HEALTH MANAGEMENT INTERNATIONAL LTD
(Incorporated in the Republic of Singapore)
(Company Registration No.: 199805241E)

RESPONSES TO SIAS' QUESTIONS ON
HEALTH MANAGEMENT INTERNATIONAL'S ANNUAL REPORT FY2018

The Board of Directors (the "**Board**") of Health Management International Ltd (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the questions on 29 October 2018 from the Securities Investors Association (Singapore) ("**SIAS**") relating to the Annual Report for FY2018 as part of their initiatives to improve the quality of Annual General Meetings. The requisite replies are appended as follows:

Q1. Building on the consolidation in the ownership of Mahkota Medical Centre and Regency Specialist Hospital, the group acquired a 62.5% equity stake in StarMed @ Farrer Square Pte Ltd for a total commitment of S$40.0 million.

Marking the group's entry into Singapore, StarMed Specialist Centre (SSC) is a private one-stop ambulatory care centre, comprising specialist clinics, operating theatres, endoscopy suites and radiology facilities. The company has stated that SSC's initial focus will be on cardio-vascular, digestive services and minimally invasive surgeries, and that the gestation period for SSC can potentially be up to two to three years.

a) Would management help shareholders understand if the newly acquired SSC can benefit from any operational synergies with the group's two tertiary hospitals in Malaysia?

The newly acquired SSC currently benefits from shared corporate functions with the Group. In addition, the Group is exploring the potential for joint regional marketing efforts across the two hospitals in Malaysia and SSC. The management team will continue to explore opportunities for further operational synergies across the Group's two tertiary hospitals and SSC.

b) Can medical staff from hospitals be cross-deployed to SSC?

Due to differences in regulatory and licensing requirements, it is highly unlikely that medical staff from the Group's two hospitals in Malaysia will be cross-deployed to SSC.

c) Has the senior management team been assembled to spearhead SSC?

The Group's management team in partnership with the group of specialist doctors at SSC led by SSC's Medical Director and General Manager will spearhead growth initiatives at the new centre.

d) How will management be marketing SSC to ramp up its utilization during the gestation period given that it is not affiliated with other clinics or healthcare providers in Singapore?

The Group is proactively promoting SSC across traditional and digital forms of marketing and advertising platforms. In addition, the acquisition of patients will be through the hosting of health talks and events combined with the continued recruitment of doctors to practice at SSC. SSC's experienced team of specialist doctors with rich experience in the industry bring with them a referral network which will drive growth at the new centre.

e) In its investment thesis for SSC, what is management's projection of the share of foreign patients?

It is difficult to confirm the projected share of foreign patient load at this point in time. Currently, the Group is focusing on targeting the local patient demographic in Singapore. All efforts will be taken to attract foreign patients to SSC in the near future.

f) Would SSC require additional capital injection from the company to be fully operational?

For the current ramp-up at SSC, additional capital injection will not be required in order to be fully operational. However, further capital injection may be required in future.

Q2. As seen in the 5-year financial highlights (page 3), revenue and group-level EBITDA grew by 7.3% and 19% respectively, helped by the expansion of EBITDA margin from 22.2% to 24.6%. Net profit attributable to equity holders increased significantly to RM60.6 million from RM20.6 million due to the consolidation in the ownership of Mahkota and Regency.

Earnings per share have been boosted to 7.29 sen (2017: 3.18 sen) mainly due to higher leverage. Compared to the net cash position as at 30 June 2016 (prior to the consolidation of Mahkota and Regency), the group's net debt position stands at RM137.5 million as at 30 June 2018.

The group successfully raised $11 million in a share placement to a fund managed by Heliconia Capital Management Pte Ltd. The bulk of the proceeds has been used to partial-fund the SSC investment.

a) Has the board reviewed its optimal capital structure to support the group's growth plans?

The Board of Directors continues to review and monitor the Group's capital structure in order to determine the best mix of debt and equity financing that will minimize the firms cost of capital. At present, the Group continues to maintain a strong financial position as its gearing ratio remains steady at 0.6x as at 30 June 2018 as compared to 0.5x as at 30 June 2017. The Group's net debt/LTM EBITDA increased marginally from 0.9x as at 30 June 2017 to 1.2x as at 30 June 2018.

b) In carrying out the share placement (vs doing a rights issue), what factors were taking into account by the board? Did the board factor in the dilutive effect of a share placement on its minority shareholders?

In welcoming Heliconia Capital Management Pte Ltd ("**Heliconia**") as a strategic shareholder on 13 November 2017, the Board saw the opportunity for the Group to gain access to Heliconia's network and resources as the Group continues to execute its organic and inorganic growth strategies. Following the placement, Heliconia emerged with a ~ 2% stake in the enlarged share capital of the Group with the intention to pursue collaborative initiatives. While the dilutive effect of the share placement was considered, the Board was of the view that the partnership fits within the Group's overall strategy to build relationships that can enhance shareholder value. Furthermore, it would not have been cost-effective to do a rights issue for the quantum raised during the placement to Heliconia.

c) The group recognised finance costs of RM8.24 million for the financial year ended 30 June 2018, up from RM4.9 million for FY2017 and in line with the increased borrowings. With gross borrowings amounting to RM196 million, with approximately 94% of the borrowings on variable rates, has the board evaluated the potential impact of interest rates hike on the group's cash flow and profitability?

The Group maintains a strong balance sheet as of 30 June 2018 with a net debt/LTM EBITDA of 1.2x and net debt/equity of 0.6x. The Group is evaluating options for potentially fixing some of its variable rate exposure and will continue to assess the potential impact of interest rate hikes going forward.

d) Has the board set an internal limit to the group's gearing ratio?

At present, the Board has not set an internal limit to the Group's gearing ratio, which remains steady at 0.6x as at 30 June 2018 as compared to 0.5x as at 30 June 2017.

Q3. At the 20th Annual General Meeting of the company, Professor Tan Chin Tiong is retiring by rotation pursuant to Regulation 95 of the Constitution of the company and who, being eligible, offers himself for re-election. As noted in the annual report, Professor Tan has served on the board for more than nine years and his independence is subject to particularly rigorous review. In fact, Dr Cheah Way Mun and Professor Tan Chin Tiong were both first appointed on 8 September 1999 and would have served for more than 19 years on the board (as at the date of the company's AGM).

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 Code"). As a consequence of the revised 2018 Code, the Singapore Exchange will be making amendments to its Listing Rules. The Listing Rule changes will come into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

Notwithstanding that the board considers both long-tenured directors as independent directors, Guideline 2.4 of the Code of Corporate Governance 2012 issued by the Monetary Authority of Singapore requires the board to "also take into account the need for progressive refreshing of the Board".

a) Has the company evaluated the impact of the 2018 Code and the amendments to the Listing Rules on the board?

The corporate governance of the Group is built upon principles and guidelines set by the Code of Corporate Governance 2012 as well as the Listing Manual of the Singapore Exchange Securities Trading Limited. In light of the revised Code of Corporate Governance, the Board will take into the need for progressive refreshing of the Board accordingly. The Group will continue to adhere to principles and guidelines from the revised Code to protect shareholders' interests, enhance long-term shareholders' value and the corporate transparency of the Group.

By Order of the Board

Dr Gan See Khem
Executive Chairman and Managing Director
22 November 2018