Annexure A

TMC LIFE SCIENCES BERHAD
Registration No. 200301021989 (624409-A)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE SEVENTEENTH ANNUAL GENERAL MEETING OF TMC LIFE SCIENCES BERHAD ("**TMCLS**" OR "**THE COMPANY**") HELD AT BALLROOM 1, LEVEL 1, MAIN WING, TROPICANA GOLF & COUNTRY RESORT, JALAN KELAB TROPICANA, 47410 PETALING JAYA, SELANGOR DARUL EHSAN ON THURSDAY, 20 FEBRUARY 2020 AT 10:06 A.M.

Minority Shareholders Watch Group's ("MSWG") questions and answers

Strategy/financial matters

Question 1:

The Group used RM61.0 million in new investment activities during the financial year compared to RM34.9 million last financial year. The higher amount was mainly due to the further progress of the Group's expansion projects at Thomson Hospital Kota Damansara ("**THKD**") and piling work at Thomson lskandar Medical Hub (page 11 of the Annual Report 2019).

a) What will be the budget requirement for the investment activities for the expansion projects at THKD and Thomson Iskandar Medical Hub in financial year 2020 ("**FY2020**")?

b) What is the Group's expected return on the investment?

c) What is the progress of the expansion projects?

Answer:

The budget requirement for the expansion projects at THKD and Thomson Iskandar Medical Hub in FY2020 would be around RM183.7 million.

The progress of the expansion project at THKD remains on track to complete by end of year 2020. The Group anticipates that the expansion would begin operations in year 2021 and would improve the financial performance of the Group. Meanwhile, the piling work in Thomson Iskandar Medical Hub is in progress and all regulatory approvals have also been obtained. The Group is encouraged by the announcement by the Government that it would proceed with the Johor Bahru - Singapore Rail Transit System ("**RTS**") project and keenly awaits information on when the RTS is expected to be completed. The Group remains committed to the project at Thomson Iskandar Medical Hub, with the aim to complete the hospital within twelve (12) to twenty-four (24) months after the RTS project at Bukit Chagar is fully operational.

As at 31 August 2019, THKD progress was 24.84% while Thomson Iskandar Medical Hub piling work was at 74% completion.

Question 2:

THKD has begun exploring partnerships with nursing colleges and institutions of higher learning in an effort to develop a pipeline of talent for the Group's future expansion. Training opportunities are consistently offered, while more regular incentives and rewards have been rolled out to match the traits of millennial staff members. To source for consultants for specialties in shortage, THKD reached out to the Malaysian diaspora of healthcare professionals in the United Kingdom (page 15 of the Annual Report 2019).

a) Please update on the Group's efforts in exploring partnerships with nursing and institutions of higher learning as well as sourcing for consultants for specialties in shortage.
b) What sorts of incentives and rewards have been rolled out to match the traits of millennial staff members?

Answer:

a) To-date, the Group has established partnerships with Universiti Tunku Abdul Rahman (UTAR), UCSI University and University of Wollongong (KDU) to source the talent for the Group's future expansion. The Group is also sponsoring students for degrees in nursing at several nursing schools and is sponsoring staff for post-basic training in anticipation of expanding of the Group's medical services. The Group has been continuously recruiting consultants of various specialties both in Malaysia and abroad, working such as TalentCorp Malaysia and Malaysia Healthcare Travel Council (MHTC).

b) The Group is mindful that the majority of the staff are amongst the millennial generation and has implemented various incentives and rewards to attract and retain them, including:

   (i) Monthly Incentive and Performance Linked Wage system for a more dynamic and performance-based reward system;
   (ii) Improved benefits scheme including increased parental leave for mothers and fathers and increased medical benefits for staff and dependents including coverage for optical, dental and preventive health;
   (iii) Clear framework for career advancement including group-wide succession planning;
   (iv) Increased activities for staff engagement through the Thomson Shine Engagement Committee;
   (v) Introduction of the Thomson Worry-Free programme which provides support to employees to access childcare, home financing and others; and
   (vi) Continuous education programme and sponsorship for further study.

Question 3:

What sustainable factors differentiate TMCLS from current and future competitors in the industry?

