

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

MATTERS DISCUSSED AT THE TWENTIETH ANNUAL GENERAL MEETING OF TMC LIFE SCIENCES BERHAD ("**TMCLS**" OR "**THE COMPANY**") HELD ON A VIRTUAL BASIS AT THE BROADCAST VENUE AT THE MEETING ROOM OF SECURITIES SERVICES (HOLDINGS) SDN. BHD. AT LEVEL 7, MENARA MILENIUM, JALAN DAMANLELA, PUSAT BANDAR DAMANSARA, DAMANSARA HEIGHTS, 50490 KUALA LUMPUR, WILAYAH PERSEKUTUAN ON THURSDAY, 3 NOVEMBER 2022 AT 10:00 A.M.

Minority Shareholders Watch Group's questions and answers

Operations and Financial Matters

Question 1:

TMCLS is in the midst of a major expansion plan, with significant additional capacity and capabilities coming on stream since January 2022. The plan includes expanding its flagship hospital, Thomson Hospital Kota Damansara ("**THKD**"), and developing a new integrated medical hub – Thomson Iskandar – in Johor Bahru (Page 4 of Annual Report 2022).

- a) Is the expansion of the new wing in the hospital in Kota Damansara fully operational? What are the total number of beds and the occupancy rate before and after the expansion?
- b) When is Thomson Iskandar targeted to be operational? How many beds will the hospital have?

Answer:

- a) The construction of the new wing of THKD has been completed and the partial Certificate of Completion and Compliance was obtained in April 2022. The commissioning of the beds would be completed in phases. Up to 30 June 2022, THKD has opened an additional 94 beds leading to a total of 299 licensed beds in THKD. THKD would continue to gradually open more beds and is expected to fully open all beds by the financial year ("**FY**") 2025/2026. The occupancy rate before the additional 94 beds was 65% and after opening the additional beds, the occupancy rate stood at 60%.
- b) Barring any unforeseen circumstances, Thomson Iskandar is targeted to be operational within twenty-four (24) months of the Johor Bahru–Singapore Rapid Transit System Link targeted operational on 1 January 2027, which works out to be around January 2029. Thomson Iskandar is planned to have a total of 500 beds.

Question 2:

Having helped numerous couples achieve their dreams of parenthood for more than twenty-five (25) years, today, TMC Fertility ("**TMCF**") proudly boasts a network of six (6) centres, eleven (11) resident fertility specialists, fifteen (15) highly qualified scientists, and a team of experienced nurses and support staff nationwide (Page 6 of Annual Report 2022).

Is TMCF having the largest or a very significant market share in fertility treatment? Is there acute competition in this segment and what has been TMCF's growth rate in FY ended ("**FYE**") 2022 and expected growth rate going forward?

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Answer:

TMCF is one (1) of the largest fertility players in the market, with approximately 17% of the market share. However, TMCF's growth rate has yet to recover as a result of the slow recovery of medical tourism and in FYE 2022 the growth was recorded at only 1%. TMCF expects stronger growth from FYE 2023 onwards with the recruitment of more fertility specialists and the opening of international borders.

Question 3:

While Malaysia officially opened its borders on 1 April 2022, the recovery of medical tourist patients continues to lag in view of continued restrictions in large markets such as China. This has affected the number of foreign patients coming to its hospital, with the foreign patient contribution for FYE 2022 still below pre-pandemic levels (Page 20 of Annual Report 2022).

For medical tourism, what is the number of foreign patients currently and during the pre-pandemic period? What is the outlook for FYE 2023?

Answer:

The numbers of foreign patients for FYE 2022 and FYE 2019 were approximately 5,089 and 9,686 respectively. When Malaysia transitioned to the endemic phase on 1 April 2022, the Group recorded a 26% increase in the number of foreign patients. The Group is optimistic that the number of foreign patients revenue would continue to grow as more countries open their international borders.

Question 4:

The opening of a new TMC Care Pharmacy branch at THKD will allow the pharmacy to leverage the hospital's patient database and obtain referrals from healthcare professionals in the hospital (Page 28 of Annual Report 2022).

- a) How effective has this leverage been? What percentage of the hospital's patients patronised TMC Care Pharmacy?
- b) What are the plans for setting up more branches and at which locations?

