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

33RD 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 3:30 p.m. on 25 April 2022.

We have consolidated the most frequently asked questions into a few key topics below.

A. Strategy and Outlook

B. Corporate Governance

C. Financials

D. Raffles Health Insurance

E. China Business Updates

Please refer to our responses to these substantial and relevant questions in the following pages. Due to the 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 and the Company's website.

By Order of the Board

Kimmy Goh
Company Secretary

18 April 2022

33rd Annual General Meeting – Questions and Answers

A. STRATEGY AND OUTLOOK

1. **Current dividend guidance is core dividend of half the average sustainable PATMI (Profit After Taxation & Minority Interests) and the transition policy for FY2021 was total dividend of at least 2.5 cents. Moving forward, does FY2021's core performance provide a good gauge of expected performance for 2022-23, while we wait for profitable growth in China?**

2. **With the completion of the major investment in China, your free cashflow is likely to rise. Will you commit to increasing the scale of your dividend and share buybacks?**

RMG's Response

(a) In February 2021, the Board proposed to consolidate its interim and final dividends into an annual core dividend of up to half its average sustainable PATMI with effect from FY2021. Where appropriate, after considering the payment of core dividend, share buybacks, the financial resources needed for continued growth and the gearing level of the Group, the Board may consider paying a special dividend.

(b) The revised dividend guideline is part of a holistic capital management framework that recognises that the Group is in a growth phase. There is an intention to grow earnings on a per share basis.

(c) This overall framework was also applied in the decision not to offer a scrip dividend option since last year.

(d) In addition to the core dividend, the Group will balance the need for capital to grow the business, the gearing level as well as the appropriate level of special dividend and share buyback.

B. CORPORATE GOVERNANCE

3. **Please refer to page 52 of the Annual Report about "Corporate Governance Report". The remuneration of Executive and Non-Independent Director Mr Tan Soo Nan has increased from "$250,000 and below $500,000" in 2020 to "$500,000 and above" in 2021. Can the Remuneration Committee share what remuneration factor(s) specifically led to the increase? How much is attributable to each of these remuneration factor(s)?**

4. **Does the roughly 20% increase in directors' fees mostly result from the increase in board size? Any comments on the board size, in particular reasons for the relatively large board and any optimum size in mind?**

RMG's Response

(a) The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel.

(b) Mr Tan Soo Nan's remuneration increase between FY2020 and FY2021 was marginal and was based on Mr Tan's responsibilities and contributions to the Group and the Board, although this resulted in bringing it to the next remuneration band.

(c) In 2020 and 2021, the Board size was enlarged to prepare for renewal. 4 new directors joined the Board. In the same period 4 Directors retired from the Board. Directors offered to cut their fees when COVID-19 struck, the Group felt it was unnecessary to reduce or suspend directors' fees.

(d) In FY2021, each non-executive Director received directors' fees, commensurate with their contributions, after taking into account, individual factors such as effort, time spent and responsibilities, such as members or Chairpersons of Board Committees.

(e) To ensure that the Directors' fees remain competitive, the Group's Directors' fees have been reviewed by the NCC and are benchmarked against fees paid by comparable companies in Singapore regularly.

(f) The Board and the NCC regularly examine the size of the Board and Board Committees, with a view to determine the impact of the number upon effectiveness and diversity, to decide on an appropriate size for the Board and its Board Committees after taking into account the scope and nature of the Group's operations.

C. FINANCIALS

5. Please refer to page 164 of the Annual Report about "Operating segments". For Healthcare services segment, why its "Reportable segment profit before tax" margin increased by 5.9% from 11.2% in 2020 to 17.1% in 2021?

<u>RMG's Response</u>

(a) As revenue for Healthcare Services segment increased by more than 60% year-on-year, the Group was able to leverage on greater economies of scale to achieve a higher profit margin.

6. For Healthcare services segment and Hospital services segment, how many % of revenue was derived from COVID-related services [e.g. COVID-19 quarantine facilities, vaccination centres, Public Health Preparedness Clinics (PHPC), Swab and Send Home (SASH) clinics, pre-departure testing (PDT), on-arrival testing (OAT), etc] in 2020 and 2021 respectively?

<u>RMG's Response</u>

(a) As the COVID-19 pandemic continues to evolve, certain COVID-19 related services are increasingly subsumed into normal clinical activities such those carried out at SASH clinics where the COVID-related service may be part of a general consultation for ailments such as upper respiratory tract infection.

7. For Hospital services segment, why its "Reportable segment profit before tax" declined by 51.8% from $49.695m in 2020 to $23.955m in 2021, when segment revenue has increased by 10.6% from $312.795m in 2020 to $346.101m in 2021? Was it due to decline in "Other operating income"?

<u>RMG's Response</u>

(a) Lower government grants from the Jobs Support Scheme and property tax rebate in FY2021, led to a decrease in segment profit. Gestation loss from ***RafflesHospitalShanghai*** also contributed to the lower segment profit.

8. For Investment holdings segment, why its "Reportable segment profit before tax" increased by as much as 105% from $11.488m in 2020 to $23.534m in 2021, when its segment revenue merely increased by 21.2% from $32.743m in 2020 to $39.691m in 2021?

