

Unaudited Financial Statements And Dividend Announcement for the second quarter and six months ended 31 December 2018

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Note			Second Quarter Ended			Six Months Ended		
	31 Dec 2018	31 Dec 2017	+/-	31 Dec 2018	31 Dec 2017	+/-	31 Dec 2018	31 Dec 2017	+/-
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
Turnover	128,618	115,987	11	253,548	233,041	9			
Cost of services	(82,434)	(73,205)	13	(163,205)	(149,631)	9			
Gross profit	46,184	42,782	8	90,343	83,410	8			
Interest income	410	420	(2)	812	692	17			
Other (losses)/ gains – net	(1,679)	857	NM	(3,545)	(197)	NM			
Distribution and marketing costs	(1,789)	(847)	111	(3,532)	(1,958)	80			
Administrative costs	(24,292)	(18,100)	34	(44,161)	(35,245)	25			
Finance costs	(2,460)	(3,237)	(24)	(8,134)	(5,309)	53			
Share of results of associates	(15)	(1)	NM	(15)	(1)	NM			
Profit before tax	16,359	21,874	(25)	31,768	41,392	(23)			
Tax	(6,824)	(6,152)	11	(13,469)	(11,885)	13			
Profit after tax	9,535	15,722	(39)	18,299	29,507	(38)			
Other comprehensive income									
Item that may be reclassified subsequently to profit or loss:									
Currency translation difference arising from consolidation									
– Gains/ (Losses)	1,039	(4,206)	NM	3,838	1,910	101			
– Reclassification	-	-	-	-	1,764	(100)			
Total comprehensive income	10,574	11,516	(8)	22,137	33,181	(33)			
Profit/ (loss) attributable to:									
Equity holders of the Company									
	11,253	15,724	(28)	21,901	29,510	(26)			
Non-controlling interests									
	(1,718)	(2)	NM	(3,602)	(3)	NM			
	<u>9,535</u>	<u>15,722</u>	<u>(39)</u>	<u>18,299</u>	<u>29,507</u>	<u>(38)</u>			
Total comprehensive income attributable to:									
Equity holders of the Company									
	12,276	11,517	7	25,866	33,184	(22)			
Non-controlling interests									
	(1,702)	(1)	NM	(3,729)	(3)	NM			
Total comprehensive income	10,574	11,516	(8)	22,137	33,181	(33)			

NM - Not Meaningful

1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year.

The Group's total comprehensive income for the financial period is derived after charging/ (crediting):

Note	Second Quarter Ended			Six Months Ended		
	31 Dec 2018 RM'000	31 Dec 2017 RM'000	+/- %	31 Dec 2018 RM'000	31 Dec 2017 RM'000	+/- %
Share-based payment expenses	549	302	82	1,075	302	NM
Depreciation	7,156	5,193	38	14,127	10,484	35
Allowance for impairment of trade and other receivables - net	53	384	(86)	135	380	(64)
Foreign exchange loss/ (gain)						
- realised	2,394	(391)	NM	6,265	1,828	NM
- unrealised	565	341	66	193	209	(8)
Fair value (gain) on financial derivatives:						
- realised	-	(460)	(100)	-	(577)	(100)
Loss on disposal and write-off of property, plant and equipment	75	16	NM	76	19	NM
Professional fees incurred in relations to acquisition of stakes in Plus Medical ¹	450	-	100	450	-	100