Answer:

- a) TMC Care Pharmacy at the THKD branch was established in January 2022 and is still ramping up as the Group establishes the foundation of its businesses, including e-commerce. At the present moment, non-patients and retail clients continue to contribute the majority of revenue.
- b) Currently, the Group has no plan to open more branches.

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Question 5:

In order to gain leverage as a pharmacy that offers services that no other pharmacy does, TMC Care Pharmacy focused on expanding its product line during the first half of FY to include niche and hard-to-find healthcare supplies (Page 28 of Annual Report 2022).

Are these supplies or products mainly imported? How successful has this strategy been?

Answer:

Most of the products brought in have been imported. The improvement in product mix has seen an increase in market penetration, sales and customer retention.

Question 6:

As at end of FYE 2022, the Group's trade receivables stood at RM29.827 million while the allowance for expected credit losses ("**ECL**") amounted to RM5.538 million (18.6%) (Page 162 of Annual Report 2022).

Considering the nature of the Group's business which is mainly on a cash basis, the allowance for ECL seems to be relatively on the high side. Please explain. What is the probability of recovering the allowance amount?

Answer:

The rate of ECL allowance for FYE 2022 was 18.6%, a much lower rate compared to FYE 2021 of 29.5%. The higher rate of ECL in FYE 2022 was in line with the greater business volume in FYE 2022. Comparing the ECL over revenue, it was recorded at 2.3% in FYE 2022 compared to 2.7% in FYE 2021, indicating a better credit control function in FYE 2022.

The allowance for ECL amounted to RM5.538 million includes RM3.881 million (70% of RM5.538 million) ECL allowance from TMC Lifestyle Sdn. Bhd., relating to the Thomson Gold membership, where members have defaulted in paying the membership payments and therefore the allowance was being made to comply with the Malaysian Financial Reporting Standards 9: Financial Instruments.

Sustainability Matters

Question 1:

The Group values customer and patient feedback because it enables it to comprehend their expectations and evaluate its performance. Net Promoter Score ("**NPS**") was 57% out of 100% and the customer satisfaction ("**CSAT**") score was 4.3 out of 5 (Page 45 of Annual Report 2022).

What exactly does NPS measure and why was it so low? What is the target? What measures are taken to improve the NPS? What is the connection between NPS and CSAT, if any?

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Answer:

NPS measures the loyalty of the patients and it is a survey asking the patients or next of kin to rate the likelihood that the patients would recommend THKD to others. A NPS score of more than 50% would indicate that more patients would recommend THKD to others, which is a positive indicator of customer satisfaction and loyalty. The CSAT score measures overall levels of customer satisfaction after particular services were rendered. THKD constantly strives to improve both NPS and CSAT scores by fine-tuning patient journeys, improving turnaround times and providing more personalised services.

Question 2:

In the Sustainability Statement, there are actual data for some achievements made but no specific key performance indicators (“**KPIs**”) together with targets set for any significant initiatives. Are there any plans to do so in the future?

The disclosure of initiatives, KPIs and targets will facilitate a better appreciation of the Sustainability Statement and also enhances its message.

Answer:

The Company is still working on developing a structured strategy and roadmap for sustainability, including measuring baseline performance and setting KPIs and targets. Upon finalisation, the KPIs and targets would be incorporated as part of the Company’s overall strategy and performance measurement plans.

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Shareholders' questions and answers session

Ms. Lee Suan Bee, a shareholder raised the following questions:

- How much does the Company spend on this virtual Annual General Meeting ("**AGM**")?
- Would the Board of Directors ("**Board**") consider giving shareholder e-vouchers as a token of appreciation for attending the AGM?
- I would like to request a printed hard copy of the Annual Report 2022.

Answer:

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

- The costs of holding a virtual AGM were relatively low.
- The Company would be giving out e-vouchers via e-mail to the shareholders/proxies/corporate representatives who have attended this AGM within two (2) weeks from the AGM as a token of appreciation.
- The Company would make the necessary arrangement to deliver a printed hard copy of the Annual Report 2022 to Ms. Lee Suan Bee.

Dato' Sri Mohd Mokhtar bin Mohd Shariff ("**Dato' Sri Chairman**"), *Independent Non-Executive Chairman* reiterated that the decision to conduct the AGM virtually was due to health considerations that supersede all other considerations.

