



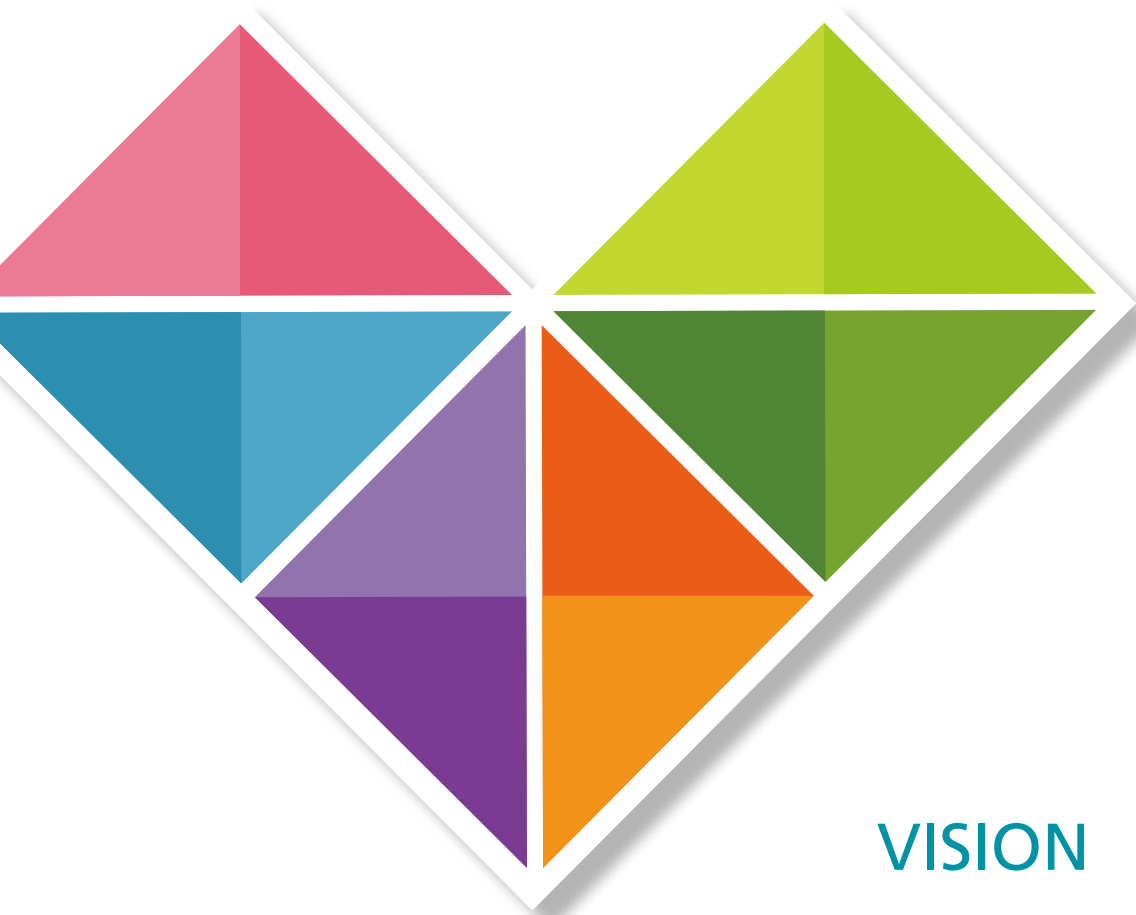
Health
Management
International

Annual Report 2016



PASSION^{FOR} HEALTHCARE





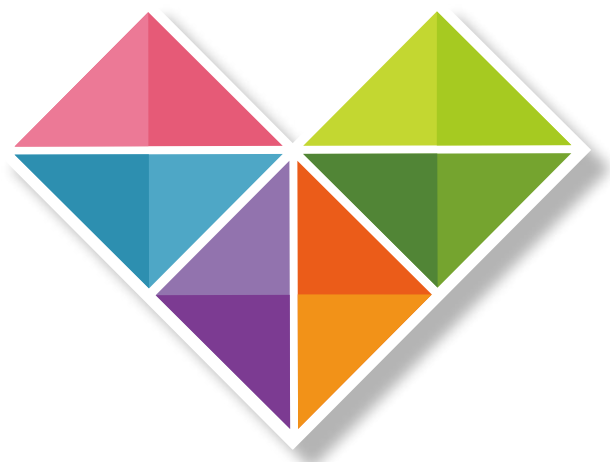
VISION

Improving lives through
quality healthcare

MISSION

To be a leading regional healthcare company committed to the delivery of quality services with care and compassion, that:

- Creates sustainable stakeholder value;
- Improves the quality of human life;
- Adheres to the highest ethical standards; and
- Attracts and develops quality human capital



PROVIDING QUALITY HEALTHCARE ACROSS THE REGION