NM - Not Meaningful

¹ Refer to announcement made on SGXNet on 14 December 2018

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	As at 31 Dec 2018 RM'000	As at 30 Jun 2018 RM'000	As at 31 Dec 2018 RM'000	As at 30 Jun 2018 RM'000
ASSETS				
Current assets				
Cash and cash equivalents	82,162	58,891	5,575	4,962
Trade and other receivables	50,615	45,401	9,562	51,698
Tax recoverable	1	1	-	-
Inventories	14,754	14,029	-	-
Other current assets	18,971	10,820	128	120
	166,503	129,142	15,265	56,780
Non-current Assets				
Trade and other receivables	-	-	46,310	-
Other non-current assets	330	484	-	161
Investments in associated corporations	-	15	-	33
Investments in subsidiaries	-	-	635,040	637,126
Property, plant and equipment	464,286	459,595	1,332	779
	464,616	460,094	682,682	638,099
Total Assets	631,119	589,236	697,947	694,879
LIABILITIES				
Current Liabilities				
Trade and other payables	84,820	109,111	3,214	4,441
Current income tax liabilities	7,896	5,351	-	-
Borrowings	30,876	89,229	19,785	75,825
Deferred income	1,610	2,698	-	-
	125,202	206,389	22,999	80,266
Non-Current Liabilities				
Trade and other payables	21,683	20,984	-	-
Borrowings	215,025	107,149	414	-
Deferred income tax liabilities	7,862	8,688	-	-
	244,570	136,821	414	-
Total Liabilities	369,772	343,210	23,413	80,266
NET ASSETS	261,347	246,026	674,534	614,613
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	590,885	590,885	590,885	590,885
Treasury shares	(1,837)	(1,290)	(1,837)	(1,290)
Currency translation reserve	26,736	22,771	6,000	(8,618)
Other reserves	(482,925)	(481,830)	2,341	1,304
Retained earnings	135,060	121,581	77,145	32,332
	267,919	252,117	674,534	614,613
Non-controlling interests	(6,572)	(6,091)	-	-
TOTAL EQUITY	261,347	246,026	674,534	614,613

(b)(ii) In relation to the aggregate amount for the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

(a) Amount repayable in one year or less, or on demand;

As at 31 Dec 2018		As at 30 Jun 2018	
Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000
11,156	19,720	83,299	5,930

(b) Amount repayable after one year; and

As at 31 Dec 2018		As at 30 Jun 2018	
Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000
215,025	-	107,149	-

(c) Details of any collaterals.

The Group

A memorandum of charge on the lands and buildings of certain subsidiaries in Malaysia and charge on the medical suites owned by a subsidiary in Singapore.

The Group's borrowings include finance lease liabilities of approximately RM 35.0 million (FY2018: RM 12.6 million), which are effectively secured as the rights to the hire purchase asset will revert to the hiree in the event of default.

