Annexure C

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

SUMMARY OF KEY MATTERS DISCUSSED AT THE TWENTY-SECOND ANNUAL GENERAL MEETING ("**AGM**") OF TMC LIFE SCIENCES BERHAD ("**TMCLS**" OR "**THE COMPANY**") HELD AT EMERALD & GARNET ROOM, LEVEL G, AVANTÉ HOTEL, NO. 1, PERSIARAN BANDAR UTAMA, BANDAR UTAMA, 47800 PETALING JAYA, SELANGOR DARUL EHSAN ON WEDNESDAY, 6 NOVEMBER 2024 AT 10:04 A.M.

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

Operational and Financial Matters

1. In the financial year 2024 ("**FY2024**"), the Group's revenue reached RM346.4 million, reflecting an increase of 11% from the previous financial year. This revenue boost is largely due to increased patient volume at Thomson Hospital Kota Damansara ("**THKD**") and the recovery of the fertility business (Page 14 of Annual Report 2024).

   a) What was the number of inpatient admissions, occupancy rate, and average revenue per inpatient admission for THKD in FY2024 compared to the previous financial year? Please consider disclosing such data in future annual reports to enhance shareholders' insight.

   *Answer: In FY2024, the number of inpatients is 24,512, with an occupancy rate of 56%, and the average revenue per inpatient admission for THKD is RM9,992. In the financial year 2023 ("**FY2023**"), the number of inpatients is 20,751, with an occupancy rate of 57%, and the average revenue per inpatient admission for THKD is RM9,846.*

   b) What was the fertility business's revenue contribution to the Group, and how does this compare to FY2023?

   Answer: In FY2024, the fertility business's revenue contributed RM41.2 million to the Group's revenue compared to RM37.3 million in FY2023. Fertility business grew by 11% compared to FY2023.

2. THKD continued expanding its capacity and capabilities with an additional 27 beds for a total of 341 beds as of FY2024 to meet the ever-growing healthcare needs (Page 9 of Annual Report 2024).

   a) During the last AGM, the Group projected an increase in operational capacity to 394 beds. What caused the slower-than-expected progress?

   Answer: The Group's strategy is to optimise the utilisation of existing beds by achieving a 60% occupancy rate before opening the new ward. We are experiencing slower-than-expected progress, especially when our THKD is being affected by lower patient load after the termination of customer contracts.

   b) With only 42 beds added in the past two (2) years, does the Group remain on track to fully open the remaining 213 beds by the financial year 2026?

Answer: We are monitoring the progress of the bed opening, and we will revise the timeline of the bed opening accordingly.

3. The development of Hospital Iskandariah in Johor Bahru is aimed to be completed in phases and be fully operational by 2030 (Page 13 of Annual Report 2024).

   a) What is the status of Hospital Iskandariah, and is it on track to be completed? When will the Hospital Iskandariah complete its first phase and start operation?

      Answer: Hospital Iskandariah is still under construction. The Company is in the process of appointing main builders to continue structural work at the site. At the same time, the Company is also conducting internal due diligence to review the departmental layout. The project is on track for completion in 2029 and will be operational by 2030.

   b) How much capital expenditure has been incurred for Hospital Iskandariah, and what is the estimated remaining capital expenditure?

      Answer: Total capital expenditure incurred up to 30 June 2024 is around RM104 million. The total project cost is approximately RM1.2 billion.

4. TMCLS is keen to design and operate a full-fledged hospital and healthcare education facility in Kuching, Sarawak, to deliver exceptional healthcare services of the highest quality to the city and surrounding communities (Page 13 of Annual Report 2024).

   a) Please provide details regarding the expansion plan in Kuching, including the current phase, estimated timeline, and budgeted capital expenditure.

      Answer: Currently, the Group is in the planning for a multidiscipline hospital and healthcare education facility in Kuching, Sarawak, and is currently waiting for the responses from the local authority.

