THOMSON MEDICAL GROUP LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 199908381D)

RESPONSES TO SIAS QUERIES ON ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2024

The Board of Directors of Thomson Medical Group Limited (the "**Company**" or "**TMG**", together with its subsidiaries, the "**Group**") wishes to announce the following in responses to the queries raised by the Securities Investors Association (Singapore) (the "**SIAS**") on 7 October 2024 with respect to the Company's Annual Report for the financial year ended 30 June 2024 (the "**Annual Report**").

Q1. Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:

(i) **Singapore (Thomson Medical):** For the financial year ended 31 December 2018 (pre-COVID), revenue in Singapore was $196.5 million. For FY2024, revenue in Singapore was $200.2 million, reflecting a 23.1% decline due to the cessation of project-related services like managing vaccination centres and transitional care facilities. **Can management provide detailed insights into the growth trajectory of the group's Singapore operations over the past 6-8 years? Has the group maintained its market share considering that revenue has stagnated? What specific initiatives have been implemented to protect market share, and has the group adjusted its strategy in light of the declining birth rate and evolving healthcare landscape post-COVID? How many babies were delivered at Thomson Medical Centre and has the Year of the Dragon positively impacted the number of deliveries?**

<u>Response from Company</u>

Over the past six to eight years, our revenue trajectory in Singapore has remained stable, reflecting our strong foundation in the market. In FY2018, the revenue in Singapore was $196.5 million, comprised of $156.1 million from our Healthcare business and $40.4 million from a discontinued operation that was spun off to the shareholders via a distribution in specie in January 2019. Since FY2018, we have achieved consistent growth, with the exception of the COVID year. In FY2024, we reported revenue of $200.2 million, down from $260.4 million in the previous year, largely due to the cessation of project-related services such as managing vaccination centers and transitional care facilities.

Our commitment to delivering exceptional patient care, along with our reputation for quality and reliability, has enabled us to maintain our market share and remain competitive in the evolving healthcare landscape. To safeguard and enhance our market share, we have implemented several strategic initiatives including the expansion of our maternity services, which now includes more sophisticated fertility services, and enhanced prenatal and postnatal support to better meet the needs of expectant families. Our market share on deliveries remains stable, delivering one in every five newborns in Singapore.

Thomson Singapore has a strong women's and children's angle and we continue to improve and optimise on each patient's journey. We are actively diversifying our specialist offerings to cater to a wider demographic, incorporating more specialties including but not limited to, oncology, ophthalmology, orthopaedics for a start. We continue to commit to women and children but widening our value chain to capture more value.

Ambulatory care centres and clinic expansion form a tenet of our strategy as well, bringing health services closer to our patients, providing procedures and specialist consults to the community. Our collaborative healthcare models, formed through partnerships with other healthcare providers, enable us to offer integrated care packages that enhance our value proposition to patients. Furthermore, we are investing in digital solutions to increase productivity and increase engagement with patients, physicians, and payors.

(ii) **Malaysia (Vantage Bay Healthcare City):** It has been reported that the Rapid Transit System (RTS) Link between Singapore and Johor Bahru is close to 80% complete with its opening expected in 2026. **Can management provide an update on the development plans for Vantage Bay? What is the expected capital expenditure and how will the group be funding it?**

Response from Company

We are actively assessing our development plans for Vantage Bay and exploring various options to ensure alignment with our strategic vision. With the RTS Link nearing completion, we anticipate that this infrastructure will significantly enhance accessibility to our healthcare facilities and positively impact the region's growth.

In terms of capital expenditure, we will only be able to have a good estimate of the capital expenditure once the development plans are finalised. We anticipate that funding for the project will be sourced through a combination of internal reserves, potential partnerships, and external financing.