HEALTH MANAGEMENT INTERNATIONAL LTD
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1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Second Quarter Ended		Six Months Ended	
	31 Dec	31 Dec	31 Dec	31 Dec
	2018	2017	2018	2017
Note	RM'000	RM'000	RM'000	RM'000
Cash Flows from Operating Activities				
Profit after tax	9,535	15,722	18,299	29,507
Adjustments for:				
Income tax expense	6,824	6,152	13,469	11,885
Depreciation	7,156	5,193	14,127	10,484
Allowance for impairment of trade and other receivables - net	53	384	135	380
Interest expense	2,460	3,237	8,134	5,309
Share-based payment expenses	549	302	1,075	302
Interest income	(410)	(420)	(812)	(692)
Loss on disposal and write-off of property, plant and equipment	75	16	76	19
Share of loss of associated corporations	15	1	15	1
Currency translation differences	884	(4,622)	8,257	592
Operating cash flow before working capital changes	<u>27,141</u>	<u>25,965</u>	<u>62,775</u>	<u>57,787</u>
Changes in operating assets and liabilities:				
Inventories	(343)	(194)	(719)	(429)
Trade and other receivables	(3,825)	(2,937)	(4,979)	(1,424)
Other current and non-current assets	(6,647)	(1,233)	(8,025)	1,514
Trade and other payables	(3,497)	(6,781)	(4,484)	(8,364)
Derivative financial instruments	-	(461)	-	(582)
Deferred income	(361)	(474)	(1,133)	(825)
Cash provided by operations	<u>12,468</u>	<u>13,885</u>	<u>43,435</u>	<u>47,677</u>
Interest paid	(2,445)	(2,448)	(5,640)	(3,967)
Tax paid	(3,303)	(1,168)	(6,675)	(3,071)
Net cash provided by operating activities	<u>6,720</u>	<u>10,269</u>	<u>31,120</u>	<u>40,639</u>
Cash Flows from Investing Activities				
Additions to property, plant and equipment	(8,084)	(5,573)	(17,748)	(15,990)
Proceeds from disposal of property, plant and equipment	416	126	420	126
Interest received	410	420	812	692
Net cash used in investing activities	<u>(7,258)</u>	<u>(5,027)</u>	<u>(16,516)</u>	<u>(15,172)</u>
Cash Flows from Financing Activities				
Drawdown of borrowings	121,721	-	216,637	-
Repayment of borrowings	(120,089)	(36,368)	(195,661)	(53,953)
Repayment of lease liabilities	(1,937)	(2,026)	(3,729)	(2,829)
Payment of borrowing related costs	(708)	-	(708)	-
Shareholder loans from non-controlling interests of a subsidiary	-	-	1,098	-
Decrease/ (increase) in restricted cash	-	-	1,448	(765)
Proceeds from issuance of ordinary shares	-	33,615	-	33,615
Purchase of treasury shares	-	-	(585)	-
Share issue expenses	-	(29)	-	(29)
Dividends paid to equity holders of the Company	(8,422)	(8,087)	(8,422)	(8,087)
Net cash (used in)/ provided by financing activities	<u>(9,435)</u>	<u>(12,895)</u>	<u>10,078</u>	<u>(32,048)</u>
Net (decrease)/ increase in cash and cash equivalents	<u>(9,973)</u>	<u>(7,653)</u>	<u>24,682</u>	<u>(6,581)</u>
Cash and cash equivalents at beginning of financial period	<u>92,082</u>	<u>76,798</u>	<u>56,848</u>	<u>76,041</u>
Effect of exchange rate changes on cash and cash equivalents	53	(697)	632	(1,012)
Cash and cash equivalents at end of financial period	<u>82,162</u>	<u>68,448</u>	<u>82,162</u>	<u>68,448</u>

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1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year. (Continued)

	Second Quarter Ended		Six Months Ended	
	31 Dec	31 Dec	31 Dec	31 Dec
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash and equivalents comprise:				
Cash and bank balances	82,162	69,930	82,162	69,930
Restricted cash	-	(1,477)	-	(1,477)
Bank overdraft	-	(5)	-	(5)
	82,162	68,448	82,162	68,448

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1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

The Group

	Attributable to equity holders of the Company						Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Currency		Retained Earnings RM'000	Non- controlling Interests RM'000	
			Translation Reserve RM'000	Other Reserves RM'000			
Balance as at 1 Jul 2017	557,270	(1,022)	17,845	(483,118)	77,661	11	168,647
Exchange translation difference	-	-	7,881	-	-	(1)	7,880
Net profit/ (loss) for the period	-	-	-	-	13,786	(1)	13,785
Total comprehensive income/ (loss) for the financial period	-	-	7,881	-	13,786	(2)	21,665
Balance as at 30 Sep 2017	557,270	(1,022)	25,726	(483,118)	91,447	9	190,312
Exchange translation difference	-	-	(4,207)	-	-	1	(4,206)
Net profit/ (loss) for the period	-	-	-	-	15,724	(2)	15,722
Total comprehensive (loss)/ income for the financial period	-	-	(4,207)	-	15,724	(1)	11,516
Treasury shares issued	-	28	-	(28)	-	-	-
Share-based payment	-	-	-	302	-	-	302
Issue of new shares	33,615	-	-	-	-	-	33,615
Dividend relating to 2017 paid	-	-	-	-	(8,087)	-	(8,087)
Balance as at 31 Dec 2017	590,885	(994)	21,519	(482,844)	99,084	8	227,658
Balance as at 1 Jul 2018	590,885	(1,290)	22,771	(481,830)	121,581	(6,091)	246,026
Exchange translation difference	-	-	2,942	-	-	(143)	2,799
Net profit/ (loss) for the period	-	-	-	-	10,648	(1,884)	8,764
Total comprehensive income/ (loss) for the financial period	-	-	2,942	-	10,648	(2,027)	11,563
Treasury shares issued	-	38	-	(38)	-	-	-
Share-based payment	-	-	-	526	-	-	526
Purchase of treasury shares	-	(585)	-	-	-	-	(585)
Balance as at 30 Sep 2018	590,885	(1,837)	25,713	(481,342)	132,229	(8,118)	257,530
Exchange translation difference	-	-	1,023	-	-	16	1,039
Net profit/ (loss) for the period	-	-	-	-	11,253	(1,718)	9,535
Total comprehensive income/ (loss) for the financial period	-	-	1,023	-	11,253	(1,702)	10,574
Share-based payment	-	-	-	549	-	-	549
Acquisition of additional equity interest in a subsidiary from non-controlling interests	-	-	-	(2,132)	-	1,689	(443)
Recapitalisation of shareholder's loan from non-controlling interests of a subsidiary	-	-	-	-	-	1,559	1,559
Dividend relating to 2018 paid	-	-	-	-	(8,422)	-	(8,422)
Balance as at 31 Dec 2018	590,885	(1,837)	26,736	(482,925)	135,060	(6,572)	261,347