Health Management International Ltd (“**HMI**” or the “**Group**”) is a growing private healthcare provider with presence in Singapore, Malaysia and Indonesia.

The Group’s key assets comprise of two tertiary hospitals in Malaysia, the 288 bed capacity Mahkota Medical Centre (“**Mahkota**”) in Malacca and the 218 bed capacity Regency Specialist Hospital (“**Regency**”) in Johor. The hospitals are supported by a network of 17 patient referral centres across the region.

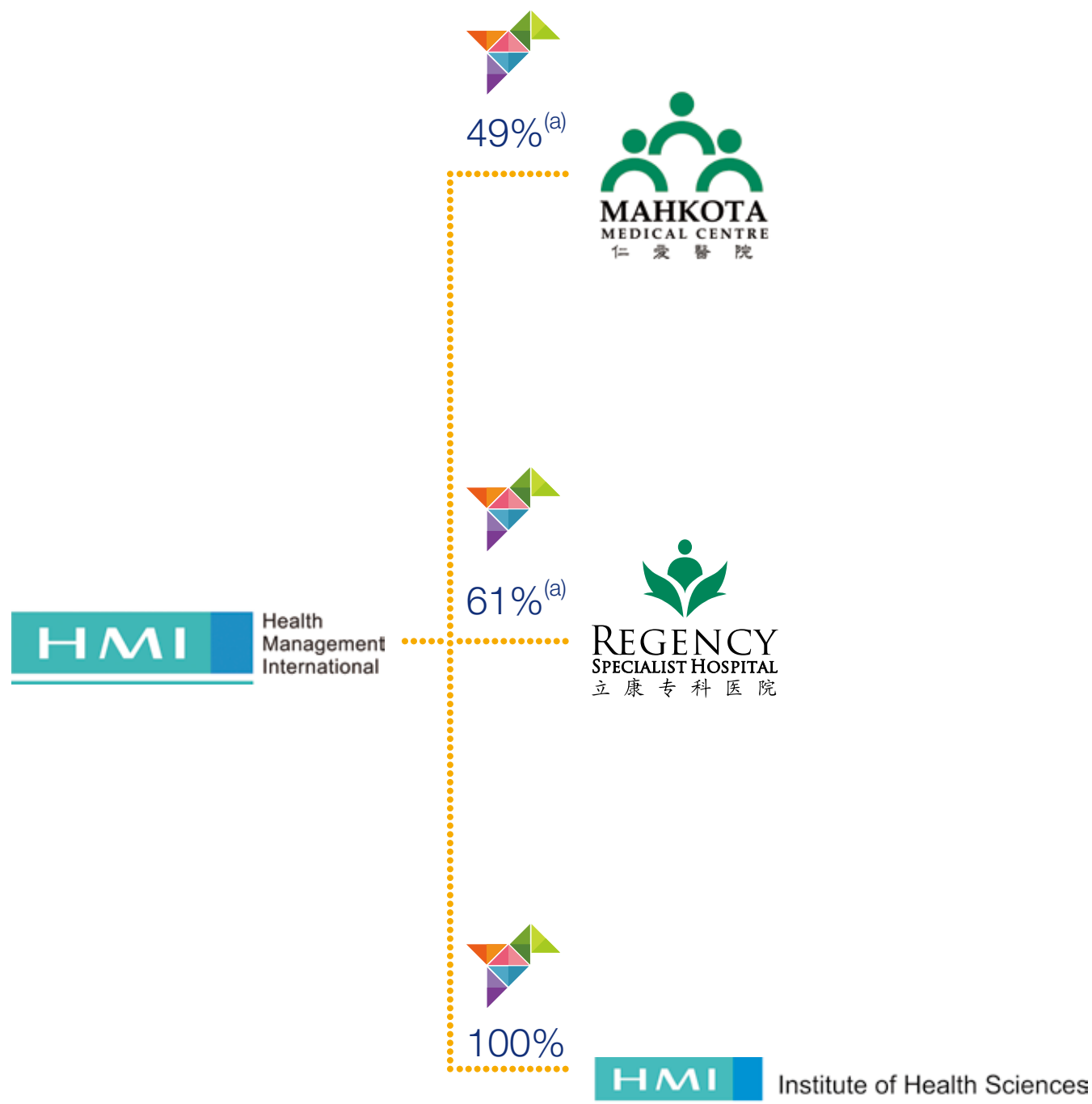
The Group also owns and operates the HMI Institute of Health Sciences in Singapore.



