RAFFLES MEDICAL GROUP LTD
(Co Reg No. 198901967K)

31ST ANNUAL GENERAL MEETING
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

The Board of Directors and Management would like to thank all shareholders who have submitted their questions in advance of our Annual General Meeting (**AGM**) to be held virtually via "live" audio-visual webcast and "live" audio-only stream at 10:30 a.m. today, 26 June 2020.

We have grouped the most frequently asked questions into a few key topics below. Questions posed by Securities Investors Association (Singapore) are also included.

1. COVID-19
2. China Business
3. Strategy & Outlook
4. Financials & Capital Structure
5. Raffles Health Insurance
6. Share-based Incentive Schemes

Please refer to our responses to these substantial and relevant questions in the following pages. Due to the high volume of overlapping questions received, we apologise that we are unable to respond to each of them individually and have condensed multiple similar questions under each topic.

Please refer to all AGM related documents at the following website:
https://www.rafflesmedicalgroup.com/investor-relations/upcoming-events/annual-general-meeting

Following the conclusion of the AGM, the voting results of the AGM will be uploaded on SGXNet.

By Order of the Board

Kimmy Goh
Company Secretary
25 June 2020

31st Annual General Meeting – Questions & Answers

1. COVID-19

a. **Impact of COVID-19 on RMG's operations in Singapore and China and the measures taken to sustain the business:**
- **Does the pandemic cause a corresponding increase in the demand for the Group's services;**
- **Do patients prefer to avoid visiting the hospitals out of fear of catching other kinds of viruses;**
- **Has there been any extraordinary measures taken by RMG due to COVID-19 and how much additional cost has it caused RMG;**
- **Would management be scaling up/down investments in any particular areas, for example, the medical tourism/foreign patients' segment, telemedicine/ teleconsultation as a response to the pandemic; and**
- **Have the Group's strategic objectives been further fine-tuned as a result of the pandemic?**

RMG's Response:

- COVID-19 is a global pandemic and it has adversely affected businesses around the world. The healthcare sector has not been spared.

- Some of our clinics in China have been instructed by local authorities to temporarily shut down in their bid to curb the spread of the virus. Our hospital in Chongqing had to operate with a significantly smaller patient load as the movement of people was curtailed. In Singapore, foreign patients were prohibited from coming to seek care at any hospital during the circuit breaker.

- Most of our clinic network in Singapore remained open during this period. Our strategic investment in technology meant that our physicians and nurses in Singapore and China could continue to serve our patients through telemedicine applications and delivery of medications, where appropriate.

- Additional costs have been incurred due to increased disinfecting and cleaning procedures and safety regime, including implementing temperature screening as well as health and travel declaration procedures at the outset of COVID-19. While this has resulted in some increase in operating cost, it is important for us to ensure that the health and safety of our staff and patients are not at any time, compromised.

- Our Specialists clinics at ***RafflesHospital*** in Singapore continued to serve patients with urgent medical conditions. We also extended the Emergency Care Collaboration with the Ministry of Health to take in more subsidised patients so as to lighten the load at public hospitals.

- The Group recorded a revenue of S$128.0 million for Q1 2020 as compared to S$128.3 million for Q1 2019, a marginal reduction of 0.3%. It also achieved an EBITDA (Earnings before interest, depreciation, taxes and amortisation) of S$20.6 million for Q1 2020 as compared with an EBITDA of S$23.6 million for Q1 2019, a reduction of 12.7%.

- The Group's Profit after Tax decreased 45.4% from S$13.7 million in Q1 2019 to S$7.5 million in Q1 2020. Excluding the results of China Healthcare Division (***RafflesHospitalChongqing***, ***RafflesChinaClinics*** and ***RafflesMedicalHongKong***), which had been severely impacted by the COVID-19 pandemic, the Group's Profit after Tax would have been S$15.1 million as compared to S$15.9 million in Q1 2019, a diminution of 5.1%.

- Since the occurrence of SARS in 2003, H1N1 in 2009 and MERS in 2012, the Group has factored disease outbreak into its strategic planning. The COVID-19 pandemic spread around the world rapidly. As all regions have been hit in a short period of time, global supply chains have been disrupted. The Group has put in place measures that would ensure that there will be adequate stocking of supplies, essential pharmaceuticals, disposables as well as personal protective equipment.