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The Company

	<u>Share Capital</u> RM'000	<u>Treasury Reserves</u> RM'000	<u>Other Reserves</u> RM'000	<u>Retained Earnings</u> RM'000	<u>Currency Translation Reserves</u> RM'000	<u>Total Equity</u> RM'000
Balance as at 1 Jul 2017	557,270	(1,022)	16	12,886	22,002	591,152
Net profit for the period	-	-	-	7,134	-	7,134
Exchange translation difference	-	-	-	-	(5,086)	(5,086)
Balance as at 30 Sep 2017	557,270	(1,022)	16	20,020	16,916	593,200
Net profit for the period	-	-	-	15,696	-	15,696
Exchange translation difference	-	-	-	-	(13,453)	(13,453)
Treasury shares issued	-	28	(28)	-	-	-
Issuance of new shares	33,615	-	-	-	-	33,615
Share-based payment	-	-	302	-	-	302
Dividend relating to 2017 paid	-	-	-	(8,087)	-	(8,087)
Balance as at 31 Dec 2017	590,885	(994)	290	27,629	3,463	621,273
Balance as at 1 Jul 2018	590,885	(1,290)	1,304	32,332	(8,618)	614,613
Net profit for the period	-	-	-	35,976	-	35,976
Exchange translation difference	-	-	-	-	13,307	13,307
Treasury shares issued	-	38	(38)	-	-	-
Share-based payment	-	-	526	-	-	526
Purchase of treasury shares	-	(585)	-	-	-	(585)
Balance as at 30 Sep 2018	590,885	(1,837)	1,792	68,308	4,689	663,837
Net profit for the period	-	-	-	17,259	-	17,259
Exchange translation difference	-	-	-	-	1,311	1,311
Share-based payment	-	-	549	-	-	549
Dividend relating to 2018 paid	-	-	-	(8,422)	-	(8,422)
Balance as at 31 Dec 2018	590,885	(1,837)	2,341	77,145	6,000	674,534

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Following the share buy-back on 12 July 2018 and the partial vesting of a time-based award comprising of 33,333 shares under the HMI Performance Share Plan 2017 on 30 September 2018, where the award was fulfilled via transfer from treasury shares, the total number of issued ordinary shares in the share capital of the Company remains unchanged at 838,980,880 (which includes 1,642,934 (30 June 2018: 1,336,267) treasury shares) as at 31 December 2018.

Share buy-backs

The Company purchased an aggregate of 340,000 ordinary shares on 12 July 2018.