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CORPORATE STRUCTURE



^(a) Represents effective shareholding; HMI is the single largest shareholder and has Board and management control.

CORPORATE INFORMATION



Board of Directors

Dr Gan See Khem

Executive Chairman and
Managing Director

Ms Chin Wei Jia

Executive Director and
Group Chief Executive Officer

Mr Chin Wei Yao

Executive Director and
Group Chief Financial Officer

Professor Annie Koh

Lead Independent Director

Dr Cheah Way Mun

Independent Non-Executive Director

Professor Tan Chin Tiong

Independent Non-Executive Director

Audit and Risk Management Committee

Professor Annie Koh - Chairman
Professor Tan Chin Tiong
Dr Cheah Way Mun

Nominating Committee

Professor Tan Chin Tiong - Chairman
Professor Annie Koh
Dr Cheah Way Mun

Remuneration Committee

Professor Tan Chin Tiong - Chairman
Professor Annie Koh
Dr Cheah Way Mun

Registered Office

7 Temasek Boulevard #12-10
Suntec Tower One
Singapore 038987
Tel: (65) 6804 9888
Fax: (65) 6253 8259
Website: www.hmi.com.sg

Company Secretary

Ms Noraini Binte
Noor Mohamed Abdul Latiff

Share Registrar

Boardroom Corporate & Advisory
Services Pte Ltd
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355

Independent Auditor

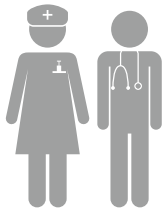
PricewaterhouseCoopers LLP
8 Cross Street #17-00
PWC Building
Singapore 048424
Tel: (65) 6236 3388

Audit Partner-in-charge:
Ms Tan Khiaw Ngoh
Year of appointment: 2013

HIGHLIGHTS OF THE FINANCIAL YEAR



We have close to
500 beds
across
2 hospitals
and
**17 patient referral
centres** in the region.



In FY2016, we have
**1,500
employees**
and
**200 practicing
consultants** who
treated more than
400,000
patients.



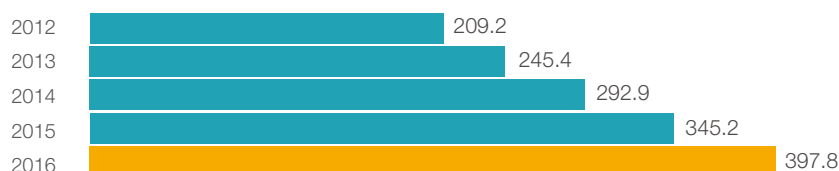
Over the years, we won
18 awards,
performed over
**135,000
surgeries**
and trained more than
**110,000
individuals**
in life saving skills.



