

SIAS Questions

| No | Questions | Management Response |
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| 1 | <p data-bbox="315 304 1160 480">Revenue for the group increased to \$76.6 million, an increase of 26.2%, with the group's flagship oncology services contributing 95.8% of total revenue. The group also recognised significant improvement in the cellular and gene therapy segment, with revenue being generated by CellVec increasing to \$3.2 million compared to \$0.2 million in 2021.</p> <p data-bbox="315 520 1106 584">The stem cell segment was discontinued with the disposal of Stem Med Pte. Ltd.</p> <p data-bbox="315 628 1133 730">In the chairman's message, he noted medical tourism being a key recovery driver for the group as connectivity between Singapore and the region is progressively restored to pre-COVID levels.</p> <p data-bbox="315 735 1153 799">(i) Have the group's operations in Singapore returned to pre-COVID-19 levels, or have they exceeded them?</p> <p data-bbox="315 954 1126 1091">(ii) Can management provide additional information regarding the recovery of foreign patients in Singapore operations for 2022? What is the percentage of visits or revenue contributed by foreign patients in 2022 compared to 2019?</p> <p data-bbox="315 1169 1113 1233">(iii) Has the group started or restarted the marketing initiatives or partnerships to attract foreign patients to the group's clinics?</p> | <p data-bbox="1182 735 2000 873">While the easing of community and border measures at the end of March 2022 lifted our patient numbers and financial performance during the year ended 31 December 2022 (or "FY2022"), our patient numbers have not recovered to the pre-COVID-19 levels.</p> <p data-bbox="1182 954 2007 1018">With the easing of border restrictions in Singapore, we have seen the return of foreign patients to our centres in Singapore.</p> <p data-bbox="1182 1062 2013 1126">Our group's revenues (including contribution from foreign patients) in FY2022 are comparable to pre-COVID-19 level, i.e. 2019.</p> <p data-bbox="1182 1169 1989 1272">Marketing has always been a key priority even during the pandemic where more digital and online activities were carried out amidst COVID-19 related restrictions.</p> |

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| | <p>(iv) Can the company help shareholders better understand the challenges faced by the group in Chongqing and Beijing? How big are the local teams? Can management elaborate further on the market entry strategy and how does it intend to improve the patient volume of TalkMed Shanshui Medical Centre (“TSMC”) and Sino-Singapore Cancer Centre (“SSCC”)?</p> | <p>Since the easing of border restrictions at the end of March 2022, we have stepped up our marketing efforts in a bid to bring foreign patients back to our centre.</p> <p>The Group’s efforts to ramp up operations at our centres in Beijing and Chongqing were met with considerable difficulties since the outbreak of the pandemic. In particular, the COVID-19 related measures prevented inter and even intra-city patient movements and our Singapore experts from visiting the centres, thus limiting our growth in patient numbers since the inception of operations at our centres in China.</p> <p>While COVID-19 restrictions have been eased by the Chinese government, a significant uptick in patient numbers at our centres is unlikely to be immediate.</p> <p>In a bid to improve patient volume, our experienced local management teams (which are adequately staffed) and advisors, will continue to build up the reputations of our centres by:</p> <ul style="list-style-type: none"> - Attracting and retaining experienced medical personnel; - Collaborating with well-established medical institutions and partners, including insurance companies; and - Expanding our range of services, including, among others, PET-CT, traditional Chinese medicine rehabilitation and nutritional support. |
| 2. | <p>CellVec Pte. Ltd. (CellVec), a 60% subsidiary of the company, recorded revenue of \$3.2 million in FY2022. CellVec is primarily engaged in the provision of cellular and gene therapy related products and services, with a focus on the development of novel platform viral vector technologies that strive to advance genetic modification of cellular therapy.</p> | |

No

Questions

As disclosed in Note 14 (Investment in subsidiaries), during the year ended 31 December 2022, due to the continued losses incurred by the cellular and gene therapy segment, the Company recognised additional impairment loss of \$1.8 million (2021: \$2.4 million) in respect of the carrying amount of the company's investment in CellVec and the cumulative impairment loss as at 31 December 2022 amounted to \$8.9 million (2021: \$7.1 million).

- (i) What is the revenue breakdown of CellVec? Who are the major customers?
- (ii) What are the key objectives for CellVec in 2023? How is the management team concentrating their efforts to achieve profitability?
- (iii) Given that CellVec is in a net liabilities position of \$(6.4) million, does CellVec require additional capital?
- (iv) What is the strategic value of CellVec to the group? Has the board established a cap on the funds allocated to support CellVec's growth and development?

Management Response

CellVec derives its revenue primarily from the sale of viral vectors and provision of related services.

Its customers comprise mainly research institutes and companies that are engaged in clinical development of cell and gene therapies.

Its key focus now is to continue to build up its order books with its existing customers and new customers, which is led by its Chief Commercial Officer.

We will continue to monitor CellVec's cash flow needs and we will update our shareholders when an additional capital injection is made.

Cell and gene therapy is used to treat a wide range of diseases, including cancer. It requires clinical grade retro and lentiviral vectors which are manufactured by CellVec.

As the Group has started offering cell therapy to its patients, there are thus synergies between CellVec and the rest of the Group.

We are fully supportive of CellVec's operational requirements given its growth potential and progress but we will continue to keep a close watch on its expenditures.

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| 3. | <p>As disclosed in the corporate governance report, the internal audit function of the group is outsourced to HLS Risks Advisory Services Pte. Ltd. (“HLS”).</p> <p>(i) What were the scope, key findings and recommendations by the internal auditor for FY2022?</p> <p>(ii) Can the audit and risk committee (ARC) confirm that all foreign operating subsidiaries in China, Hong Kong, and Vietnam were included in the internal audit? How was the internal audit conducted for these foreign subsidiaries, particularly for the Chinese entities, given the travel restrictions in place?</p> <p>(iii) What is the level of oversight by the ARC on the actions taken by management to follow up on the recommendations?</p> | <p>The internal audit (or “IA”) work for FY2022 were carried out in Singapore and China and the scope included the following:</p> <ul style="list-style-type: none"> - Procurement through payment process; - General control over IT; - Human resources and payroll management; - Sustainability reporting process; and - Follow-up review on the prior year’s findings. <p>Key findings related to formalisation and/or standardisation of policy, policy compliance issues, as well as areas for improvements.</p> <p>Recommendations were discussed and agreed with as well as accepted by management. A follow-up review will be carried out during the IA team’s next visit to the location.</p> <p>The IA plan included locations where TalkMed has significant presence, both locally and in foreign jurisdictions.</p> <p>The IA team adheres to country-specific COVID-19 measures at all times. Remote and/or physical meetings are carried out by the local associates of the IA team where applicable.</p> <p>The IA team reports issues that have been identified in the course of its review, and provides corrective action plans to the ARC which will follow up with management on a periodic basis to ensure that such plans are properly implemented.</p> |