HMI Performance Share Plan 2017

Following the approval of HMI Performance Share Plan 2017 obtained at the annual general meeting of the Company held on 30 October 2017, three awards comprising up to 3,600,000 shares and five awards comprising up to 1,200,000 shares were granted by the Company to certain directors and employees of the Company on 24 November 2017 and 1 December 2017 respectively. In addition, a time-based award of 100,000 shares were granted on 1 December 2017 to an employee, of which, 33,333 shares were vested immediately on 1 December 2017 and another 33,333 shares vested on 30 September 2018.

	<u>Total number of shares that may be issued on conversion</u>
<u>Addition:</u>	
Three awards comprising up to 3,600,000 shares as at 24 November 2017	3,600,000
Five awards comprising up to 1,200,000 shares as at 1 December 2017	1,200,000
One time-based award comprising of 100,000 shares as at 1 December 2017	100,000
<u>Deduction:</u>	
Partial vesting of time-based award comprising 33,333 shares each as at 1 December 2017 and 30 September 2018	(66,666)
31 December 2018	4,833,334

The above three awards granted as at 24 November 2017 will only be vested upon the achievement of the Group EBIT threshold level and total shareholder return threshold level, and subject to other terms and conditions set out in the award letter, anytime within 4 weeks from the Group's FY2020 Annual General Meeting.

The above five awards granted as at 1 December 2017 will only be vested upon achievement of the Group FY2020 EBIT threshold level and/or the total shareholder return threshold level, and subject to other terms and conditions set out in the award letter, anytime within 4 weeks from the Group's FY2020 Annual General Meeting.

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. (Continued)**

The one time-based award granted as at 1 December 2017, 33,334 shares will be vested on 30 September 2019.

As at 31 December 2018, the number of shares that may be issued upon vesting of awards are 4,833,334 shares (31 December 2017: 4,866,667 share).

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The Company's total number of issued shares excluding treasury shares is 837,337,946 (30 June 2018: 837,644,613) as at the end of the current financial period. Total number of treasury shares is 1,642,934 and 1,336,267 as at 31 December 2018 and 30 June 2018 respectively.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Following the partial vesting of a time-based award under HMI Performance Share Plan 2017 on 30 September 2018, 33,333 treasury shares were transferred to an employee during the six months ended 31 December 2018.

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

There were no sales, transfers, cancellation and/or use of subsidiary holdings as at 31 December 2018 (31 December 2018).

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The financial statements for the six months ended 31 December 2018 have not been audited nor reviewed by the independent auditor.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with those of the audited financial statements for the year ended 30 June 2018.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Except for the adoption of the new financial reporting framework as disclosed in the paragraph below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current period compared to the Group's most recently audited financial statements for the year ended 30 June 2018.

On 1 July 2018, the Group has adopted a new financial reporting framework, Singapore Financial Reporting Standards (International) (SFRS(I)s) and has prepared its financial information under SFRS(I)s for the second quarter and six months ended 31 December 2018. In adopting SFRS(I)s, the Group is required to apply all the specific transition requirements in SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International). The Group has also concurrently applied new major accounting standards (1) SFRS(I) 9 Financial Instruments and (2) SFRS(I) 15 Revenue from Contracts with Customers. The adoption of the new financial reporting framework has no material impact to the Group's accounting policies and financial statements.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

(a) Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

	Group			
	3 Months Ended 31 December		6 Months Ended 31 December	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net profit attributable to equity holders of the Company (RM'000)	11,253	15,724	21,901	29,510
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	837,338	827,858	837,342	824,286
(i) Basic earnings per share (RM cents per share)	1.34	1.90	2.62	3.58
Weighted average number of ordinary shares adjusted for the effects of dilutive potential ordinary shares ('000)	842,171	829,771	842,192	825,222
(ii) Diluted earnings per share (RM cents per share)	1.34	1.89	2.60	3.58

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**
(a) current financial period reported on; and
(b) immediately preceding financial year.