(iii) **Bed occupancy rate (BOR):** The BOR in Singapore slipped from 63.7% in FY2023 to 56.3% in FY2024 while the BOR remained relatively stable in Malaysia, at 56%-57% over the past two years. In Vietnam, FV Hospital achieved a BOR of 48.6%. **Could management outline the strategic initiatives being undertaken to optimise bed occupancy across these geographies, while simultaneously maintaining or improving the standard of patient care? Has the board provided any guidance/target on BOR?**

Response from Company

To optimise bed occupancy across these geographies while maintaining/improving patient care standards, we are implementing several strategic initiatives:

- Operational Efficiency: Our focus on improving operational efficiency includes the implementation of advanced patient flow management systems and staff training programmes. By streamlining processes and reducing wait times, we aim to enhance the overall patient experience, thereby increasing patient satisfaction and encouraging repeat visits. Regular reviews and adjustments of our operational protocols will help ensure optimal bed utilisation.

- Partnerships and Collaborations: We are exploring strategic partnerships with other healthcare providers, insurers, well-known consumer brands and community organisations to create integrated care solutions. These collaborations aim to improve access to our services, making it easier for patients to receive the care they need in a timely manner. Additionally, partnerships with specialists can enhance our service portfolio and attract referrals.

- Enhanced Marketing and Outreach: We are ramping up our marketing efforts not only to increase awareness of our services and but specifically to drive conversion. This includes targeted campaigns aimed at both local communities and regional markets, focusing on our unique offerings and competitive advantages. We are also leveraging digital platforms and social media to reach a broader demographic and engage potential patients effectively.

- Service Diversification: We are actively expanding our service offerings to include specialised care programmes, such as chronic disease management, geriatric care and wellness initiatives. Additionally, we are enhancing our outpatient services, enabling us to attract patients seeking convenient care options which allow us to meet the evolving needs of our communities and encourage patient inflow.

Regarding guidance on BOR targets, the board is currently reviewing performance metrics and setting benchmarks to improve occupancy rates. We remain committed to enhancing our capacity while ensuring that we uphold our dedication to high-quality patient care.

(iv) **Loss of public float:** On 12 September 2023, it was announced that only 9.98% of the issued share capital of the company was in the hands of public shareholders, below the 10% level requirement under Rule 723 of the Listing manual. **Can the board elaborate on the reasons that caused the free float to fall below 10%? Given that the free float now stands at 10.15% as at 13 September 2024, what measures are being put in place to ensure continued compliance with the minimum public float requirement?**

Response from Company

This situation arose primarily due to the concentration of shares by our major shareholder, directors and senior management. Our free float has since been restored, and we have implemented corrective measures to address this situation, reinforcing our commitment to full compliance moving forward. To ensure ongoing compliance with the minimum public float requirement, we have in place a monitoring framework to regularly assess our public float status and stay informed of any changes. We also maintain open communication with regulatory authorities to proactively address potential issues.

Q2. The group acquired FV Hospital, the first Joint Commission International-accredited hospital in South Vietnam, on 21 December 2023. The acquisition marks the largest transaction in Vietnam and one of the largest healthcare acquisitions in Southeast Asia since 2020 (page 11).

Revenue from Vietnam amounted to $50.4 million in FY2024 following the acquisition. The provisional goodwill associated with the acquisition of Far East Medical Vietnam Limited (FEMVN) stands at $406.4 million, almost half of the groups' total goodwill of $880.5 million as at 30 June 2024.

The total consideration transferred to the sellers for the acquisition of FEMVN amounted to $469.1 million (page 185).

(i) **Could management provide more details on the strategic and operational synergies anticipated with FV Hospital, particularly in terms of revenue growth, cost savings, or other operational improvements?**

Response from Company

The integration of FV Hospital into our group is set to create key synergies that will enhance operations and market position by boosting revenue, increasing efficiencies, accelerating our expansion into different healthcare specialities and improving patient care. We plan to leverage FV Hospital's strong reputation and patient base to attract a broader demographic, expanding our presence in three vital healthcare regions and providing access to neighbouring markets like Cambodia, Laos, and Myanmar.

Consolidating operational processes and sharing resources will further enhance efficiency, reduce overhead costs, and improve effectiveness. We are committed to adopting best practices, sharing clinical expertise, and implementing advanced healthcare technologies to elevate patient care. Additionally, the acquisition offers opportunities for enhancing staff training and development, promoting knowledge exchange, and improving staff retention.

