

TalkMed Group Limited

Questions from SIAS received on 20 Apr 2018

Any references to the “Company” shall mean TalkMed Group Limited and the “Group” shall mean the Company, its subsidiaries and associated company.


No	SIAS query	Management’s response
1	Can the board/management provide better clarity to the group’s operational/financial matters? Specifically:	
	(i) Parkway Cancer Centre: Revenue from the provision of oncology and stem cell services to Parkway Cancer Centre dropped from \$68.1 million in 2016 to \$59.4 million in 2017, a drop of 13%. Can management help shareholders understand how much of it was due to personnel/staffing reasons and how much of it was due to other/external reasons? With the resumption of medical duties by Dr Ang Peng Tiam, does management expect the revenue slid to reverse and for FY2018 revenue to be at/near the FY2016 levels?	<p>There are three main reasons for the drop in revenue:</p> <ul style="list-style-type: none"> (i) the suspension of Dr Ang for 8 months beginning on 25 July 2017; (ii) fewer overseas patients arising from lower medical costs in our neighbouring countries; and (iii) dilution of patient numbers due to entry of more oncologists into private sector. <p>During the period of suspension, the large majority of Dr Ang’s patients who needed treatment continued to be cared for by the other PCC doctors. The fallout from these patients was low.</p> <p>Since Dr Ang resumed medical duties (from 25 March 2018), we have seen an encouraging number of new patients referred to him.</p> <p>We expect Dr Ang’s patient load to increase as news of his return to full-time practice reaches more people. To ensure that we maintain our lead in the private sector, two senior medical oncologists will be joining PCC by Q3 2018.</p>
	(ii) Hong Kong Integrated Oncology Centre Limited (HKIOC): Even though revenue has increased to \$41.3 million from \$22.1 million, the loss after tax is still substantial at \$(6.1) million. Has management estimated the level of revenue that will allow HKIOC to breakeven? Is the cost structure of the Hong Kong operations similar to that of the Singapore segment?	<p>Unlike PCC, HKIOC is a stand-alone Cancer Centre which has medical oncology, radiation oncology, radiology, endoscopy and laboratory services. These additional services make HKIOC unique in the Hong Kong setting, thereby allowing us to attract good doctors to join this start-up. However, it also means higher set-up and operating costs.</p> <p>The learning curve has been steep and the revenue growth has been most encouraging.</p> <p>2018 has been very encouraging so far. Our share of HKIOC’s losses for the quarter ended 31 March 2018 has almost halved compared to the same corresponding period last year. We are looking forward to HKIOCH breaking even by end 2018.</p>