<u>RMG's Response</u>

(a) The investment holdings segment recorded fair value losses in investment properties for FY2020 which, together with rental relief granted to tenants pursuant to the COVID-19 (Temporary Measures) Act 2020 to qualifying tenants-occupiers weighed down the segment profit for FY2020 as compared to FY2021.

C. FINANCIALS (CONT'D)

9. Please refer to page 122 of the Annual Report about "Intangible assets and goodwill", particularly "China clinics". The impairment loss in relation to the goodwill in China clinics were $3.500m in 2020 and $3.780m in 2021. Which China clinics (Raffles Hospital Chongqing/ Raffles Hospital Beijing/ Raffles Hospital Shanghai) were they pertaining to?

RMG's Response

(a) The goodwill impairment pertained to the China Clinics acquired in 2015. Out of prudence and an abundance of caution, given the uncertainties arising from the impact of COVID-19 and sporadic lock-downs which impacted the operations of the various clinics in China, the Group decided to impair the goodwill arising from the acquisition of these clinics. For the avoidance of doubt, there is no goodwill attributable to ***RafflesHospitalChongqing*** and ***RafflesHospitalShanghai***.

10. Please refer to page 174 of the Annual Report about "Non-controlling interests in subsidiaries". I noted that International SOS (MC Holdings) Pte Ltd (MCH) has suffered from Total Comprehensive losses of -$7.298m in 2020 and -$7.741m in 2021. As at 31 Dec 2021, MCH was also in a Net liabilities position of -$13.588m. Is there any going concern issue? What have the Board and Management planned to turn MCH around?

RMG's Response

(a) MCH operates as a going concern with the Group's support. The specific measures taken to improve China's Business performance and its outlook are set out in our China Business Updates Section, hereunder.

11. Please refer to page 160 of the Annual Report about "Profit for the year". What was the nature of $680K "Write-off for non-trade receivables" in 2021?

RMG's Response

(a) The receivable in question is due from a third party and deemed non-recoverable as the amount has been outstanding for more than 36 months and out of prudence and an abundance of caution, the Group has written off these non-trade receivables.

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D. RAFFLES HEALTH INSURANCE

12. Please refer to page 142 of the Annual Report about "Insurance contract provisions". The gross "Provision made" has increased by 6.9% from $73.013m in 2020 to $78.079m in 2021. Can the Board and Management share how has the sales growth in the health insurance business been?

RMG's Response

(a) The sales growth has been on an upward trend, especially in the employee benefits group insurance practice. Growth has, in particular, been buoyed by an increase in the product distribution channels and innovative product design. RHI is able to be more creative in product design as it is the only specialist health insurer in Singapore that is backed by a medical group.

13. However, as a percentage of net "Provision made", net "Provision used" has increased from 90.3% in 2020 to 99.6%, indicating a possible deterioration in underwriting quality. What are planned to be done in order to improve the underwriting quality in the health insurance business?

RMG's Response

(a) Underwriting quality is commonly pegged to an insurer's loss ratio and in this regard RHI's loss ratio for 2021 is comparable to other insurers in the market and, in fact, showed an improvement from 2020. To further augment underwriting quality, RHI has hired some experienced underwriting staff in 2022. The underwriting guidelines have also been revised and the quotation engine refined to improve underwriting logic and predictive quality. Finally, RHI is also pursuing more in-depth reinsurance support and such support includes pricing support.

E. CHINA BUSINESS UPDATES

14. How would China's zero COVID-19 approach impact the new hospitals in China? Would specific services be scaled up or down? And would the breakeven time for these hospitals change?

15. Can the Board update on the China operations? Has it break-even or when will it break-even? Has the China pandemic measures affected our operations there?

16. Please could you provide more detail about your strategy and timeline to earn a satisfactory return on the large investment in China.

RMG's Response

(a) In 2021, ***RafflesMedicalChina*** continued to increase its presence in China with the opening of ***RafflesHospitalShanghai*** in July 2021. To date the Group operates 3 hospitals in China, namely ***RafflesHospitalBeijing***, ***RafflesHospitalChongqing*** and ***RafflesHospitalShanghai***.

(b) China continues to pursue a zero COVID-19 policy which resulted in sporadic lock-downs throughout 2021. Since March 2022, an increase in COVID-19 cases has seen more extensive lock-downs across some of the regions in which we operate. At the moment, ***RafflesHospitalShanghai*** is the most impacted by China COVID-19 containment measures and the city's lockdown.

(c) Notwithstanding the impact of lockdowns, all three hospitals saw increased local and foreign patient loads year-on-year and we expect continued demand for our quality healthcare services in China.

(d) Naturally, any resurgence in COVID-19 cases in China in any of the regions in which we operate will negatively impact our operations in those regions. In addition, our medical staff may be locked down in their residence and be unable to get in to work. This will impact hospital operations and delay break-even.

(e) A prolonged COVID-19 situation in China will set our China Hospitals' breaking-even back by at least another six to twelve months.

(f) Barring any unforeseen circumstances, the Group expects some of its Hospitals in China to break even in the next couple of years.