	As at 31 Dec 2018	As at 30 Jun 2018
The Group		
Net asset value attributable to ordinary shareholders (RM'000)	267,919	252,117
Total number of issued shares excluding treasury shares ('000)	837,338	837,644
Net asset value per share (RM cents per share)	32.00	30.10
The Company		
Net asset value attributable to ordinary shareholders (RM'000)	674,534	614,613
Total number of issued shares excluding treasury shares ('000)	837,338	837,644
Net asset value per share (RM cents per share)	80.56	73.37

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: –**
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

(i) INCOME STATEMENT

Second Quarter

For the three months ended 31 December 2018 ("Q22019"), the Group's turnover increased by 10.9% from RM 116.0 million to RM 128.6 million, when compared with the previous corresponding period ("Q22018"). Turnover from the Group's healthcare business accounted for approximately RM 13.0 million of the increase mainly due to higher patient load and average bill sizes in its two hospitals i.e. Mahkota Medical Centre Sdn. Bhd. ("MMC") and Regency Specialist Hospital Sdn. Bhd. ("RSH"). The Group's education business registered a RM 0.4 million decrease in revenue due to lower student headcount.

Gross profit margin decreased to 35.9% from 36.9% in Q22019 as a result of impact from the Group's new specialist centre business in Singapore, StarMed Specialist Centre ("SSC") which started operations in Q12019. Other losses of RM 1.7 million was recorded in Q22019 compared to other gains of RM 0.9 million in the corresponding period in the prior year. This was mainly due to the weakening of the Malaysian ringgit during the quarter which resulted in foreign exchange losses of RM 3.0 million whilst foreign exchange gains of RM 0.1 million were recorded in Q22018.

(i) INCOME STATEMENT (Continued)

Second Quarter (Continued)

Distribution & marketing expenses in Q22019 increased by RM 0.9 million as compared to Q22018 due to increased marketing and branding efforts. Administrative expenses increased by RM 6.2 million as compared to the previous financial period mainly due to administrative expenses incurred by SSC, higher general operating costs in the Group entities and RM 0.2 million higher share-based payment expenses. Finance costs decreased by RM 0.8 million as a result of the restructuring of the borrowings drawn down for the acquisition of non-controlling interests in MMC and RSH in Q12019 which reduced financing costs, offset by RM 1.2 million mortgage financing costs incurred by SSC.

As a result of the above, the Group registered a 25.2% decrease in profit before tax of RM 16.4 million in Q22019, as compared to RM 21.9 million in Q22018. The profit attributable to shareholders was RM 11.3 million and RM 15.7 million in Q22019 and Q22018 respectively, whereas loss attributable to non-controlling interests increased by RM 1.7 million in Q22019.

Six Months

For the six months ended 31 December 2019 ("H12019"), the Group's turnover increased by RM 20.5 million and 8.8% from RM 233.0 million to RM 253.5 million, when compared with the previous corresponding period ("H12018"). Turnover from the Group's healthcare business accounted for approximately RM 21.6 million of the increase mainly due to higher patient load and average bill sizes in its two hospitals i.e. MMC and RSH. The Group's education business registered a RM 1.1 million decrease in revenue due to lower student headcount.

Gross profit margin remained strong at 35.6% compared to 35.8% in the prior period. Other losses of RM 3.5 million was recorded in H12019 compared to RM 0.2 million in H12018. The increase was mainly due to higher foreign exchange losses of RM 6.5 million recorded in the H12019 compared to RM 2.0 million in H12018 as a result of a weaker Malaysian ringgit.

Distribution & marketing expenses in H12019 were RM 1.6 million higher due to increased marketing and branding efforts. Administrative expenses increased by RM 8.9 million as compared to the previous financial period mainly due to mainly due to administrative expenses incurred by SSC, higher general operating costs in the Group entities and RM 0.8 million higher share-based payment expenses.