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	(iii) Singapore Cancer Centre (China): Can management update shareholders on the timeline for the Singapore Cancer Centre in China?	<ul style="list-style-type: none"> - TalkMed China Pte. Ltd. and TalkMed Chongqing Pte. Ltd. were incorporated to explore healthcare-related collaborations in China. Other than our collaboration with Beijing New Hope Hospital Management Co. Ltd. which is not expected to have a material impact on the Group's revenue or earnings in 2018, there are currently no other projects that have reached advanced stages. - We will provide updates to our shareholders as appropriate 																																																															
	(iv) Singapore Cancer Centre Thu Cuc (Vietnam): It was mentioned in the Message to Shareholders that revenue from the Vietnam operations retreated 39.3% to S\$0.24 million but the company stopped short of saying how it would grow the business again. With the centre running since 2014, what are difficulties faced by the group in growing and scaling up the Vietnam business? Has the board/management assessed the potential of the market and reassessed the strategy of establishing the center in Hanoi?	We will be reviewing the collaboration with our Vietnamese partner when the agreement expires in 2019.																																																															
2	<p>The remuneration of director is shown in the table on page 21 in the Corporate Governance Report and is reproduced as follows:</p> <table border="1" data-bbox="205 784 1102 1252"> <thead> <tr> <th data-bbox="205 784 500 870">Names</th> <th data-bbox="500 784 600 870">Band⁽¹⁾</th> <th data-bbox="600 784 701 870">Fees</th> <th data-bbox="701 784 801 870">Salary⁽²⁾</th> <th data-bbox="801 784 901 870">Bonus⁽²⁾</th> <th data-bbox="901 784 1002 870">Share-based payments</th> <th data-bbox="1002 784 1102 870">Total</th> </tr> </thead> <tbody> <tr> <td colspan="7" data-bbox="205 870 1102 898">Directors</td> </tr> <tr> <td data-bbox="205 898 500 925">Mr S. Chandra Das</td> <td data-bbox="500 898 600 925">1</td> <td data-bbox="600 898 701 925">100%</td> <td data-bbox="701 898 801 925">-</td> <td data-bbox="801 898 901 925">-</td> <td data-bbox="901 898 1002 925">-</td> <td data-bbox="1002 898 1102 925">100%</td> </tr> <tr> <td data-bbox="205 925 500 953">Dr Ang Peng Tiam (CEO)</td> <td data-bbox="500 925 600 953">3</td> <td data-bbox="600 925 701 953">-</td> <td data-bbox="701 925 801 953">100%</td> <td data-bbox="801 925 901 953">-</td> <td data-bbox="901 925 1002 953">-</td> <td data-bbox="1002 925 1102 953">100%</td> </tr> <tr> <td data-bbox="205 953 500 980">Dr Khoo Kei Siong (COO)</td> <td data-bbox="500 953 600 980">2</td> <td data-bbox="600 953 701 980">-</td> <td data-bbox="701 953 801 980">100%</td> <td data-bbox="801 953 901 980">-</td> <td data-bbox="901 953 1002 980">-</td> <td data-bbox="1002 953 1102 980">100%</td> </tr> <tr> <td data-bbox="205 980 500 1008">Mr Sitoh Yih Pin</td> <td data-bbox="500 980 600 1008">1</td> <td data-bbox="600 980 701 1008">100%</td> <td data-bbox="701 980 801 1008">-</td> <td data-bbox="801 980 901 1008">-</td> <td data-bbox="901 980 1002 1008">-</td> <td data-bbox="1002 980 1102 1008">100%</td> </tr> <tr> <td data-bbox="205 1008 500 1036">Mr Dan Yock Hian</td> <td data-bbox="500 1008 600 1036">1</td> <td data-bbox="600 1008 701 1036">100%</td> <td data-bbox="701 1008 801 1036">-</td> <td data-bbox="801 1008 901 1036">-</td> <td data-bbox="901 1008 1002 1036">-</td> <td data-bbox="1002 1008 1102 1036">100%</td> </tr> <tr> <td data-bbox="205 1036 500 1063">Mr Lim Jen Howe</td> <td data-bbox="500 1036 600 1063">1</td> <td data-bbox="600 1036 701 1063">100%</td> <td data-bbox="701 1036 801 1063">-</td> <td data-bbox="801 1036 901 1063">-</td> <td data-bbox="901 1036 1002 1063">-</td> <td data-bbox="1002 1036 1102 1063">100%</td> </tr> <tr> <td data-bbox="205 1063 500 1091">Mr Lim Teong Jin George</td> <td data-bbox="500 1063 600 1091">1</td> <td data-bbox="600 1063 701 1091">100%</td> <td data-bbox="701 1063 801 1091">-</td> <td data-bbox="801 1063 901 1091">-</td> <td data-bbox="901 1063 1002 1091">-</td> <td data-bbox="1002 1063 1102 1091">100%</td> </tr> </tbody> </table> <p data-bbox="205 1091 1102 1252">Notes: (1) Band 1 means remuneration of S\$250,000 and below per annum Band 2 means remuneration of between S\$250,001 and S\$500,000 per annum Band 3 means remuneration of S\$500,001 per annum and above (2) Salaries and bonuses include employer's contributions to the Central Provident Fund ("CPF")</p>	Names	Band ⁽¹⁾	Fees	Salary ⁽²⁾	Bonus ⁽²⁾	Share-based payments	Total	Directors							Mr S. Chandra Das	1	100%	-	-	-	100%	Dr Ang Peng Tiam (CEO)	3	-	100%	-	-	100%	Dr Khoo Kei Siong (COO)	2	-	100%	-	-	100%	Mr Sitoh Yih Pin	1	100%	-	-	-	100%	Mr Dan Yock Hian	1	100%	-	-	-	100%	Mr Lim Jen Howe	1	100%	-	-	-	100%	Mr Lim Teong Jin George	1	100%	-	-	-	100%	
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(Source: Company annual report)