- The Group recognises that technology is an enabler of digital transformation and will continue to explore the use of platforms such as ***RafflesConnect*** to connect with and serve our patients.

b. As medical professionals, how does the Group expect the pandemic to play out? And if a second wave is to occur, how will this impact RMG's operations in Singapore and China?

<u>RMG's Response</u>:

- Globally, the pandemic will continue to run its course with varying levels of severity in different regions. In Singapore, community infection rates have remained generally stable after the re-opening.

- As Singapore moves into Phase Two of the re-opening, we expect the focus to remain on personal hygiene, safe distancing and management principles as well as targeted care for vulnerable groups such as seniors and those with pre-existing conditions.

- COVID-19 will eventually recede to become an endemic illness as herd immunity rises naturally through recovered patients or vaccination. The revealed knowledge and information on COVID-19 enables communities to take appropriate preventive measures to combat the spread.

- As the circuit breaker is progressively lifted, there may be an increase in cases. Prompt and effective contact tracing, isolation and treatment of suspect cases will ensure such sporadic cases whether community or imported will be effectively dealt with. The recent Beijing recurrence showed prompt and effective measures can contain any recurrence.

2. China Business

***RafflesHospitalChongqing* (RHCQ) and *RafflesHospitalShanghai* (RHSH) progress update**

a. What is the expected timeline for RHCQ and RHSH to breakeven and how long will it take RMG's two China hospitals to be as efficient as Raffles Hospital in Singapore?
- **Status of operations, loads and utilisation rates of RHCQ?**
- **The average profile of patients at RHCQ?**
- **When will RHSH start taking in patients?**
- **What is the expected payback period for the RMG's China hospitals?**
- **The gestational loss for RHCQ was S$9.2million at the EBITDA level. With the pandemic, are both new hospitals expected to break even much later than originally planned? In addition, what are the Group's other expansion plans in China and in other countries?**
- **Is the Group considering adopting Apps such as WeChat/ WeDoctor and other online means to engage patients?**

RMG's Response:

- *RafflesMedicalChina* is still in its infancy stage and will take time to grow but things are looking promising.
- During the lock-down in China, some of our clinics in China have been instructed by local authorities to temporarily shut down in their bid to curb the spread of the virus, but have now resumed service.
- With services progressively resuming in China and the rest of the world, we will continue to focus on the demand for high quality healthcare needs due to the growing affluence of the Chinese people and the large pool of expatriate workers present in the country.
- Our business operations in China mirror the business model of the parent company in Singapore, but scaling up is tailored to suit the local demands of our patients in each respective region/locality in China. Our expansion plans in China and the region will continue to be guided and driven by the need for quality and reliable healthcare services.
- We have adopted the usage of technology to engage our customers. For example, WeChat is a very powerful tool which is widely used in China, for multiple things like payment, booking of appointments, microblogging etc. And for those who may not be aware, we have in place WeChat Official accounts to support our network of clinics in China and RHCQ. We adopt technology and utilise relevant online platforms and applications to reach out to our Chinese patients, customers and prospects.
- Our hospital in Chongqing had to operate with a significantly smaller patient load as the movement of people was curtailed during COVID-19 lockdown, but has now resumed operations.
- RHCQ has recently become Yibao accredited, meaning that local patients can now tap onto their public health insurance for co-payment when they seek services at our hospital. We expect to do the same for Shanghai, and this move is anticipated to help us further close the demand gap for high quality healthcare services by local Chinese in China.
- For RHCQ, we originally estimated that we will achieve breakeven EBITDA in 3 years, but the pandemic has set us back by a year. As such, we expect to achieve break even EBITDA in about 4 years.
- Preparations are on track for the opening of RHSH. Currently, fitting-out works and recruitment are in progress. However, in view of the COVID-19 situation, the actual date of commencement will depend on when Shanghai returns to normalcy.
- RHSH has not commenced operations. Barring unforeseen circumstances, we expect RHSH to achieve break even EBITDA in about 3 years after opening.

3. Strategy & Outlook

Group

a. **Can the Board comment on the Group's succession plans?**

RMG's Response:

- The Group is growing its talents and recruiting new talents to supplement and enhance its talent pool to lead the Group for the next 20 to 30 years.
- The Board is actively involved in this endeavor.

b. **Will there be any plans to turn some of the Group's hospital assets into REITS and go on an asset light model to fuel growth?**

RMG's Response:

- The Group regularly reviews its operating structure to optimise performance and ensure financial sustainability.

c. **Will RMG be expanding in ASEAN once the China operations have stabilised?**

RMG's Response:

- The Group is always monitoring potential markets for strategic and investment opportunities.