Finance costs increased by RM 2.8 million mainly due to the accelerated amortization of RM 2.5 million of capitalized expenses relating to the term loan facility drawn down for the acquisition of non-controlling interests in MMC and RSH when the loan was restructured in Q12019, and RM 1.1 million mortgage financing costs incurred by SSC.

As a result of the above, the Group registered a profit before tax of RM 31.8 million in H12019, 23.3% lower as compared to RM 41.4 million in H12018. Tax expense increased by RM 1.6 million mainly due to higher profitability of both hospitals. The profit attributable to shareholders was RM 21.9 million and RM 29.5 million in H12019 and H12018 respectively, whereas loss attributable to non-controlling interests was RM 3.6 million higher than the corresponding period in the prior year.

(ii) BALANCE SHEET

The cash and cash equivalents of the Group remained strong at RM 82.2 million as at 31 December 2018.

Trade and other receivables increased by RM 5.2 million, driven mainly by higher revenue during the six months ended 31 December 2018. Other current assets increased by RM 8.2 million due to deposits placed with RB Capital Group for the purchase of additional units at Farrer Square in the announcement made on SGXNet on 15 October 2018.

(ii) BALANCE SHEET (Continued)

The RM 4.7 million increase in property, plant and equipment was due to acquisition of new medical equipment by the hospitals, offset by the depreciation expenses.

Trade and other payables decreased by RM 24.3 million mainly due to refinancing of certain trade payables as at 30 June 2018 with hire purchase financing in H12019. The increase in hire purchase liabilities contributed mainly to the RM 49.5 million increase in total borrowings during the period. Current income tax liabilities increased by RM 2.5 million when compared to 30 June 2018 due to higher profitability of the Group's hospitals and timing differences in tax payments to authorities.

(iii) CASH FLOW STATEMENT

Second Quarter

Net cash generated from operating activities for the quarter was RM 6.7 million, RM 3.5 million lower than the previous period, mainly due to RM 6.2 million decrease in profit after tax in Q22019, compared to the corresponding period in the previous year.

Net cash used in investing activities for the current period was RM 7.2 million, RM 2.2 million higher, compared to RM 5.0 million in the corresponding period in the previous year due to higher acquisition of medical equipment by the hospitals in the current quarter.

Net cash used in financing activities was RM 9.4 million in the current quarter due to RM 8.4 million final dividends paid to shareholders and repayment of lease liabilities. Re-financing of a loan with another bank resulted in the drawdown of RM 121.7 million of borrowings and repayment of RM 120.1 million of borrowings during the quarter.

Six months

Net cash from operating activities for the six months ended was RM 31.1 million, RM 9.5 million lower than the previous period. This was mainly due to a RM 11.2 million decrease in profit after tax in H12019, compared to the corresponding period in the previous year.

Net cash used in investing activities for the current period was RM 16.5 million, compared to RM 15.2 million used in the corresponding period in the previous year. The increase was mainly due to purchases of medical equipment by the hospitals, which was RM 1.8 million higher than the corresponding period in the previous year.

Net cash provided by financing activities was RM 10.1 million in H12019 mainly as a result of the drawdown of RM 216.6 million borrowings, offset by repayment of RM 195.7 million of borrowings and RM 8.4 million final dividends paid to shareholders.

(iv) USE OF PROCEEDS

Further to the Group's announcement dated 15 October 2018 in relation to the use of proceeds from the Placement to a fund managed by Heliconia Capital Management Pte Ltd, the Group wishes to announce that the net proceeds from the Placement Shares of approximately SGD 0.51 million has not yet been utilised.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group's hospitals in Malaysia continue to do well and register year-on-year ("yoy") increases in revenue and patient volume. To cope with the growing number of patients at the Group's hospitals, both MMC and RSH continue to progress on their respective upgrading and expansion plans.

At MMC, the hospital continues to focus on developing its Centres of Excellence and expanding and upgrading its facilities to cater to increasing patient loads. The 218-bed capacity RSH will be constructing a new hospital extension block adjacent to its existing hospital building to cater to the growing number of patients. Construction of the new extension block has begun. With the new extension block, RSH will become a 380-bed tertiary hospital with capacity to expand to an eventual 500-bed hospital. The hospital extension block is targeted to be commissioned in 2021.