5. In the fourth quarter of FY2024 ("**Q4 FY2024**"), the Group recorded a profit before tax ("**PBT**") of RM0.3 million, the lowest since the third quarter of the financial year 2020. The Group explained that this lower PBT due to reduced patient volume and case intensity, as well as the termination of certain customer contracts and discounts provided to customers (Page 8 of FY2024 Fourth Quarterly Report).

   a) Please provide details regarding the termination of customer contracts and the discounts given to customers, including the reasons for contract termination and the amount of discounts given.

      *Answer: In Q4 FY2024, Great Eastern Life Assurance (M) Berhad's ("**GE**") contract with THKD expired, and we are in the process of renegotiating with them. Allianz Life Insurance Malaysia Berhad ("**Allianz**") terminated its agreement with THKD. Patients with GE and Allianz may still seek treatment* *with THKD, however, they may not be enjoying the cashless benefit. The hospital is working hard to restart these cashless contracts with GE and Allianz and is hopeful of the current negotiation. As part of our negotiation with our other insurance partners, we have increased existing discounts and improved on many processes.*

b) What is the estimated financial impact on the Group in the upcoming year due to the termination of these customer contracts?

Answer: In FY2023, GE and Allianz revenue contributed to 9% of the Group revenue.

c) According to a recent Great Eastern Malaysia panel hospital list, THKD has been removed as a panel hospital effective from 21 April 2024.

(Source:https://www.greateasternlife.com/content/dam/dmassets/great-eastern/malaysia/gelm-brand-comm/gelm-healthcare-services/0224/gelm-others-gh-panel-hospital-listing-feb-2024.pdf*)*.

What were the reasons for THKD losing its panel hospital status, and what remedial actions are being taken by the Group?

Answer: The reasons for losing GE are large related to operational issues. THKD is actively communicating with GE, has made numerous improvements, and is working towards a potential reinstatement.

6. On 29 January 2024, Dr. Heng Jun Li Melvin ("**Dr. Heng**") was redesignated as the Acting Group Chief Executive Officer ("**CEO**") of the Company immediately following the suspension of Puan Wan Nadiah binti Wan Mohd Abdullah Yaakob ("**Puan Wan Nadiah**") as Group CEO of the Company.

a) Dr. Heng is also the Executive Director and Group CEO of Thomson Medical Group Limited. How does Dr. Heng manage his time effectively, given that he holds two full-time CEO positions in two (2) publicly listed companies?

Answer: The business unit head remained unchanged operationally and financially, with changes at the hospital level. Dr. Siva Kumaran serves as the Acting CEO and Chief Operating Officer of THKD as well as overseeing TMC Care and Thomson TCM, while Ms. Lakshmi Menon serves as the CEO of the Fertility Centre. Financial matters will continue to be managed by the Group Chief Financial Officer. All these business heads and finance head report directly to Dr. Heng, who maintains complete oversight of the Group.

b) When is the domestic inquiry regarding Puan Wan Nadiah expected to be concluded?

*Answer: The Board of Directors ("**Board**") expects this process to be completed by December 2024.*

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(Summary of key matters discussed at the Twenty-Second Annual General Meeting held on 6 November 2024 - cont'd)

<u>Sustainability Matters</u>

1. The Group has established key performance indicators ("**KPIs**") for material sustainability matters related to Quality Healthcare, including safe surgery, healthcare-associated infections, transfusion safety, and fall prevention, with respective targets. (Page 31 of Annual Report 2024)

   a) What were the results of these KPIs in FY2024, and why were these results not disclosed in the Sustainability Statement?

   *Answer: TMCLS maintains and monitors the quality of our services through multiple measurement KPIs and targets as per Ministry of Health ("**MOH**") requirements and international accreditation, such as ACHS and RTAC. The results of our KPI measurements are submitted to the MOH annually. Our achievement of ACHS accreditation in 2023 for both Oncology and hospital-wide services, along with maintaining RTAC certification for our fertility operations, reflects the comprehensive quality standards we uphold across various KPIs. These accreditations underscore our commitment to quality and effective internal controls.*

<u>Corporate Governance Matters</u>

1. The Company has adopted Practice 5.9 of the Malaysian Code on Corporate Governance 2021 (MCCG) which advocates that the Board comprises at least 30% women Directors.

   a) What benefits has the Board experienced from increased gender diversity among its members? How has the Board's performance been impacted by these benefits?