Public-Private Collaborations

d. **Is the close collaboration between RMG and the government to treat foreign workers in Singapore contract on arms-length terms or is RMG providing subsidies on these services? Are the contracts profitable and what are the estimated returns and revenue from it?**

RMG's Response:

- RMG has been appointed as the healthcare provider for some of these community care facilities in open tender where services rendered by the Group has been remunerated according to agreed terms.

Medical Tourism

e. **What is the impact of COVID-19 on the revenue from international patients?**
f. **How much revenue (in percentage) does Medical Tourism contribute to *RafflesHospital*?**

RMG's Response:

- In Singapore, foreign patients were prohibited from coming to seek care at any hospital during the circuit breaker. During normal times, Medical Tourism continues to contribute a fair amount to ***RafflesHospital*** and we serve patients from more than 100 nationalities.

Technology

g. **Emerging trend in telemedicine: is it profitable and is RMG employing telemedicine solutions and how will its use develop over time?**
   - **How much of RMG's business is affected by the emerging trend of telemedicine? How does RMG intent to challenge or adapt to this disruptive technology.**
   - **Will RMG's large network of clinics inhibit RMG's allocation of resources and commitment to telemedicine?**
   - **How does RMG plan to capitalise and ride on the growth of telemedicine in China given the strong increase in teleconsults in China by the likes of WeDoctor, Ali Health, JD Health and PingAn Good Doctor.**
   - **What's the increase in number of telemedicine consult during the recent Circuit Breaker period compared to pre-COVID-19 level?**
   - **What are the margins for telemedicine compared to traditional consults?**

RMG's Response:

- The Group proactively embraces technologies available to improve its efficiencies and competitive advantage. It had the foresight to launch a telemedicine/teleconsult application, ***RafflesConnect***, a year ago. Today, ***RafflesConnect*** is the Group's telemedicine application powered by Doctor World's system.

- The Group embraces the adoption of technology to improve our services and competitive advantage. It launched ***RafflesConnect*** in January 2019 to provide telemedicine and healthcare services to our patients. Today, ***RafflesConnect*** leverages the Group's network of doctors and medical professionals to provide comprehensive online services to our patients 24/7.

4. Financials & Capital Structure

a. What are the possible impacts of a global shutdown on collection of accounts receivables and accounts payable, CAPEX as well as operating cash flow? Is there any guidance on free cash flow and is there heavy reinvestment required?

RMG's Response:

- The Group does not have any single large customer that accounts for more than 10% of account receivable.
- The Group generates positive cash flows from operations and has historically been able to fund its growth and expansion overseas through a combination of loans and internally generated funds while maintaining a reasonable dividend payout ratio.

b. Is there an explanation for the increase in staff cost for FY2019?

RMG's Response:

- The increase in staff cost resulted from hiring of staff and management for our expansion in China, in particular, ***RafflesHospitalChongqing*.**

Capital Structure

c. Does RMG hedge its overseas exposure, especially currency translations on earnings?

RMG's Response:

- Where possible the Group relies on natural hedge. However, if required, the Group will consider the use of derivative for hedging its foreign investments.

d. With lowering interest rates globally, does RMG plan on raising debt/ equity capital? And will RMG be able to sustain its dividends payout?

RMG's Response:

- The Group takes into consideration its cash reserves, cash generation, long term funding needs and the interest rate environment when considering how to best fund its future expansion and operational needs.
- The Group targets to provide a sustainable dividend payout. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other relevant factors as the Board may deem appropriate.

e. Regarding the use of volatile instruments, can you elaborate on the use of put options in your balance sheet?

RMG's Response:

- The option mentioned is with regards to the remaining 20% of the shares in International SOS (MC Holdings) Pte Ltd that the Group does not own. The total exercise price of the entire option is less than USD2.1 million.
- Apart from the above, the Group does not have other options in its balance sheet.

China

f. Will RMG's China hospitals be reported as a separate segment for FY2020 onwards?

RMG's Response:

- As contribution from the China region grows to become sizeable, we will consider splitting out the China Hospitals to provide greater clarity. For now, revenue and non-current assets from the geographical regions (e.g. Singapore, Greater China and Rest of Asia) are shown on page 152 of the FY2019 Annual Report.