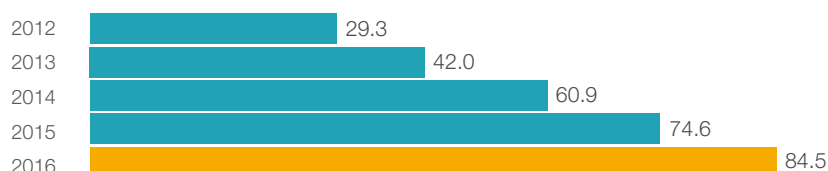
We are 
**confident of
our future.**

5-YEAR FINANCIAL HIGHLIGHTS

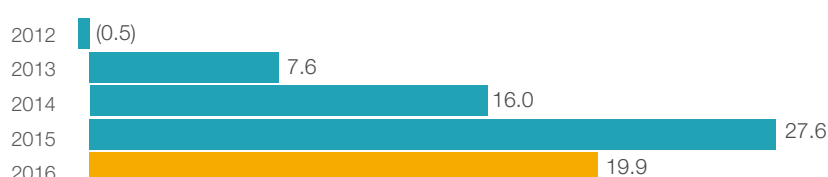
Group Revenue in RMm



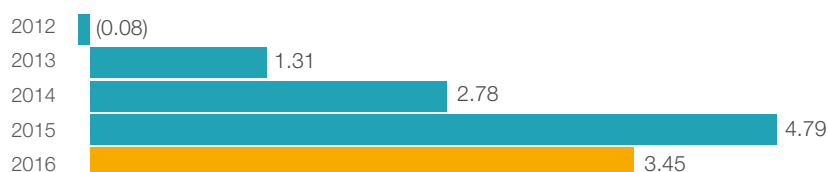
Group EBITDA^(a) in RMm



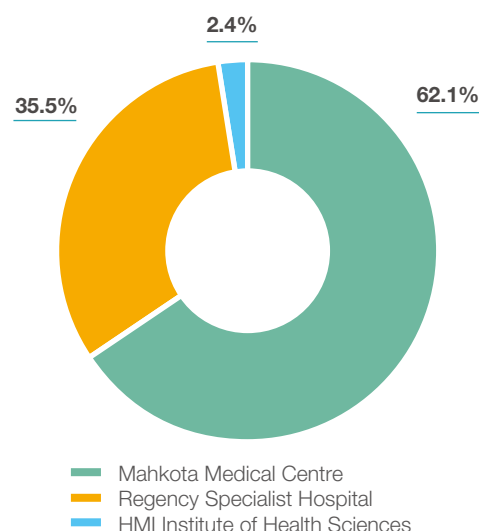
Group PATMI in RMm



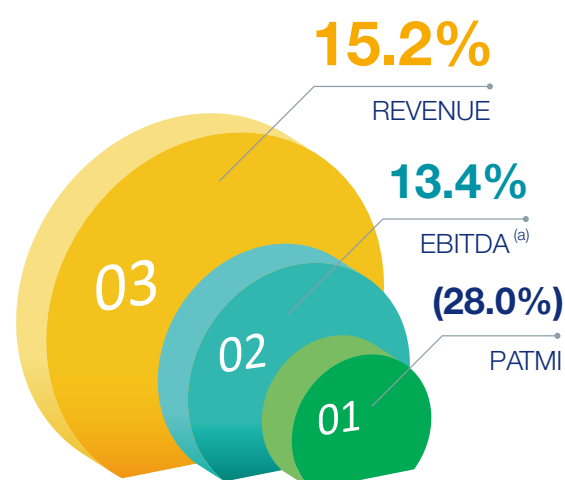
Group Basic EPS in RM cents



Revenue Contribution



Growth Rates



	Units	FY2012	FY2013	FY2014	FY2015	FY2016
Revenue	RM'000	209,221	245,415	292,912	345,224	397,810
Revenue Growth	%		17.3%	19.4%	17.9%	15.2%
Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA") ^(a)	RM'000	29,298	41,998	60,896	74,567	84,531
EBITDA Margin	%	14.0%	17.1%	20.8%	21.6%	21.2%
Net Profit After Tax ("NPAT")	RM'000	8,133	19,171	36,042	53,357	45,451
Net Profit Attributable to Equity Holders ("PATMI")	RM'000	(481)	7,574	16,027	27,643	19,899
Basic Earnings per Share	RM cents	(0.08)	1.31	2.78	4.79	3.45
Total Debt	RM'000	69,855	63,648	55,378	40,576	41,857
Net Debt / (Net Cash)	RM'000	63,320	53,949	29,401	1,500	(37,071)
Net Debt / (Net Cash) / EBITDA	x	2.2x	1.3x	0.5x	0.0x	(0.4x)

^(a) EBITDA is adjusted for effects of asset restructuring exercise undertaken in FY2015 and excludes net currency gains or losses and share of profit of associated corporations.

CHAIRMAN'S MESSAGE

Dear Shareholders,

On behalf of the Board and Management, we would like to thank you for your continued support in the financial year ended 30 June 2016 ("FY2016").

The past year saw challenging conditions in Asia across various markets and sectors. In Malaysia, where our hospitals operate, an economic slowdown, the weakened Malaysian Ringgit and the introduction of a Goods and Services Tax ("GST") dampened consumer confidence and spending as well as increased operating costs. The opening of new private hospitals in Malaysia also intensified competition for patients, medical consultants and specialised healthcare professionals.

Against this backdrop, the resilient business model of our hospitals nonetheless enabled us to continue to deliver strong and credible results. For FY2016, group revenue grew by 15.2% to a new record revenue of RM 397.8 million, and profit after tax attributable to shareholders stands at RM 19.9 million. As a result of the Group's financial performance and strong balance sheet, the Board is pleased to propose a final ordinary dividend of 0.75 RM cents per share for FY2016.

