009	10 Jul 2009	SGD 0.0012 ONE-TIE...

(Source: <https://www.sgx.com/securities/corporate-actions?value=HEALTHWAY%20MEDICAL%20CORP%20LTD>)

The board has not declared or recommended dividend payments for FY2022, as the company aims to preserve cash for future growth and expansion needs. The company is on "an outlook of being able to recommend for dividend payment in future (page 50)".

As noted in the consolidated statement of cash flows (page 80), cash and cash equivalents have increased to \$38.4 million.

- (i) **Could the board provide more information on the decision-making process with regard to dividend payments to shareholders??**
- (ii) **Has the board conducted a benchmark analysis against other healthcare companies listed on the SGX to evaluate the company's financial performance and dividend practices (including yield) relative to its peers?**
- (iii) **How does the board balance the company's growth objectives with the commitment to provide regular and steady returns to shareholders, particularly in the form of cash dividends?**
- (iv) **The company has accumulated losses of \$(40.1) million as at 31 December 2022. Would the board consider undertaking a capital reduction exercise to reduce the share capital of the company that has been lost or is unrepresented by available assets, i.e. to write off the accumulated losses?**

Q3. On 7 March 2023, the company re-designated Mr Abram Melkyzedek Suhardiman as the executive vice chairman of the group. The rationale, selection criteria, board diversity considerations and the search and nomination process are required by SGX and have been included in the announcement of appointment template (shown below; emphasis added).

CHANGE - ANNOUNCEMENT OF APPOINTMENT::RE-DESIGNATION TO EXECUTIVE VICE CHAIRMAN
<p>Date Of Appointment 09/03/2023</p>
<p>Name Of Person Abram Melkyzedek Suhardiman</p>
<p>Age 34</p>
<p>Country Of Principal Residence Singapore</p>
<p>The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process)</p> <p>The Board of Directors, after considering the recommendation of the Nominating Committee and having reviewed and considered the qualifications, work experience and performance (including his nearly four years as Executive Director of the Company), and suitability of Mr Abram Melkyzedek Suhardiman, is of the view that Mr Suhardiman possesses the requisite experience and capabilities to assume the responsibilities of the Executive Vice Chairman of the Company and its subsidiaries ("Group") and that he will continue to contribute positively to the Group.</p> <p>Accordingly, and in line with the Group's succession planning, the Board of Directors approved the re-designation of Mr Suhardiman from his existing role of Executive Director and Deputy Chief Executive Officer to the position of Executive Vice Chairman.</p>
<p>Whether appointment is executive, and if so, the area of responsibility</p> <p>The appointment is executive. Mr. Suhardiman will be responsible for the Group's overall growth strategy and corporate development.</p>
<p>Job Title (e.g. Lead ID, AC Chairman, AC Member etc.) Executive Vice Chairman</p>

(Source: company announcement dated 7 March 2023)

- (i) **Would the company/nominating committee (NC) disclose the selection criteria and the search and nomination process that led to the appointment of Mr Abram Melkyzedek Suhardiman? Were other candidates shortlisted and interviewed?**

- (ii) **Is there any overlap in responsibilities between the executive vice chairman and the chief executive officer?**
- (iii) **Given that there are no medical doctors on the board or in the management team, how are decisions related to patient/medical care made and is there a risk that operational or financial concerns take priority over medical care decisions?**
- (iv) **Separately, can the NC elaborate further on the board evaluation process? What are the key findings from the last board evaluation?**

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](#)

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