Answer:

At TMCLS, its vision is to be the leading integrated health system of choice in the region. TMCLS would focus not just on facilities that provide treatment, such as its award-winning THKD and TMC Fertility Centres, but also focused on providing preventive and lifestyle health services through Thomson TCM and TMC Care Pharmacy. TMCLS intends to serve the health needs of its customers throughout their life journey and utilising technology to provide personalised care to them while maximising synergy and efficiency across its platform.

Question 4:

Trade receivables (Note 17, page 135 of the Annual Report 2019)

As at the reporting date, the Group's allowance for expected credit losses stood at RM8,999,000 (financial year 2018: RM8,660,000), representing 23.91% of trade receivables of RM37,631,000.

Is the amount of RM8,999,000 recoverable? What actions are being taken by the Group to recover the receivables?

Answer:

The allowance for expected credit losses at RM8,999,000 is considered not recoverable under the requirement of Malaysian Financial Reporting Standard ("**MFRS**") 9: *Financial Instruments* and therefore provided for in the books. However, the Group has engaged in continuous collection efforts to recover these debts from the respective customers in accordance with standard operating procedures of credit control.

Corporate governance and sustainability matters

Question 1:

Practice 8.5

The Company in its Corporate Governance Report (page 30) has stated that it has applied Practice 8.5 of Malaysian Code on Corporate Governance ("**MCCG**") which requires all members of the Audit Committee to undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

MSWG's comment:

The Company has not applied Practice 8.5 of MCCG as not all members of the Audit Committee have attended formal training programmes or seminars for continuous professional development (pages 68 to 69 of the Annual Report 2019) relating to the development in accounting and auditing standards, practices and rules.

Please take note.

Answer:

The Company noted on the comment made by MSWG.

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(Summary of key matters discussed at the Seventeenth Annual General Meeting held on 20 February 2020 - cont'd)

Question 2:

On sustainability, what are the areas of significant improvement that the Company has identified?

Answer:

The Group has focused on three (3) areas of sustainability for improvement, as follows:

Quality healthcare

(a) 'No time to waste' project where waiting time for discharges was reduced by 78% (page 28 of the Annual Report 2019).
(b) Group-wide quality audit was conducted to cover Fertility Centre branches (page 28 of the Annual Report 2019).

Responsible medicine management

Implementation of Antimicrobial Stewardship initiative where it helps combats the overuse of antibiotics (page 29 of the Annual Report 2019).

Patient satisfaction

High satisfaction rating of 88% to 93% (page 32 of the Annual Report 2019).

Clinical and other wastes

Reduced total amount of clinical waste generated by 25% from 84.7 tonnes to 63.4 tonnes (page 32 of the Annual Report 2019).

Energy consumption

Reduced energy consumption by 3% despite increase in operation (page 33 of the Annual Report 2019).

New hires

(a) Increase by 17% (page 36 of the Annual Report 2019).
(b) Increase in training hours by 3,902 or 14% (page 38 of the Annual Report 2019 compared against page 32 of the Annual Report 2018).

Caring for community

A total of RM40,560 donated in medicines and cash with 1,600 free health screenings during twenty (20) events attended by 2,000 attendees.

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Shareholders' questions and answers session

Mr. Teh Kian Lang, a proxy holder raised the following questions:

- How much is the medical tourism business segment attributed to the Group's overall businesses?
- Majority of the medical tourism business segment is from which country?
- Is there any implication to the medical tourism business segment due to on-going coronavirus (COVID-19) outbreak?

Answer:

Ms. Wan Nadiah binti Wan Mohd Abdullah Yaakob ("**Ms. Wan Nadiah**"), *Group Chief Executive Officer* replied to the above questions raised as follows:

- The contribution of foreign patients to the fertility business segment is approximately 23% which is significant as compared to the contribution from the hospital business segment of approximately 10% to 12%.
- The stream of foreign patients usually come from Indonesia and China and increasingly from Bangladesh and India. There is also a significant increase in the number of patients from Singapore at TMC Fertility and Women's Specialist Centre at Johor Bahru.
- There has been a decline in patients from China due to on-going COVID-19 outbreak. Hence, the Group is actively market its facilities or services to local market and Indonesia to overcome the shortfall from China market. The Group is still performing positively despite the on-going COVID-19 outbreak.

Mr. Chew Len Chet, a shareholder proposed that the Company discloses details information of customers segment in the Annual Report such as number and contribution of recurring patients and new patients to the Group's bottom line, so as to facilitate suggestions from the shareholders on ways forward for the Group's businesses instead of emphasising on the governance and operations issues.

