Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Thomson Medical Group Limited

Stock code: A50

Meeting details:
Date: 23 October 2020
Time: 2.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. In the Letter to shareholders, the chairman highlighted that the group's revenue grew by 6.6% for the first 12-month period ended 31 December 2019 to $229.8 million before being slowed down in the last 6 months by the pandemic to record a 0.2% increase in revenue to $327.8 million over an 18-month period ended 30 June 2020.

Previously, in the 2018 annual report, the chairman highlighted the 121% surge in net profit to $4.1 million. In the 2020 annual report, there was no mention of the profit or loss.

On page 15, in the Operations review, it was stated that the group recorded a net loss attributable to shareholders from continuing operations of $(97.0) million for FY2020. These losses were mainly attributed to the impairment of $(93.4) million recorded on the 9.23 ha freehold land located within the Iskandar Development Region in Johor Bahru, Malaysia.

The "Carrying value of investment properties and development property located in Johor Bahru, Malaysia" is also a key audit matter highlighted in the independent auditor's report (page 54).

As noted in the KAM, management performed an impairment review when there are indicators of impairment. Management assessed the recoverable amount of the investment properties and the net realizable value (NRV) of the development property based on valuations obtained from an independent valuer. These valuations involve various underlying assumptions and techniques used by the independent valuer, including adjustments made associated with the market and economic conditions prevailing at the reporting date in light of the COVID 19 pandemic.

In particular, the impairment losses of $(47,937,000) and $(45,478,000) were attributed to the recoverable amounts of freehold land as investment properties (Note 15 – Investment properties) and as land under development (Note 19 – Development property) respectively.

The fair values of the investment properties and development property were determined by independent real estate valuation experts using the market comparison method. As at 30 June 2020, the group's investment properties and development property amounted to $102,012,000 (2018: $150,606,000) and $96,058,000 (2018: $142,916,000) respectively.

Again, in the 3-page letter by the chairman to shareholders, the significant impairment of $(93.4) million of the group's investment properties and development property in Iskandar was not mentioned.

(i) **Can management help shareholders understand the conditions on the ground in Iskandar due to the protracted COVID-19 pandemic?**

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(ii) The group had obtained valuation reports by an independent professional valuer, using the direct comparison method. **Would the company disclose the identity of the independent professional valuer? In addition, would the company be posting the valuation reports by the independent professional valuer on SGXNet?**

In the Corporate Profile, it was noted that the 9.23 ha of prime freehold waterfront land in Johor Bahru's City Centre would be used to build an integrated healthcare city to meet the growing healthcare needs of the people in the region.

(iii) **Can management elaborate further on the significant changes in the group's plans for the healthcare city as a result of the pandemic?**

(iv) **What are the current major milestones and timeline for the healthcare city?**

(v) **Is the group's vision of a healthcare city still viable with border controls and restrictions in international travel?**

(vi) On page 6 of the annual report, the group has stated that it aims to complete construction of the Thomson Iskandar Medical Hub within 24 months after the RTS project at Bukit Chagar is fully operational. **How will the group position the Thomson Iskandar Medical Hub to differentiate itself from its competitors (both in Singapore and in Johor)? Are there any synergies between the proposed Thomson Iskandar Medical Hub and the healthcare city?**

Q2. With its strong foundation in hospital services, the group has expanded to:

- other core specialities in women's and children's health: such as Thomson Breast Centre (TBC) and the Thomson Surgical Centre (TSC); and
- specialist clinics to support the needs of the whole family: such as a multi-speciality medical centre at Paragon Medical Centre (Thomson Wellth@Paragon), an obstetrics and gynaecology clinic (TWC), and expanded its paediatric operations in Punggol (TPC).

However, based on Note 34 (page 130 – Segment information), hospital services segment remains the main contributor of revenue and profit.

(i) **Can management elaborate further on the operational and financial performance of Thomson Medical Centre and of Thomson Hospital Kota Damansara?**

(ii) **In particular, what is the number of deliveries at Thomson Medical Centre in 2019? Has management been able to increase TMC's market share of deliveries in Singapore?**

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(iii) **Given the pandemic, have the range of services offered and the "capacity" at Thomson Medical Centre been affected?**

(iv) **Separately, in terms of the new core specialities centres and specialist clinics, what is the typical gestation period for the centres/clinics to breakeven?**

(v) As at 30 June 2020, the group's total interest-bearing loans and borrowings increased to $649.3 million, up from $578.3 million as at 31 December 2018. Finance costs for the 18-month period ended 30 June 2020 amounted to $38.0 million, an increase of 109% from $18.2 million paid in finance costs for the 12-month period ended 31 December 2018. The group has been able to obtain secured bank loans at rates of between 3.30% to 4.48% in FP2020 (FY2018: 4.05% to 4.31%). However, the company raised $400 million in two issuances of Medium-term note at rates as high as 4.8%. **Can management help shareholders understand the reasons for using the relatively expensive MTNs to replace the cheaper bank loans? What can management do to reduce its borrowing costs?**

(vi) **With finance costs accounting for 11.6% of revenue, and with its gross debt to total equity at 1.2x, does the group have the financial resources to weather this challenging period caused by the pandemic and to support its growth?**

Q3. At the annual general meeting scheduled to be held on 23 October 2020, Dr Lam Lee G would be seeking his appointment to the board pursuant to Article 106 of the company's constitution.

Dr Lam was re-appointed to the board in May 2019. In his first stint as a director of the company, Dr Lam served on the board from 2002 to 2018. In the announcement of cessation dated 25 April 2018, the reason given by Dr Lam was "*to pursue personal interests*".

Notwithstanding that Dr Lam has served on the board for an aggregated period of more than 9 years, the nominating and remuneration committee ("NRC") has reviewed and considers Dr Lam independent.

(i) **Should Dr Lam be re-elected, what assurance would he give to shareholders that he would not resign to pursue other personal interests again?**

(ii) **Would the NRC describe in greater detail how it had objectively viewed and assessed Dr Lam's independence given his long tenure on the board?**

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(iii) On pages 141 to 154, the company has provided additional information on directors seeking re-election as required by Rule 720(6) of the Listing Manual of the SGX-ST. Dr Lam's list of principal commitments can be found on pages 146 and 147. The list includes 23 listed entities and 3 voluntary/pro-base/community service roles. **Should Dr Lam be re-elected, would Dr Lam be committing to reduce his principal commitments so that he has the time, energy and bandwidth to attend to the matters of the group?**

(iv) **What is the search and nomination process for independent directors?**

(v) **Would the NRC elaborate further on how its search and nomination process would support board diversity? Would the NRC consider making use of a professional search firm to enable the board to cast its net wider and further improve the diversity of the candidate pool?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)