Mr. Teh Peng Tin, a shareholder requested the Board to consider giving Touch n Go e-wallet as a token of appreciation for shareholders who had participated in the virtual AGM.

Answer:

Ms. Wan Nadiah responded that the Company would be giving out four (4) e-vouchers consisting of a tumour marker screening worth RM120 for men or RM138.80 for women, a comprehensive eye examination for adults worth RM180, a 50% off for one (1) acupuncture or cupping session at Thomson Chinese medicine and a 5% off at TMC Care Pharmacy with a minimum purchase of RM30 via e-mail to the shareholders/proxies/corporate representatives who have attended this AGM within two (2) weeks as a token of appreciation.

Mr. Tan Kim Khuat, a shareholder requested a printed hard copy of the Annual Report 2022 to be delivered to his registered address in Puchong.

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Answer:

Ms. Wan Nadiah responded that the Company took note of the request and would make the necessary arrangement to deliver a printed hard copy of the Annual Report 2022 to Mr. Tan Kim Khuat at his registered address.

Ms. Tan Jing Wei, a shareholder raised the following questions:

- What are TMCLS's business strategies? Would the business be more diversified or more towards fertility?
- How is the construction progress of Thomson Iskandar?
- What is the estimated growth rate of TMCLS's business if Thomson Iskandar commences its operations?
- Who or which brand is TMCLS's direct competitor?
- How would TMCLS finance Thomson Iskandar's construction?
- Sunway Berhad would be opening a hospital right opposite THKD. Would it be a threat to THKD? If so, what action has been taken to compete with it?

Answer:

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

- The core business of TMCLS is to provide healthcare services for women and children. The strategies of TMCLS would be to continue to strengthen its core women's and children's health services as well as expanding other hospital and ambulatory care services as the market remains underserved in Malaysia.
- Thomson Iskandar has completed its piling works and is currently pending submissions to the local authorities on the redesign of the building due to the changes in the core structure of the design. Thomson Iskandar is expected to be operational in year 2029.
- Thomson Iskandar is designed to have a total of 500 beds and it is likely to be operational in phases. Upon the operation of Thomson Iskandar, it is projected the Group revenue would increase by 30%.
- TMCLS Group is an integrated group that includes hospital services and ambulatory care centres. Thus, there are no direct competitors. Nevertheless, TMCLS benchmarks itself against other players in the healthcare industry such as KPJ Healthcare Berhad, IHH Healthcare Berhad and Sunway Medical Centre as well as other players in the ambulatory care centres such as Sunfert International Fertility Centre and Alpha Fertility Centre.

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- TMCLS has yet to finalise the financing for Thomson Iskandar's construction but is in the midst of exploring various financing options which include bank borrowings, structured finance or bonds.
- Management opined that Kota Damansara remains a good catchment area with the development of Kwasa Damansara and Sungai Buloh. In terms of strategy, THKD is building a comprehensive tertiary health care hospital by offering comprehensive services to patients and would also be focusing on patients' experiences to encourage loyalty, and retention as well as to make it easier for patients to access THKD's services.

Mr. Chua Song Yun, a shareholder enquired on the following in relation to the occupancy rates, the average length of stay ("**ALOS**") and the outpatients and inpatients numbers:

- How are these figures compared to Pre-Covid-19?
- What are the trends of these figures over the past few months?

Answer:

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

- The occupancy rate, ALOS and the number of outpatients and inpatients before Covid-19 were approximately 65%, 1.73 days, 122,000 per year and 18,000 per year respectively prior to the opening of new beds.
- The trends in occupancy rate, ALOS and the number of outpatients and inpatients for the past few months were strong and there was no sharp fall in the figures even upon the opening of new beds. The occupancy rate was approximately 58% which leads to the latest number of inpatients and outpatients of approximately 9,000 and 40,000 per quarter respectively.

Mr. Lee Yu Keong, a shareholder requested a printed hard copy of the Annual Report 2022.

Answer:

Dato' Sri Chairman responded that the Company would make the necessary arrangement to deliver a printed hard copy of the Annual Report 2022 to Mr. Lee Yu Keong.