Answer:

Ms. Wan Nadiah responded that the Company would address this matter in the next Annual Report 2020.

Mr. Yap Yik Yong, a proxy holder raised the following questions:

- The deferred tax liabilities of RM7.1 million after re-gross at 24% tax rate is amounted to RM29.0 million. Where does the RM29.0 million disclosed in the Audited Financial Statements for the financial year ended 31 August 2019?

- Based on his understanding, the Company is required to conduct valuation on its initial acquisition date of the assets. Is there any requirement for the Company to conduct annual revaluation of its acquired assets under MFRS 3: *Business Combinations*?

Answer:

Mr. Jimmy Wong Yu Chee ("**Mr. Jimmy Wong**"), *Group Chief Financial Officer* replied to the above questions raised as follows:

- The additional deferred tax liabilities of RM7.0 million had hit the Profit and Loss of the Group. The freehold land in BB Waterfront Sdn. Bhd. is measured at a fair value and a corresponding deferred tax liabilities are recorded to account for the difference between the fair value and book value as a result of the change in the rate of Real Property Gains Tax from 5% to 10%.

- In accordance with MFRS 3, the Company is required to conduct a fair value adjustment on the acquisition of assets and the subsequent valuation is to account for the change in the rate of Real Property Gains Tax from 5% to 10%. No annual revaluation of assets is required under MFRS 3.

Mr. Poravi A/L S P Sithambaram Pillay ("**Mr. Pillay**"), a shareholder enquired whether the Group would consider to venture into overseas market.

Answer:

Professor Emeritus Dato' Dr. Khalid bin Abdul Kadir ("**Dato' Chairman**"), *Chairman* responded that the Group is still assessing on the potential expansion to overseas market with no concrete proposal or decision at this moment.

Mr. Sharn Lee Eng Shan, a shareholder raised the following questions:

- With the current earnings before interest, tax, depreciation and amortisation ("**EBITDA**") margin of 20%, what is the optimal margin rate of EBITDA targeted by Management?

- Is there other factors that resulted in the increase of the Group's EBITDA margin, save for a higher admission rate?

- How long does it take for the Group to obtain approval from the Ministry of Health to commence operation following the completion of the THKD's expansion project by end of year 2020?

- What are the types of fixed or variable operating expenses that would increase upon completion of THKD's expansion project?

- When would the depreciation of the new building of THKD be recorded in the Group's Profit and Loss?

- Has the Group started recruiting staff in preparation for the expansion of THKD?

- What is the status of the Puchong Fertility Centre?

- What has the Group done to promote its in-vitro fertilisation ("**IVF**") treatments after the announcement of Budget 2020 where public may withdraw their Employees Provident Fund ("**EPF**") to fund for IVF treatments? What is the potential market size?

Answer:

The Meeting noted on the following responses to the above questions raised:

- The Group is targeting to achieve EBITDA margin of approximately 25% to 26% and Management is striving to improve its EBITDA margin by 1% per annum.

- The increase in EBITDA margin was also driven by higher case intensity handled by the Group and the growth from fertility business segment.

- The expansion of THKD is on track for completion by end of year 2020 and Management targets to obtain approval from the Ministry of Health to commence its operation by first half of year 2021. It is a reasonable timeline as Ministry of Health has given approval on THKD's building plan. Subsequent to the completion, an inspection would be carried out by the Ministry of Health and license to commence operation would be granted if the Ministry of Health is satisfied with the same.

- The Group intends to hire new nurses to cater for the expansion of THKD i.e. 200 beds in the first phase and hence, it would incur around additional 10% of the total staff costs.

- The new building of THKD would start to depreciate upon obtaining the Certificate of Completion and Compliance.

- The Group had started recruiting staff and would ramp up the hiring process significantly towards the end of year 2020 so as to facilitate the application of license to commence operation from the Ministry of Health.

- The construction of labs in Puchong Fertility Centre is targeted to be completed by first half of March 2020. The Group targeted to commence operation by end of April 2020 or early of May 2020 upon obtaining license to commence operation from the Ministry of Health.

- Management had reached out to EPF for further clarification but was informed that the mechanism to withdraw the EPF to fund the IVF treatment is yet to be finalised. Management would actively follow-up with EPF on the same. Regardless of the above initiative by the Government, the Group had launched various packages for IVF treatment and would continue to launch new packages for IVF treatment periodically throughout the year. Management would also review its existing packages for IVF treatment once the mechanism to withdraw EPF to fund the IVF treatment is finalised to better address the market. Management has yet to study on the potential market size of the same pending the finalisation of the mechanism from EPF.