As disclosed in Note 16(d), FEMVN failed to achieve certain EBITDA target for the 12-month ended 31 December 2023. As a result, there will be no contingent consideration payable to the vendors.

(ii) **Has FEMVN performed up to management's projections since the acquisition was completed more than 9 months ago?**

(iii) **What are the reasons for FEMVN failing to meet the EBITDA target?**

<u>Response from Company</u>

FEMVN's projection and EBITDA target were not met primarily due to the general economic downturn in Vietnam since 2023, which has influenced demand for healthcare services across the sector. Additionally, increased staffing costs were incurred as a result of proactive hiring initiatives undertaken in anticipation of higher revenue, which did not materialise as quickly as expected due to the prevailing market conditions.

Despite this shortfall, management remains optimistic about FEMVN's long-term potential. We view these challenges as opportunities for growth and improvement. We are actively reviewing our operational strategies to enhance efficiency and effectiveness, ensuring that we can better adapt to the evolving market landscape. Our focus is on refining service offerings and optimising resource allocation to position FEMVN for future success.

(iv) **In the board approval process for the acquisition, what was the hurdle rate and the cost of capital used? Given that nearly 90% of the acquisition's purchase consideration was allocated as goodwill, how did the board justify the payment of such a premium, and what are the key metrics the board is using to assess whether the acquisition will create long-term value for shareholders?**

<u>Response from Company</u>

The board approached this acquisition with careful consideration and a commitment to enhancing shareholder value. By integrating FEMVN, we not only bolster our immediate revenue and EBITDA but also gain vital financial scale and geographical diversification that positions us for sustained growth. FEMVN's strong standing as a leading hospital platform in Vietnam, combined with favourable demographic and economic conditions, provides a solid foundation for future success.

To ensure that this acquisition delivers long-term value, the board is focused on key metrics such as revenue growth, EBITDA contributions, and overall market positioning. We are confident that our thorough due diligence and strategic vision will lead to significant enhancements in the Group's performance over the mid- to long-term, ultimately benefiting our shareholders.

In the board approval process for the acquisition, our sole financial advisor conducted a comprehensive evaluation that included stress-testing the weighted average cost of capital in relation to the enterprise value of FEMVN. Additionally, the purchase consideration was supported by a market multiple analysis which revealed an EV/EBITDA multiple of 16.8x for healthcare assets. This aligns well with recent market trends and underscores the financial justification for the acquisition.

(v) **What is the depth of the leadership and medical expertise at FV Hospital? What initiatives are in place to develop a sustainable management team at FV Hospital, ensuring continuity in leadership and healthcare expertise? How is the board fostering the development of internal talent to mitigate reliance on key individuals like Dr. Jean-Marcel Guillon?**

Response from Company

To ensure the development of a sustainable management team, FV Hospital has implemented several initiatives aimed at nurturing talent and fostering continuity in leadership. This includes comprehensive training programmes, mentorship opportunities, and professional development pathways designed to cultivate the next generation of leaders within the organisation. We are committed to empowering our staff with the skills and knowledge necessary to excel in their roles and assume leadership positions in the future.

Recognising the importance of mitigating reliance on key individuals, including Dr Jean-Marcel Guillon, the board actively encourages knowledge sharing and collaboration among team members. By creating a culture of continuous learning and support, we are fostering an environment where internal talent can thrive and grow. This approach not only strengthens our leadership pipeline but also enhances the overall resilience of FV Hospital as we move forward.

Q3. At the annual general meeting scheduled to be held on 30 October 2024, Mr Ng Ser Miang, a director retiring pursuant to Article 105(2) of the company's constitution, will be seeking his re-election.

As disclosed in the explanatory notes to the Notice of AGM, if re-elected, Mr Ng Ser Miang will continue in office as chairman of the board and chairman of the nominating and remuneration committee (NRC).