Mr. Yoong Peng Sam, a shareholder raised the following questions:

- Sunway Medical Centre in Kota Damansara would open in the first quarter of 2024 with 336 beds, what is the strategy for THKD to differentiate itself and compete? How does Management see this competition in relation to THKD utilising the new capacity beyond year 2024? Are there so many hospital service demands in Kota Damansara, considering the new capacities from THKD and Sunway Medical Centre coming on stream?

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- What is the strategy for year 2023 to utilise the new capacity in THKD, for both domestic and international markets? Internationally, which country has Management put in the most resources in promoting THKD, and the rationale for choosing one (1) or two (2) countries with the most potential?
- In the fourth quarter of FYE 2022, the revenue grew by 16% as compared to the third quarter of FYE 2022, while the Annual Report 2022 stated that 94 new beds opened in the fourth quarter of FYE 2022. How much revenue was contributed by these 94 new beds? What is the occupancy rate of this new capacity? What is the internal target for THKD's next year occupancy rate?
- Fourth quarter of FYE 2022 recorded a depreciation of RM6.0 million, an additional RM2.5 million as compared to the third quarter of FYE 2022 after TKHD expansion. Does this mean that TMCLS would record a full-year depreciation of RM10.0 million for FY ending 30 June 2023 from THKD expansion? What would be the full-year depreciation for FY ending 30 June 2024 from TKHD expansion? Which financial year would TMCLS be able to record a lower depreciation from THKD expansion?
- Could Management consider providing a breakdown of revenue from hospital and fertility segments and to disclose it in the quarterly reports? As a massive investment was done for THKD expansion, existing and potential new shareholders would be keen to know the contribution from the new capacity. Also, as there was no analyst coverage and minimal liquidity for TMCLS's shares, long-term shareholders would appreciate the transparency and more regular updates from TMCLS.
- THKD expansion has increased its capacity by more than twice. Does it mean that THKD with the new capacity has the potential to double the revenue in FYE 2021 or FYE 2019 (Pre-Covid-19)?
- Since THKD has rebranded into the name of "Thomson", is there any synergy generated from the Thomson Medical Centre ("TMC") in Singapore? Does TMC Singapore refer patients from Singapore to THKD or fertility centres in Malaysia?

Answer:

Mr. Jimmy Wong and Ms. Wan Nadiah replied to the above questions raised as follows:

- As mentioned earlier, THKD would continue to focus on strengthening its core women's and children's health services and would also be expanding its service to be a comprehensive one-stop healthcare service centre.

THKD has a capacity for 535 beds, targeted to open by FY 2025/2026. In regard to the hospital services demand in Kota Damansara, it is a large growing area and THKD also receives patients from outside Kota Damansara i.e., Sungai Buloh and Rawang as there are not many major tertiary hospitals offering tertiary services

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such as Oncology and Nuclear Medicine in Kota Damansara. Hence, Management foresees that there is still a demand for hospital services in Kota Damansara.

- TMCLS's strategy is to build up a comprehensive healthcare ecosystem in THKD due to the lack of large tertiary hospitals in Klang Valley. THKD continuously adds new services such as the Oncology and Nuclear Medicine Centre and Eye Health Facility, which THKD has started on vitreo-retinal eye surgery following the launch of the Eye Health Facility.

Internationally, Management focuses on the market in Indonesia. China was one (1) of the major contributors to the revenue but Management has decided to switch its' focus to another country i.e., Bangladesh due to the local restrictions imposed in China subsequent to the Covid-19 outbreak. These countries were chosen based on their large populations and the lack of quality healthcare services domestically, which lead to their population seeking healthcare services elsewhere. The opening of international borders and the resumption of travel are also part of critical factors to be considered by Management while deciding on its focus.

- The revenue contributed by the 94 new beds was approximately RM5.0 million for three (3) months and the occupancy rate for the new capacity was approximately 50% to 55%. The targeted occupancy rate for FY ending 30 June 2023 is approximately 60% to 65%.
- TMCLS has spent quite substantially in the capital expenditure ("**CAPEX**") for THKD expansion. The full-year depreciation for FY ending 30 June 2023 is approximately RM11.0 billion to RM12.0 billion. TMCLS would be able to record a lower depreciation from THKD expansion after ten (10) years due to the size of the buildings and most of the expenses were from the new building.
- TMCLS adopted a simplified approach to the disclosure for quarterly report announcements. However, Management would consider providing the breakdown of revenue between hospital and fertility segments moving forward.