Providing Quality Healthcare to our Local Communities

Over the years, HMI has grown both of our Malaysian hospitals, Mahkota Medical Centre ("Mahkota") and Regency Specialist Hospital ("Regency"), into prominent tertiary hospitals serving the local communities in Malacca and Johor as well as patients from across the region. Our hospitals see more than 400,000 patients a year and we have more than 200 practising consultants across a wide range of medical and surgical disciplines.

It is our firm belief that our hospitals must support their local communities, and we do this through a variety of channels, including health education talks, health awareness activities as well as community service. Around 80% of our Group's patient load consists of the local population living in or around the states within which our hospitals operate. We believe in the importance of continuously reaching out and extending a helping hand to the underprivileged. This also enables us to grow and develop our capabilities through the support of our communities.

We have remained focused on building our talent pool and succession planning within the Group to propel us forward over the coming years. We believe that a strong Management team will enable the sustainable growth of our Group. In order to offer quality services to our patients, the Management continues to focus on recruiting skilled consultants to practise at our hospitals, and seek to continually improve patient care and experience.

The Growing Malaysian Medical Tourism Market

Apart from our local patient load, we are also confident that Malaysian healthcare offers a unique value proposition to patients from around the region. This is due to the availability of skilled medical personnel, high quality facilities and cost competitiveness. According to Frost & Sullivan, Malaysia's medical tourism market is set to grow at a forecasted CAGR of 18.5% between 2014 and 2020. Currently, around 20% of our Group's patient load consists of international patients seeking medical treatment at our hospitals.