   Answer: The Board acknowledges the vital role that women play in its composition. A diverse mix of expertise enhances the Board's ability to address conflicts, as varied approaches to problem-solving can provide multiple perspectives. This diversity fosters a more comprehensive understanding of market dynamics and enriches corporate culture. By incorporating broader viewpoints and experiences, the Board is better equipped to make informed decisions.

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(Summary of key matters discussed at the Twenty-Second Annual General Meeting held on 6 November 2024 - cont'd)

Shareholders' questions and answers session

Question:

Mr. Pavendeep Singh, a proxy, raised the following questions:

a) The domestic inquiry involving Puan Wan Nadiah commenced in January 2024 and is expected to conclude only in December 2024. What has caused such a prolonged delay in completing the domestic inquiry? Additionally, could there be a potential conflict of interest for Puan Wan Nadiah to serve as a member of the Board while the domestic inquiry is ongoing?

b) There is information in the public domain that indicates a failed implementation of the Company's information technology ("**IT**") system. What is the total financial loss incurred by the Company due to this failure, and are there any ongoing litigation costs associated with it? Who is responsible for the failure, and what actions has the Company taken to address and rectify the issue?

Answer:

a) Dato' Sri Mohd Mokhtar bin Mohd Shariff ("**Dato' Sri Chairman**"), *Independent Non-Executive Chairman,* explained that the Audit and Risk Management Committee ("**ARMC**") is handling the disciplinary process involving Puan Wan Nadiah independently, without involvement from other Board members. This separation ensures that the ARMC can impartially investigate and manage the disciplinary process. At the same time, the remaining Board members retain their independence to deliberate and make decisions after the conclusion of the domestic inquiry. Dato' Sri Chairman then invited the Chairman of the ARMC to address the query.

   Mr. Cheah Ho Chee ("**Mr. Raymond Cheah**"), *Independent Non-Executive Director and Chairman of the ARMC,* clarified that the domestic inquiry remains confidential due to employment-related obligations. The domestic inquiry is ongoing, so the Company cannot divulge additional details. The timeframe for the domestic inquiry has already been announced to Bursa Malaysia Securities Berhad. Additionally, there is no conflict of interest as Puan Wan Nadiah is attending the Meeting as a Board member, not in her other capacity as the Group CEO of the Company.

b) Dr. Heng Jun Li Melvin ("**Dr. Melvin Heng**"), *Acting Group CEO,* highlighted that the Company is currently unable to provide the exact financial losses incurred due to the complexity of the situation. However, certain components of the Systems, Applications, and Products ("**SAP**") system, specifically its financial modules, are still in use as the financial backbone of the Company. Given SAP's decision to exit from the electronic medical record ("**EMR**") space, the Company is required to migrate to a new system moving forward. A replacement system has been identified, and the Company expects to launch the integrated new EMR system with the hospital information system and existing financial systems within the next six (6) months. Dr. Melvin Heng assured the Meeting that the Company was actively working to resolve the issue and enhance the IT infrastructure. Regarding litigation, the Company is exploring various options, including potential legal action, and will provide updates as necessary. Additionally, the Company is conducting a thorough investigation into the root cause of the system failure to prevent similar occurrences in the future.

Question:

Mr. Poravi A/L S P Sithambaram Pillay ("**Mr. Poravi**"), a shareholder, expressed gratitude to the Company for ensuring a seamless registration process. Mr. Poravi commended the Company's remarkable achievements since its listing in 2005, noting significant revenue growth, strengthened financial performance, reduced net debts, and robust cash reserves.

Mr. Poravi also acknowledged the expertise and leadership of the Directors and senior management, attributing the Company's continued momentum to their contributions. Additionally, Mr. Poravi suggested providing light breakfasts for early attendees at future meetings and expressed his strong support for the Company's Board and Management.