In Malaysia, an increasing domestic insurance take-up rate, an aging population and increasing regional connectivity are expected to further contribute to the growth of private healthcare services with BMI Research forecasting health expenditure to grow 7.9% p.a. from 2016 to 2020. The recent budget has allocated RM20 million to boost Malaysia's healthcare travel industry. Malaysia plans to promote medical tourism with expanded medical tourism packages, special incentives and tax allowance for healthcare facilities promoting medical tourism.

However, the healthcare landscape in Malaysia remains competitive. In Malacca and Johor where our hospitals operate, the expansion of existing hospitals and the upcoming opening of new hospitals have led to increased competition for patients, doctors and other skilled manpower. This has resulted in higher operating costs, in particular for skilled manpower. In Johor, new hospitals such as KPJ Bandar Dato Onn Hospital and Columbia Asia Southkey Hospital are expected to open in 2019. In addition, economic uncertainties and depreciating regional currencies (in particular the Indonesian Rupiah) has impacted private healthcare expenditure, especially for self-funded patients.

In Singapore, the Group acquired a majority stake in a new private one-stop ambulatory centre, SSC, in May 2018. The centre has completed renovations and received its licenses to operate from the Singapore Ministry of Health. SSC has commenced operations in FY2019, and the Group expects to incur gestation start-up costs from its operations for potentially 2-3 years.

On 14 December 2018, the Group entered into a subscription and share purchase agreement with Plus Medical Holdings Pte Ltd ("Plus Medical") and certain individual shareholders of Eracen Pte Ltd. On completion, the Group will initially hold 28% equity interest in Plus Medical. Plus Medical owns a chain of primary care clinics in Singapore. The investment is expected to be synergistic with SSC in respect of establishing an expanded healthcare network in Singapore.

11. If a decision regarding dividend has been made –

(a) Whether an interim (final) ordinary dividend has been declared (recommended).

Yes.

(b) (i) Amount per share.

The Directors are pleased to declare an interim one-tier tax-exempt cash dividend of 1.00 RM cents per ordinary share of the Company (2018: 1.00 RM cents).

(ii) Previous corresponding period.

An interim one-tier tax-exempt cash dividend of 1.00 RM cents per ordinary share of the Company was declared in the previous corresponding period.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

One-tier tax-exempt.

(d) The date the dividend is payable.

The interim one-tier tax-exempt cash dividend will be payable on 1 March 2019.

(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

NOTICE IS HEREBY GIVEN that, the Share Transfer Books and Register of Members of the Company will be closed on 22 February 2019 for the preparation of payment for the interim one-tier tax-exempt cash dividend ("Interim Dividend"). Duly completed registrable transfers in respect of ordinary shares in the capital of the Company ("Shares") received by the Company's Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5:00 p.m. on 21 February 2019 will be registered to determine shareholders' entitlement to the Interim Dividend. Shareholders whose securities accounts maintained with The Central Depository (Pte) Limited (CDP) are credited with Shares at 5:00p.m. on 21 February 2019 will be entitled to the Interim Dividend.

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

Not applicable.

13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained an IPT mandate from shareholders. It does not have any IPT (excluding transaction less than S\$100,000) for the six months ended 31 December 2018 that is disclosable under Rule 920(1)(a) (ii) of the SGX-ST Listing Manual.

14. Negative Confirmation Pursuant to Rule 705(5) of the SGX-ST Listing Manual (Not required for announcement on full year results).

The Board has confirmed that to the best of its knowledge, nothing has come to its attention which may render the unaudited financial statements of the Company or the unaudited consolidated financial statements of the Group for the six months ended 31 December 2018 to be false or misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company confirms that it has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7 of the Mainboard Rules) under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Dr Gan See Khem
Executive Chairman and Managing Director
11 February 2019