



**Securities Investors Association (Singapore)**  
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111  
Tel: (65) 6227 2683 Email: [admin@sias.org.sg](mailto:admin@sias.org.sg)  
[www.sias.org.sg](http://www.sias.org.sg)  
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**Issuer:** Medinex Limited

**Stock code:** OTX

**Meeting details:**

Date: 25 Jul 2024

Time: 3.00 p.m.

Venue: Brani Room, Level 3, 131 Rifle Range Road, Singapore 588406

**Q1.** As shown in Note 33 Segment information (page 86), the pharmaceutical services segment and medical services segment were loss-making in FY2024. Specifically, underperformance of two clinics under Sen Med Holdings—X-ray + Medical Screening and Family Clinic at Towner—saw their revenue decrease by 56.6%, while the pharmaceutical business experienced a decline of 13.8%.

<b>33. Segment information (Continued)</b>						
<b>Business segment (Continued)</b>						
	<b>Medical support services</b>	<b>Business support services</b>	<b>Pharmaceutical services</b>	<b>Medical services</b>	<b>Unallocated expenses</b>	<b>Consolidated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Year ended 31 March 2024</b>						
<b>Revenue</b>						
External revenue	4,543,014	4,224,356	3,308,244	508,891	—	12,584,505
<b>Profit/(loss) from operations</b>						
Share of results from joint venture, net of tax	—	—	—	—	174,331	174,331
Interest income	—	—	—	—	53,697	53,697
Inventories and consumables & changes in inventories	5,007	—	2,767,666	135,182	—	2,907,855
Finance costs	22,442	2,990	16,275	12,244	1,222	55,173
Depreciation and amortisation expenses	245,426	83,965	81,009	141,224	171,456	723,080
Employee benefits expense	600,865	1,075,853	568,356	181,853	2,919,126	5,346,053
Income tax expense	61,418	107,956	—	383	(20,827)	148,930
Reportable segment profit/(loss) before income tax	3,408,188	2,588,979	(177,726)	(134,124)	(4,669,185)	1,016,132
Net profit/(loss) for the financial year after income tax	3,346,770	2,481,023	(177,726)	(134,507)	(4,648,358)	867,202

(Source: company annual report; emphasis added)

In Note 15, it was further stated that the recoverable amount of the subsidiary (Sen Med Holdings Pte Ltd) is negligible. The 55% interest in Sen Med Holdings was acquired by the group in March 2019 at a cost of \$1.732 million, of which \$1.27 million was recognised as goodwill.

- (i) **What were the underlying reasons for the decline in revenue from The Family Clinic @ Towner Pte. Ltd. and X-Ray + Medical Screening Pte. Ltd.?**

Currently, the group's remaining medical services operation is Express Medical Pte Ltd. It is noted that the group had also disposed of the company's entire equity interest of 5,677 shares in Nuffield Holdings Private Limited for a cash consideration of \$1.33 million, resulting in a loss of \$(56,042).

- (ii) **Will the board put on hold any further acquisitions in the medical services segment and instead conduct a strategic review? What is the group's competitive advantage in investing in and operating medical services, which rely heavily on individual doctors?**
- (iii) **Has the board reviewed the group's approach to making acquisitions involving significant goodwill? Has the board considered providing guidance to management on structuring deals to protect against downside risk?**
- (iv) Separately, it was disclosed that \$108,648 in bad debts were written off in FY2024. **Who was the counterparty and what was the nature of the services/good provided to the debtor?**

**Q2.** In FY2018, external revenue and reportable segment profit before income tax in the pharmaceutical services segment were \$4.1 million and \$0.15 million respectively. In FP2020, external revenue was \$5.0 million, with segment profit at \$0.19 million over a 15 month period.

Since FY2021, the segment results were \$(0.146) million in 2021, \$0.043 million in 2022, \$0.017 million in 2023 and \$(0.178) million in 2024.

- (i) **Has there been a significant and permanent structural change that has impacted the competitiveness and profitability of the group's pharmaceutical operations (Nex Healthcare Pte. Ltd.)?**
- (ii) **What are management's plans to turnaround Nex, return it to a growth trajectory and restore its profitability?**
- (iii) **What are the major pharmaceutical products or product classes sold by Nex?**

**Q3.** On 23 October 2023, the company announced that it has invested \$3.02 million in certain quoted securities which resulted in the group’s aggregate cost of investment in quoted securities exceeding 35% of the group’s latest audited consolidated net tangible assets.

The total market value of the group’s quoted investments amounted to \$3.15 million out of the group’s NTA of \$8.0 million.

At the end of the financial year, the group recognised fair value loss on financial assets held as financial assets at fair value through other profit or loss (“FVTPL”) amounting to \$1.01 million (FY2023: loss of \$815,677).

### 18. Financial assets at fair value through profit or loss (“FVTPL”)

	Group		Company	
	2024	2023	2024	2023
	\$	\$	\$	\$
Quoted equity investments	2,468,451	3,367,095	2,467,671	3,366,315
Unquoted equity securities	–	1,390,195	–	1,390,195
	<u>2,468,451</u>	<u>4,757,290</u>	<u>2,467,671</u>	<u>4,756,510</u>
Balance at beginning of financial year	4,757,290	5,572,967	4,756,510	5,572,187
Additions during the financial year	483,000	–	483,000	–
Disposal during the financial year	(1,764,154)	–	(1,764,154)	–
Fair value loss recognised through profit or loss	(1,007,685)	(815,677)	(1,007,685)	(815,677)
Balance at end of financial year	<u>2,468,451</u>	<u>4,757,290</u>	<u>2,467,671</u>	<u>4,756,510</u>

Fair value loss recognised through profit or loss are included in “other expenses” line item of the consolidated statement of comprehensive income.

(Source: company annual report; emphasis added)

Unquoted equity securities refer to the group's investment in Nuffield Dental Holdings Private Limited which has since been divested at a loss of \$56,042.

- (i) **Why is management investing in quoted equities, and how does this align with the group's overall strategic objectives?**
- (ii) **Is there a concern that management's focus on quoted securities investments might distract from the core business operations? How does management plan to mitigate this risk?**
- (iii) **What are the specific investment criteria and mandate for investing in quoted securities? Can management provide details on the decision-making process?**
- (iv) **What risk management framework is in place to oversee and manage the investments in quoted securities? How does the board ensure that these investments do not adversely impact the group's financial stability?**
- (v) **Separately, what is the total shareholder return of the company's own shares since its listing on 8 December 2018? Does the board consider management's performance and achievements satisfactory over this period? Given the performance trends and shareholder returns since the listing, what strategic initiatives does the board envision implementing to enhance future growth and value creation for shareholders?**

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

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