The company further disclosed that:

The Board is of the view that it is not in the interests of the Company to disclose in full the remuneration of each individual Director, the CEO and the four key Management personnel (who are not Directors) of the Company due to the

No	SIAS query	Management's response
	<p><i>sensitive and confidential nature of such information and disadvantages that this might bring.</i></p> <p>(i) Would the board and the remuneration committee (RC) help shareholders understand the sensitivity attached to disclosing the remuneration of the executive directors and the disadvantages that it might bring?</p> <p>In Note 23b (page 77 – Related party transactions: Compensation of key management personnel), the amount paid to directors of the company is shown to be \$3.46 million in 2017.</p>  <p>(Source: Company annual report)</p> <p>Given that the non-executive directors received about \$380,000, the balance of \$3.08 million is split between two executive directors. As such, the remuneration of Dr Ang could be estimated to be between \$2.58 million and \$2.83 million in 2017. In 2016, the estimated remuneration was between \$4.58 million and \$4.83 million.</p> <p>(ii) To improve the transparency on remuneration matters, would the RC minimally disclose the remuneration of the directors in meaningful bands, of \$250,000 or less? This would also provide shareholders with assurance that the remuneration of directors are kept in check and are not excessively remunerated as compared to industry benchmarks and other comparable companies/doctors.</p>	<p>This is common practice.</p> <p>i) We do so to maintain confidentiality, limit poaching and prevent internal comparisons.</p> <p>ii) Existing bandings are in line with the other companies that are listed on SGX.</p>
3.	<p>The fifth Annual General Meeting (AGM) is scheduled to be held on Tuesday, 24 April 2018 at 6:00 p.m.</p> <p>While it is understandable that the directors who are also doctors have clinic hours and are extremely busy, holding the yearly AGM at 6.00 p.m. will make it inconvenient for many shareholders to attend.</p>	

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	<p>In addition, the company has stated the following in the Corporate Governance Report (page 26):</p> <p><i>The Group recognises the importance of maintaining transparency and accountability to its shareholders [...] The Group strongly encourages shareholders' participation at the AGM. Shareholders are able to proactively engage the Board and Management on the Group's business activities, financial performance and other business-related matters through dialogue sessions. The Group believes in regular, effective and fair communication with shareholders and is committed to hearing shareholders' views and addressing their concerns. The Board believes that general meetings serve as an opportune forum for shareholders to meet the Board and key Management personnel, and to interact with them.</i></p>	
	(i) Can the company disclose the estimated attendance of the AGM held last year as it was also held on a weekday at 6.00 p.m.?	Last year's AGM was attended by more than 20 people.
	(ii) Are there any other reasons why the meeting has to be held at 6.00 p.m. on a weekday?	The Company is of the view that the timing of our AGM is conducive for those who wish to attend the meeting.
	(iii) Has the board considered holding the meeting at regular office hours to make it more convenient for shareholders to attend?	See above
	(iv) Has the board also considered holding the meeting on a Saturday late morning/afternoon instead of holding it at 6.00 p.m on a weekday?	See above.
	(v) Would the board agree to review how the AGM could be better scheduled to improve the attendance?	See above.