Since embarking on its medical tourism efforts in 1999, Mahkota is now one of the leading medical tourism hospitals in Malaysia. As a stand-alone hospital, Mahkota is estimated to attract about 10% of the total number of medical tourists seeking treatment in Malaysia. Situated within the historic city centre of Malacca, international patients are able to obtain quality healthcare services at a cost competitive price, as well as enjoy the food, accommodation and tourist sights all within walking distance to the hospital. Mahkota has also developed a fully integrated logistical support service for our international patient's journey, starting from before they book their treatment all the way to follow-up after they leave the hospital.



Dr Gan See Khem

Our second hospital, Regency, has more recently started its marketing outreach to international patients. Into its 7th year of operations, Regency had spent its initial years focused on developing a wide range of specialties, building a strong operations team and providing healthcare services to the local community. Having achieved its initial objectives, Regency is now ready to offer services to meet the needs of international patients, in particular from Indonesia and the nearby Singapore.

The Next Phase of Growth

The two hospitals in our Group are now at different phases of growth.

For Mahkota, our focus is on the further development of Centres of Excellence (“COEs”) within the hospital. This enables us to provide holistic care to patients for various conditions such as cancer and heart, and treat complex cases by combining the expertise of the various specialists and sub-specialists at Mahkota. We continue to invest in new services and recruit new sub-specialists, with the aim to be a truly comprehensive tertiary hospital serving patients locally and from around the region. We will also continue to build clinical services and inpatient bed capacity within the existing hospital building, so as to maximise the current facilities before undertaking the next phase of expansion.

For Regency, due to strong patient demand and a smaller sized building than Mahkota, the next phase of growth necessitates the construction of a new hospital extension wing. This hospital extension wing will more than double existing capacity at the hospital. This will allow Regency to continue growing its pool of practising consultants and patient load over the many years to come, as well as give Regency the ability to offer more services with the aim of becoming another comprehensive tertiary care hospital such as Mahkota.

Apart from organic growth, the Group continues to search opportunistically for new inorganic growth initiatives in the healthcare sector. This is aided by our strong balance sheet which is in a net cash position, as well as a dedicated Management team. The Group continues to see good long-term prospects for the healthcare sector in the region.

Our Thanks & Appreciation

I would like to sincerely thank all our customers, business partners, and other stakeholders for another year of strong support. Special appreciation is also extended to the Ministry of Health, government agencies and community organisations in Singapore and Malaysia for their continued support for the initiatives undertaken by the Group.

We also greatly appreciate the wisdom and oversight provided by our Board. During the year, we welcomed Professor Annie Koh onto the Board, and would like to sincerely thank Mr Andy Gan who stepped down from the Board for his numerous years of service.

I would also like to thank our consultants, Management and staff for your dedication. Your care for our customers truly is integral to the continued growth of the Group.

Dr Gan See Khem

Executive Chairman and Managing Director
Health Management International Ltd



BOARD OF DIRECTORS



Ms Chin Wei Jia / Professor Annie Koh / Dr Gan See Khem / Dr Cheah Way Mun / Mr Chin Wei Yao / Professor Tan Chin Tiong

Dr Gan See Khem

Executive Chairman and
Managing Director

Date of first appointment as a Director:
26 January 1999
Date of appointment as Managing Director:
1 July 1999
Date of last re-appointment as a Director:
n/a
Length of service as a Director
(as at 30 June 2016): 17 years 5 months

Dr Gan See Khem is the Executive Chairman and Managing Director of Health Management International Ltd ("HMI"). She has been instrumental in spearheading the Group's healthcare and education businesses since 1999.

Dr Gan is an active figure in public services and currently serves on the Malaysia-Singapore Business Council. She served as the first woman President of the Singapore Gan Clan Association and is distinguished as one of the first two women to become a council member at the Singapore Chinese Chamber of Commerce and Industry in 1995. Dr Gan is a former Nominated Member of Parliament of the Republic of Singapore.