Answer:

Dato' Sri Chairman acknowledged Mr. Poravi's feedback and assured him that the Company has taken note of his suggestion. Dato' Sri Chairman also expressed gratitude for Mr. Poravi's inspiring words and reaffirmed the Company's commitment to achieving continued success.

Question:

Mr. Teh Kian Lang, a shareholder, enquired about the funding strategy for the Thomson Iskandar Medical Hub project, noting the substantial capital expenditure involved. Mr. Teh Kian Lang further asked whether the Company would consider a rights issue to raise funds from shareholders.

Answer:

Dr. Melvin Heng explained that the Company has yet to finalise the capital expenditure required for the Thomson Iskandar Medical Hub project or the associated funding strategy. Nevertheless, the Company is exploring partnerships with international companies, including equipment manufacturers, to occupy space at Thomson Iskandar Medical Hub. These partnerships would support project funding while providing expertise and enhancing the facility to ensure success.

Question:

Mr. Chan Kang Peng, a shareholder, raised the following questions:

a) The Company's total intangible assets for FY2024 amount to RM206,494,000, representing nearly one-third (1/3rd) of its share capital. Why has goodwill not been amortised over the past two (2) years? (Refer to page 169 of Annual Report 2024)

b) The terminal growth rate remains at 3% for FY2024 and FY2023. Meanwhile, the pre-tax discount rate has reduced from 10.2% in FY2023 to 9.6% in FY2024. What are the implications of these variables for the impairment testing of goodwill? (Refer to page 170 of Annual Report 2024)

Answer:

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

a) The goodwill of RM193,045,000 arises from the acquisition of BB Waterfront Sdn. Bhd., a subsidiary of the Company for the Thomson Iskandar Medical Hub project. Under applicable accounting standards, the Company is not required to amortise goodwill but is subject to an annual impairment test. The latest annual impairment test indicated no impairment to the carrying amount of the goodwill as of 30 June 2024. The Company remains confident that this goodwill will be recoverable once the Thomson Iskandar Medical Hub project becomes operational.

b) The terminal growth rate is one (1) of the elements in the impairment model, which forms part of the discounted cash flow projections. This growth rate is aligned with Malaysia's inflation rate, showing minimal variance. The pre-tax discount rate is derived from the weighted average cost of capital and is influenced by fluctuations in market interest rates. The recent reduction in the pre-tax discount rate reflects the decline in market interest rates over the past few years.

Question:

Mr. Lee Chee Meng, a shareholder, enquired about the rationale behind the high meeting attendance allowances, noting that the proposed resolutions for shareholders' approval include Directors' benefits of RM850,000, which exceed the Directors' fees of RM810,000 for the financial year ending 30 June 2026. Mr. Lee Chee Meng further asked why the meeting attendance allowance is so high, how many meetings are planned for the coming year, and whether the Company could provide a detailed breakdown.

Answer:

Mr. Jimmy Wong explained that the Company anticipates increasing meetings during the financial year ending 30 June 2026. This includes meetings of the Board and Board Committees, leading to higher Directors' benefits compared to Directors' fees.

Question:

Mr. Pavendeep Singh, a proxy, requested clarification on when the Company first became aware of the withdrawal of GE and Allianz and whether actions had been taken to retain at least one (1) of the two (2) insurance companies instead of losing both simultaneously.

Answer:

Dr. Melvin Heng explained that the Company knew GE's intention to withdraw in October 2023. Despite efforts to engage with GE, the decision was already at an advanced stage and irreversible. Nevertheless, the Company successfully reopened communication with GE, and discussions are ongoing.

Regarding Allianz, the Company was informed of its intention to withdraw in February 2024. Management attempted to engage with Allianz, but the response indicated little interest in further discussions. The Board of Thomson Medical Group Limited, the holding company, also contacted the CEO of Allianz to repair and strengthen the relationship.

Dr. Melvin Heng emphasised the importance of shareholders' support in rebuilding connections with these insurance companies.

