

TalkMed Group Limited

Questions from SIAS received on 14 Apr 2020

Any references to the “Company” shall mean TalkMed Group Limited and the “Group” shall mean the Company, its subsidiaries and associated company.

No.	Question from SIAS	Response from the Company
1.	In the Message to shareholders (pages 5-6 of the annual report), the group’s PRC growth strategy was discussed in detail. The new Sino-Singapore oncology hospital in Chongqing is expected to start operations in the second half of 2020 while the group is also setting up a medical centre of international standards that will focus on cancer treatment and other medical services in Beijing.	
	(i) Can management help shareholders understand who is leading the group’s expansion in the PRC?	For each of our Beijing and Chongqing projects, we have hired a local management team which has its own team lead. While the local teams have a certain degree of autonomy, they will still seek overall strategic advice from the Board and management team of the Company.
	(ii) When is the Beijing Medical Centre expected to open its doors?	<p>With the outbreak of the COVID-19 virus, the renovation of the Beijing Medical Centre which was originally due to commence in March had been delayed. While the situation in Beijing has stabilised, restrictions are still in place and not everyone has been allowed to return to work. We are hoping for these restrictions to be lifted soon so that the renovation works for the Beijing Medical Centre can commence.</p> <p>We do not expect the Beijing Medical Centre to commence operations earlier than the 4th quarter of 2020.</p> <p>We will provide an update to shareholders as and when there is progress.</p>

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	(iii) What is the collective experience of the board and management in setting up and running medical facilities in the PRC? How does the group pro-actively manage any potential expectation gaps and cultural and professional differences?	<p>While our Beijing and Chongqing projects signify TalkMed's first official foray into China, we are assisted by our experienced local management teams as well as partners and advisors, including, among others, senior members of the National Cancer Centre (Beijing) and the government of Yongchuan District, Chongqing.</p> <p>Our partners have been and will continue to advise us at different stages of the projects and will assist us to manage issues that may arise from, among others, cultural differences.</p> <p>Our medical team in Singapore maintains an open communication channel with the local medical teams which will help to promote the exchange of medical and operational knowledge thereby bridging any difference, whether in terms of expectations or professional differences.</p>
2.	The group has invested in CellVec Pte. Ltd. which is in the area of cellular and gene therapy services and Stem Med Pte. Ltd. which is involved in stem cell processing and storage services. As seen in Note 13 (page 80 – Investment in subsidiaries), Stem Med's revenue increased by 63% to \$2.17 million while CellVec reported its first revenue of \$479,000 for FY2019. Stem Med narrowed its losses to \$(467,000) but CellVec's loss for the year increased to \$(6.3) million. Both subsidiaries are in net liability position of \$(2.8) million and \$(4.8) million respectively.	

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	(i) Can the company help shareholders understand the synergy and/or strategic value of Stem Med and CellVec to the group's core oncology services?	<p>The focus of Stem Med is to produce MSC. These cells have been used in a wide range of medical conditions that spans almost all the medical specialties e.g. orthopaedics, cardiology, oncology, regenerative medicine, cosmetic medicine etc.</p> <p>CellVec is involved in production of clinical grade viral vectors. These viral vectors play an essential role for delivery and incorporation of genetic sequences into the body's cells.</p> <p>The use of Chimeric Antigen Receptor T-cell therapy (CAR-T Cell) has been proven to be effective in the treatment of some patients with lymphoma and leukemia.</p> <p>Both MSC and CAR-T Cell may potentially be used in our Oncology practice.</p>
	(ii) How much more in investment has the company earmarked to support Stem Med and CellVec?	<p>We are unlikely to need further funding for Stem Med.</p> <p>However, further funding for CellVec will be needed. It is difficult to set a figure at this time as this is a new start-up with varying potential for collaborations, direction for development and opportunity for sale of the viral vectors.</p>
	(iii) When are the two subsidiaries expected to breakeven?	<p>Stem Med was expected to break even in 2020. However, we are not so sure because of the COVID-19 situation.</p> <p>CellVec will need a longer runway before it breaks even.</p>

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3.	<p>Mr Lim Teong Jin George is a non-executive director of the company and was first appointed to the board on 23 December 2013. Mr George Lim is also a member of the remuneration committee and a member of the committee that administers the TalkMed Group Employee Share Option Scheme (the “ESOS”) and the TalkMed Group Performance Share Plan (the “PSP”). Mr George Lim’s profile could be found on page 12 of the annual report.</p> <p>(i) Would the nominating committee help shareholders understand the reason(s) Mr Lim has been deemed non-independent?</p>	<p>Mr Lim and his law firm had previously provided legal services to the Group as well as Dr Ang and his companies that do not belong to the Group. Hence, he was deemed non-independent at the time of IPO.</p> <p>While Mr Lim had not provided any services to the Group as well as Dr Ang and his companies in the last five years, Mr Lim’s law firm (through another partner within the firm) rendered conveyancing services to Dr Ang in 2017.</p> <p>Therefore, as a matter of prudence, we deemed Mr Lim as non-independent in our annual report for the year ended 31 December 2019.</p>