TMCLS has been engaging with some of the analysts, locally and internationally. In view that TMCLS's liquidity is not widespread, there is no market volatility in terms of the share price. Management took note of the comment and would consider providing more regular updates in terms of the Group's latest development on the Company's website going forward.

- Barring any unforeseen circumstances, THKD expansion is expected to double the revenue of TMCLS Group. Dato Sri' Chairman assured the shareholders that the Board together with Management are always strategising for better growth and returns for TMCLS.
- TMC Singapore does refer patients to THKD for various reasons and one (1) of the main reasons is the difference in the costs where the fertility treatment in Malaysia is considerably cheaper than those in Singapore. THKD has been working closely with TMC Singapore to leverage the synergy on patients' cross referrals.

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Mr. Chua Song Yun, a shareholder enquired on the total estimated CAPEX for Thomson Iskandar, the total CAPEX that had incurred for Thomson Iskandar thus far and the funding of the same.

Answer

Mr. Jimmy Wong responded that the total estimated CAPEX for Thomson Iskandar is approximately RM1.2 billion and the total CAPEX incurred thus far is approximately RM100.0 million. As mentioned earlier, TMCLS is in the midst of exploring various financing options which include bank borrowings, structured finance or bonds.

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

- What are the determining factors for doctors in choosing the hospital to establish their practice, especially assuming hospitals compete in nearby vicinity?
- Is TMCLS currently engaging with any analysts? Why the low profile? How should shareholders engage with TMCLS's investors' relations, should there be any enquiries?
- Healthcare is a favourite space for large pension and private equity investors. Will TMCLS bring in some of these investors for various corporate strategic rationale?
- Based on the response earlier, is it fair to say doctors have better bargaining power over hospitals?

Answer:

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

- The determining factors for doctors in choosing the hospital include the availability of supporting services that are available at the hospital, the potential opportunity for the doctors to grow their practices and whether there are any competing specialists within the same field in the same hospital. Management believed that THKD is on the right track by adding in new services and increasing the capacity of THKD to support the doctors. Nevertheless, TMCLS is also exploring different models for engaging, recruiting and retaining consultants, which includes the introduction of incentive schemes.
- TMCLS does engage with analysts from time to time and shareholders may drop an email to the email address as published on the Company's website, should there be any inquiries or questions related to investor relations.
- Healthcare sector is perceived as a defensive sector that could deliver sustain and continued profits. TMCLS has not made any firm decision on the same but is open to any potential investment given the right conditions.

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- It is more of a partnership between the doctors and the hospital. For example, the hospital is handling the contracts entered into between the doctors, the insurance companies and the patients, not the doctors. Hence, doctors would be looking for a hospital that has a good relationship with insurance companies and patients. It is an equal relationship.

Shareholder's question received during the voting session and being answered

Mr. Lee Eng Shan, a shareholder enquired on the growth drivers in the coming months, that is less reported by mainstream media.

Answer:

Ms. Wan Nadiah responded that THKD expected an increase in the number of infectious diseases, not just Covid-19 but also Influenza and Respiratory Syncytial Virus (RSV), especially amongst the children as Malaysia enters the coldest season of the year. Therefore, THKD is prepared to treat cases of infectious diseases with isolated wards in place.

THKD is now more accessible for patients travelling from other areas of the Klang Valley subsequent to the completion of the Damansara-Shah Alam Elevated Expressway.

THKD is also focusing on preventive healthcare services and screening which is in line with the Ministry of Health's ("**MOH**") campaign to look into non-communicable diseases. New services such as pediatric rehabilitation and pediatric neurology have been added to THKD.

Malaysia is also seeing a comeback in medical and healthcare tourism as a result of countries opening their international borders such as Indonesia.

THKD has also participated actively in public and private partnerships with the MOH by receiving patients from various government hospitals.

THKD also sees a positive growth in insurance penetration in the Malaysian market, which would also expand the utilisation of private healthcare services.

TMCLS is optimistic that the abovementioned growth drivers would contribute to a better performance of the Group.