5. Raffles Health Insurance (RHI)

a. How is RHI performing and will it become a major part of RMG going forward? And how does RHI plan to avoid underwriting losses which other private insurers have incurred?
- **How does *RafflesShield* compete against the other private medical insurers in the market and what is the uptake so far?**

RMG's Response:

- ***RafflesHealthinsurance*** is a wholly owned subsidiary of RMG. It is a licensed life and health insurer.
- Healthcare insurance is a means whereby patients and corporate clients pool their risks with others.
- As the only fully integrated health insurer with physicians and hospitals, we should be able to better serve our patients and insure medical needs better and more cost effectively.
- RHI has its own actuarial staff as well as external actuaries to ensure that RHI's risks are prudently managed. ***RafflesShield*** is growing gradually as it is a long term programme.
- RHI sells through multiple channels, including financial advisers.

6. Share-based Incentive Schemes

a. Why is there a need to pass proposal 9 and how would management prevent shareholder dilution?

RMG's Response:

- This resolution, if passed:

  - Authorises the Directors of the Company to allot and issue shares and/or convertible securities in the Company, up to an amount not exceeding 50% of the total number of issued shares in the capital of the Company, by way of a "rights/pro-rata issue", which preserves the right of existing shareholders to proportionately subscribe for their share of the rights issue, thus preserving their rights.

  - It also authorises the Directors of the Company to issue non-pro rata (non-rights) shares of up to 20% of the total number of issued shares of the Company, commonly known as private placement of shares.

- This is a general mandate which the Company seeks annually but only exercised once in the last 15 years. It enables the Company to raise capital at short notice to fund opportunistic accretive investments.

- The Directors last exercised this mandate in June 2007, which enabled the Group to acquire the other 50% of the ***RafflesHospital*** building from CapitaLand when the opportunity arose. This gave the Group full flexibility to achieve better operating efficiency by improving and altering the use of various parts of ***RafflesHospital*** and enabled the Group to grow to what it is today.

b. How effective was the Raffles Medical Group (2010) Share Option Scheme (RMG ESOS 2010) at achieving its intended objectives?

RMG's Response:

- The RMG ESOS 2010 has helped the Group to achieve a high level of retention among key senior management staff and medical professionals. It has also helped the Group to remain competitive as an employer in the private healthcare sector.

c. What are the differences between the RMG ESOS 2020 and RMG ESOS 2010?
- **In adopting more than one share plan, are there risks that this will lead to disproportionately large increases in share-based payments in the future?**
- **How does the board ensure that the issuance of share options would not over-compensate directors to the extent that their independence may be compromised?**

RMG's Response:

- The RMG PSP 2020 and RMG ESOS 2020 share plans are intended to replace the expired RMG ESOS 2010 share plan. The Company proposed to administer its employee share plan under 2 separate plans to better distinguish the different drivers and motivation factors amongst different categories of employees. For example, lower ranking employees, who the Group seeks to retain and attract may benefit from a time-related performance measures, whereas senior employees who are able to influence the performance targets of the Group may be better motivated by having a share plan that motivates them accordingly.

- Detailed award criteria, which include performance conditions, amongst others, are set by the administrating committee which, presently, is overseen by the Nomination & Compensation Committee (**NCC**) and approved by the Board.

- The performance conditions and targets for both the RMG PSP 2020 and the RMG ESOS 2020, will, ultimately be tailored, to motivate, attract, reward and retain talent. As such, the administrating committee may adjust the performance criteria, as needed from time to time, to achieve the intended effect.

- The members of the NCC, who are presently administrators of the share plans, are also participants of the share plans. However, as the Chairman of the Group is not a participant in any of the share plans, he will oversee the administration of the share plans where it concerns awards to be granted to administrators of the share plans.

- The NCC carried out benchmarking exercise on a regular basis to ensure fees and benefits received by Directors are comparable to the industry and not excessive as to over-compensate directors to the extent that their independence may be compromised.

- Adopting more than one share plan will not lead to disproportionally large increases in share-based payments. Under SGX rules, the total number of shares awarded through all share plans cannot exceed 15% of outstanding shares. Historically, the total number of share options granted pursuant to the expired RMG ESOS 2010 plan, did not exceed 6.5% of the issued shares of the Company.

- Discounts, if given, should not exceed 20%, of the Market Price (or such other percentage or amount as may be prescribed or permitted by the SGX-ST). Historically, although the RMG ESOS 2010 share plan allows for the grant of options at a discount to the Market Price, the Company has not granted any options at a discount to Market Price. All options granted pursuant to the RMG ESOS 2010 were granted at Market Price.