Mr. Teh Kian Lang, a proxy holder enquired on the expected date to commence the main construction work of Thomson Iskandar Medical Hub and the expected capital expenditures ("**CAPEX**") on the same.

Ms. Wan Nadiah responded that the Group is pleased with the announcement by the Government that it would proceed with the RTS project and awaits for positive news from the Government, which is supposed to be announced in the first half of year 2020. In the meantime, Management is still assessing on the Group's funding of the project and Management is confident in obtaining the relevant approvals on the construction of Thomson Iskandar Medical Hub.

Mr. Jimmy Wong further added that the expected CAPEX on the construction of Thomson Iskandar Medical Hub is approximately RM1.2 billion.

Mr. Chiew Lik Ing, a shareholder raised the following questions:

- What is the targeted occupancy rate upon completion of expansion of THKD with additional 200 beds in the first phase?
- What is the current market share of the Group's IVF and its targeted market share for year 2020?
- What is the progress to expand the IVF business to China?
- What is the key performance indicators target for IVF business from China?
- What is the top and bottom line for TMC Care Pharmacy?
- What is the strategy on TMC Care Pharmacy moving forward to mitigate losses?

Ms. Wan Nadiah replied to the above questions raised as follows:

- In terms of occupancy rate, THKD is now operating with an occupancy rate of 70% with spare beds to cater for emergency cases. The average occupancy rate is expected to drop upon completion of expansion of THKD with additional 200 beds in the first phase. The occupancy rate for the additional 200 beds is expected to be at 30% and would increase progressively over the years.

  The Group would consider opening another 200 new beds after few years or upon achieving 60% of occupancy rate. The 200 new beds are mainly single and double bedded. The Group foresees increase in number of patients occupying the new beds, of which would provide the Group with opportunity to upgrade its facilities in the old THKD's building.

- It is very difficult to determine the Group's market share for IVF as the information is not publicly available in the market. However, the Group aims to be the leading player in IVF and internally, the strategic plan is to target for at least 20% to 30% of market share.

- There has been a double digit growth on the performance of IVF business from China. Prior to the outbreak of COVID-19, the Group has established links with the key agents in China in launching different packages for IVF treatment tailored to the Chinese market. The Group is optimistic on China market and would constantly in contact with the key agents in China to observe the COVID-19 situation in China and to build up patient's database.

- The Group has an overall target for IVF business but not specifically for China market. The Group targets to maintain a double digit growth for IVF business from China.

Mr. Jimmy Wong responded that the revenue for TMC Care Pharmacy is approximately RM40,000 to RM60,000 per month, which is approximately RM500,000 per annum. TMC Care Pharmacy has suffered a loss of RM500k per annum due to stiff competition from the market.

Ms. Wan Nadiah further added that TMC Care Pharmacy's goal is not to build a chain of retail pharmacy but to complement the existing healthcare facilities of the Group. With the upcoming expansion of THKD, there would be a TMC Care Pharmacy located within THKD to cater to the needs of its patients. TMC Care Pharmacy located at Johor Bahru has also emerged into e-commerce business with the launched of its owned flagship e-commerce store and active listing on Lazada and Shopee, which has resulted in significant growth. The Group foresees that TMC Care Pharmacy would achieve profit in the next few years with the current strategy to emerge into e-commerce business.

Mr. Yap Yip Yong, a proxy holder enquired on the rationale for the extension of the duration of the exercisable of the balance of unexercised Employees' Share Option Scheme ("**ESOS**") shares of the former Director, Dato' Dr. Tan Kee Kwong ("**Dato' Dr. Tan**") and the period of extension on the same.

Ms. Wan Nadiah highlighted that the ESOS is expiring on 28 May 2020 if Dato' Dr. Tan has not resigned from the Board of Directors on 25 January 2019. Hence, the extension of the duration of the exercisable of the balance of unexercised ESOS shares of the former Director, Dato' Dr. Tan is merely as a gesture for Dato' Dr. Tan to exercise the balance of unexercised ESOS shares by the aforesaid deadline on 28 May 2020 given that he has served as a Director of the Company for a long period of time.