The director's biography can be found on page 13 of the annual report. Additional information on directors seeking re-election can be found on pages 216 to 222. It is noted that Mr Ng Ser Miang was first appointed to the board on 1 December 2015. The board has further stated (on page 104) that it will only review the composition of the independent directors on the board to ensure continued compliance with the Listing Rules and the Code of Corporate Governance ***after*** the AGM in 2024 [emphasis added].

The attendance of the director is shown on page 100 of the annual report.

Attendance at Board and Board Committee Meetings

The table below sets out the attendance at meetings convened during the financial year under review.

Name of director	Nature of appointment	Board	ARC	NRC
No. of meetings		6	4	2
No. of meetings attended				
Ng Ser Miang	Chairman, Independent, Non-Executive	3	N.A.	1

(i) **Can the director elaborate on the specific reasons that led to him attending only three of six board meetings and one of two NRC meetings over the past year?**

Response from Company

Mr Ng is committed to his role as Chairman of our board and consistently adds value. While unforeseen circumstances affected his participation this past year—particularly due to his responsibilities as Vice President of the Executive Board of the International Olympic Committee (IOC) for the Paris 2024 Olympics—this situation is exceptional given that the Olympics occur only once every four years. Importantly, Mr Ng has maintained full attendance at our board meetings since 2018, following the re-listing of the Group.

Despite his recent absence, he stays well-informed by thoroughly reviewing meeting materials and fostering open communication with fellow members. Mr Ng values collaboration and is actively working to optimise his schedule to enhance his participation in future meetings, reaffirming his commitment to the board's objectives and the overall success of the Group.

(ii) **Given the director's chairmanship of the board and the NRC, would the director's absence at the board and board committee meetings impair the effectiveness of the board and board committees?**

<u>Response from Company</u>

To ensure the effectiveness of board and committee meetings, all relevant materials are sent in advance, allowing directors to be well-informed and prepared for efficient discussions. Although Mr Ng was unable to attend some meetings, he diligently reviewed all materials beforehand. Despite his absence, he actively participated by sharing insights and input with his fellow board and NRC members prior to the meetings. Following each session, he received briefings to stay updated on discussions and decisions made. Additionally, minutes of the meetings are circulated to all directors, including Mr Ng, for their input and approval.

This collaborative approach ensures that all agenda items are thoroughly considered, and Mr Ng's contributions are included through ongoing communication with his colleagues. As a result, the effectiveness of the meetings remains intact, benefiting from diverse perspectives, including those of Mr Ng.

(iii) **Given that the director will reach the 9-year limit for independent directors in 2 months, would the board/NRC provide shareholders with greater clarity on the succession plans for the director given that he is seeking shareholders' approval for his re-election? Will the director be redesignated as non-independent director?**

<u>Response from Company</u>

Under Mainboard Listing Rule 210(5)(d)(iv), a director will not be independent if he has been a director of the issuer or an aggregate period of more than nine years (whether before or after listing). Such director may continue to be considered independent until the conclusion of the next annual general meeting of the issuer. As Mr Ng approaches the nine-year limit for independent directors on 30 November 2024, if re-elected at the upcoming AGM on 30 October 2024, he will continue to serve as an independent director and maintain his role as the independent chairman of both the board and the NRC until the conclusion of the AGM in 2025.

The NRC and the Board will annually, and as and when appropriate, review the independence of its independent directors and the composition of its independent directors to ensure continued compliance with the Listing Rules and the Code of Corporate Governance.

The Board recognises the importance of succession planning and regularly assesses its composition and effectiveness, evaluating each director's contributions and independence. To ensure seamless leadership continuity, the Board is proactively developing succession strategies and identifying potential candidates who bring diverse perspectives and skills.

This approach not only establishes a robust pipeline of talent for future leadership roles but also fosters a culture of growth, innovation, diversity, and continuous renewal, reinforcing the Group's core values and objectives.

By Order of the Board
THOMSON MEDICAL GROUP LIMITED

Dr Heng Jun Li Melvin
Executive Director and Group Chief Executive Officer
28 October 2024