

Issuer: Health Management International Ltd

Security: Health Management International Ltd

Meeting details:

Date: 30 October 2017

Time: 4.00 p.m.

Venue: Hall 1, Level 1, Devan Nair Institute for Employment and Employability, 80 Jurong East Street 21, Singapore 609607

Company Description

Health Management International Ltd provides private healthcare services in Singapore, Malaysia, and Indonesia. It owns and operates Mahkota Medical Centre, a 288-bed tertiary care hospital in Malacca, Malaysia; and Regency Specialist Hospital, a 218-bed tertiary care hospital in Johor, Malaysia. The company's hospitals provide medical and surgical services, such as breast, cardiothoracic, hepatobiliary-pancreato-biliary, general, oral and maxillofacial, orthopaedic and trauma, plastic and reconstructive, spine, ear, nose, and throat surgery services; and anaesthesiology, cardiology, emergency physician, endocrinology, gastroenterology and hepatology, geriatrics, haematology and haemo-oncology, internal medicine, general dentistry, nephrology, neurology, neurosurgery, obstetrics and gynaecology, gynae – oncology, oncology and radiotherapy, ophthalmology and vitreo retinal, orthodontics, pathology, paediatric, paediatric cardiology and neurology, psychiatric, radiology and interventional radiology, reproductive medicine, respiratory medicine services. Its medical and surgical services also include colorectal surgery, head and neck surgery, emergency medicine, internal medicine, general surgery, gynaecologic oncology, neurosurgery, orthopaedic and trauma surgery, neonatology, urology, and vascular and endovascular surgery, as well as plastic, cosmetic, and reconstruction surgery services. In addition, the company owns and operates HMI Institute of Health Sciences in Singapore that provides healthcare training and education services; and provides hospital management services. The company was founded in 1991 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=588)

Q1. As highlighted in the Chairman’s Message (pages 4 – 6 of the annual report), the group has consolidated the ownership of the two hospitals in Malaysia (namely Mahkota Medical Centre and Regency Specialist Hospital) to 100% each in the financial year.

It was also stated that the consolidation will afford the group with “the foundation to execute our regional growth strategies with greater operational flexibility and options for funding”.

- a) **Can the board help shareholders understand what this means in terms of the pace to “execute our regional growth strategies”? What are the kinds of “synergistic acquisitions” in the region that might fit well with the group?**
- b) **Has the board/management considered if an asset-light strategy would fit in with the group’s strategy to enhance long-term shareholder value?**

Q2. Shareholders would like to ask the following questions to better understand the performance and prospects of the group. Specifically:

- Mahkota Medical Centre:
 - a) **What are the current Centres of Excellence (COEs) and what are management’s plans to introduce more of such COEs?**
 - b) **The bed capacity at Mahkota will be increased from 266 to 300 beds in FY2018. Can management disclose more detail of its plans to further grow Mahkota to 340 beds in the future? When is that expected to be completed? Would it require additional physical space to be added?**
- Regency Specialist Hospital
 - c) **While the construction costs for the extension block at Regency is estimated to cost RM160 million, what is the expected capital expenditure to fit-out the new extension block with beds and equipment?**
 - d) **The occupancy at Regency will be increased to 200 in FY2018 and to 380 with the extension block in FY2021. Can management help shareholders understand the depth of its management team and the project team to oversee existing operations and the expansion? How does management ensure that quality of patient care and experience is not affected during the expansion stage?**
 - e) **Can the company also provide some visibility on the Bed Occupancy Rate of the two hospitals?**
- Financials
 - f) **In Note 28 (page 96 – Credit risk), the group made allowance for trade receivables of RM2.8 million in 2017. The total allowance for impairment is RM12.6 million. Can management breakdown the amount of impaired trade receivables attributable to corporate clients and individual customers?**

Q3. As disclosed in the Code of Corporate Governance Report (page 28), as at 30 June 2017, two of the three Non-Executive Directors have served on the Board for more than nine years.

Professor Tan Chin Tiong and Dr Cheah Way Mun were both appointed to the board on 8 September 1999. As at 30 June 2017, each of Professor Tan and Dr Cheah has served for more than 17 years 9 months.

The Nominating committee (NC) comprises Professor Tan Chin Tiong (as Chairman), Professor Annie Koh and Dr Cheah Way Mun.

The NC and the Board, after subjecting the independence of Professor Tan Chin Tiong and Dr Cheah Way Mun to a particularly rigorous review, consider both Professor Tan and Dr Cheah to be independent.

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) After the appointment of Professor Annie Koh on 1 March 2016, does the company have further plans for the progressive refreshing of the board, as required by Guideline 2.4 of the Code?**

When searching for new directors, the NC has stated that it will source for potential candidates, usually “through recommendations from Directors and Management of the Company. However, external search from recruiting firms may also be sought if necessary”.

- b) Under what circumstances would the NC conduct an external search using recruitment firms?**