Question:

Mr. Lee Teck Hong, a shareholder, enquired whether the Company has identified potential candidates to succeed Mr. Raymond Cheah on the Board Committees, given his upcoming retirement at the conclusion of the Meeting.

Answer:

Dato' Sri Chairman replied that the Company has established procedures to identify suitable candidates to succeed Mr. Raymond Cheah on the Board Committees. The Board and the Board Committees will take the necessary actions and inform shareholders in due course.

Question:

Mr. Teow Chee Keong ("**Mr. Teow**"), a proxy, requested clarification on the reasons for the withdrawal of GE and Allianz, noting that the Company's response to question no. 5 from MSWG cited operational issues and contract expiration as reasons for the termination. Additionally, Mr. Teow enquired about common reasons for insurance companies terminating hospital partnerships, given their significant role in the revenue stream of the hospital.

Answer:

Dr. Melvin Heng explained that due to confidentiality, Management cannot disclose specific details regarding the Company's operational issues. However, operational factors such as accurate billing, IT compatibility, and responsiveness are crucial to ensuring a smooth patient journey and facilitating necessary insurance coverage.

Dr. Melvin Heng added that effective communication between payers and providers is crucial for delivering value to patients. The Company recognises the importance of maintaining strong relationships with insurers, given their significant influence on patient access to services. We are committed to working closely with them to address these challenges.

Dr. Melvin Heng also highlighted the Company's focus on diversifying revenue streams to reduce reliance on single payers. Initiatives include attracting local and foreign patients, promoting medical tourism, and broadening partnerships with corporations, third-party administrators, and medical evacuation companies. These efforts aim to maintain operational flexibility and ensure uninterrupted service delivery.

Question:

Mr. Chua Song Yun ("**Mr. Chua**"), a shareholder, enquired whether the decrease in revenue was primarily due to the withdrawal of GE and Allianz, noting that the Group's revenue for the quarter ended 30 June 2024 had decreased by 12% compared to the previous year corresponding quarter and by 14% compared to the immediate preceding quarter. Mr. Chua also enquired whether the decline in patient volume and case intensity were the contributing factors and whether this trend is temporary or expected to continue.

Answer:

Dr. Melvin Heng replied that the situation appears to be temporary. While the withdrawal of GE and Allianz was unfortunate and impacted the hospital's reputation, efforts are being made to regain trust with patients and partners. Encouragingly, patient numbers have shown a positive rebound starting from July 2024.

Dr. Melvin Heng further clarified that although the cashless payment facility with GE and Allianz was lost, the hospital continues to receive patients from these insurance companies who pay upfront and later claim reimbursement. To support these patients, THKD is offering a discount scheme, allowing them to benefit directly.

Question:

Mr. Sim Kok Tiong, a shareholder, highlighted that while the Group's revenue increased by 11% over the past year, net profits only grew by 3%, accompanied by a net cash outflow. Additionally, Directors' remuneration increased by 13%. What factors contribute to this trend, specifically regarding cost management challenges or inefficiencies impacting profitability and cash flow? How does the increase in Directors' remuneration align with the Company's current financial performance? What strategies does the Company plan to implement to enhance cost control and cash flow management moving forward?

Answer:

Mr. Jimmy Wong explained that the disparity between revenue growth and profit after tax is due to the recognition of a deferred tax credit in the prior year, which significantly boosted profits. Adjusting for this one-time impact, the profit after tax would have increased by 29%.

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Regarding the increase in Directors' remuneration, Mr. Jimmy Wong remarked that it is attributed to the need for additional Board and Board Committee meetings to address challenges and issues faced by the Group.

Regarding cash conservation, Mr. Jimmy Wong highlighted that the Group has actively managed idle cash by investing in fixed-term deposits, leading to more than 30% increase in interest income for FY2024 compared to FY2023. Additionally, the Group is negotiating lower costs for major contracts and anticipates achieving reduced rates as part of its strategy to strengthen cost control and cash flow management.