She was also previously on the Board of Trustees of the Institute of South East Asian Studies and Singapore Management University ("SMU"), and was a member of the International Advisory Board of Curtin Business School. In 2015, Dr Gan received the SG50 Outstanding Chinese Business Pioneers Award from the Singapore Chinese Chamber of Commerce and Industry.

Dr Gan specialised in strategic planning and management during her 15-year tenure at the National University of Singapore. She holds a PhD in Business Administration from the University of Sheffield, United Kingdom.

Ms Chin Wei Jia

Executive Director and
Group Chief Executive Officer

Date of first appointment as a Director:
28 October 2014
Date of appointment as Group CEO:
30 September 2015
Date of last re-appointment as a Director:
22 October 2015
Length of service as a Director
(as at 30 June 2016): 1 year 8 months

Ms Chin Wei Jia was appointed as an Executive Director of HMI in October 2014 and as Group Chief Executive Officer ("CEO") of HMI in September 2015. As Group CEO, she oversees and leads the strategic and operational activities of the Group. She is also the Managing Director of Mahkota Medical Centre ("Mahkota") and Regency Specialist Hospital ("Regency").

Ms Chin first joined HMI in 2002 and has played a key role in the development of HMI into a SGX mainboard listed healthcare company. She had contributed to the start of HMI's education business via the launch of HMI Institute of Health Sciences. Ms Chin was also a member of the core team that first commissioned

Regency in 2008, and previously served as CEO of Regency from 2013 to early 2016. She also led the establishment of HMI's Medisave accredited referral centre to enable HMI hospitals to provide overseas hospitalisation and day surgeries under the Singapore Medisave scheme.

Ms Chin holds a Bachelor of Arts (summa cum laude) in Economics and International Relations from Boston University, USA. She also has a Masters of Arts in International Relations from Johns Hopkins University, USA.

Ms Chin is the daughter of the Executive Chairman, Dr Gan See Khem and the sister of the Group Chief Financial Officer, Mr Chin Wei Yao.

Mr Chin Wei Yao

Executive Director and
Group Chief Financial Officer

Date of first appointment as a Director:
23 October 2015
Date of last re-appointment as a Director:
n/a
Length of service as a Director
(as at 30 June 2016): 8 months

Mr Chin Wei Yao was appointed as an Executive Director of HMI in October 2015 and as Group Chief Financial Officer with effect from October 2016. He is responsible for the Group's overall financial reporting matters and driving the development of the Group's healthcare services business. Mr Chin is also an Executive Director of Mahkota.

Prior to joining HMI, Mr Chin worked for 8 years in private equity and investment banking in South East Asia. His last position was Associate Director at KV Asia Capital where he was responsible for investment execution and portfolio management. He was previously a Vice President at Sindicatum Sustainable

Resources Group where he oversaw a portfolio of clean energy investments. Mr Chin started out his career as an investment banker at Credit Suisse in 2007.

Mr Chin holds a Bachelor of Arts (summa cum laude) in Economics (Honours) from New York University, USA. He is also an affiliate member of the Association Chartered Certified Accountants ("ACCA").

Mr Chin is the son of the Executive Chairman, Dr Gan See Khem and the brother of the Group Chief Executive Officer, Ms Chin Wei Jia.

Professor Annie Koh

Lead Independent Director

Date of first appointment as a Director:
1 March 2016
Date of last re-appointment as a Director:
n/a
Length of service as a Director
(as at 30 June 2016): 4 months

Professor Annie Koh is the Lead Independent Director of HMI. She is also the Chairman of the Audit and Risk Management Committee and a member of the Nominating Committee and Remuneration Committee.

Professor Koh is currently the Vice President for Office of Business Development at SMU and a Practice Professor of Finance holding the position of Academic Director for four university level institutes and centre - the Business Families Institute (BFI), Financial Training Institute (FTI), International Trading Institute (ITI) and Centre for Professional Studies (CPS). She chairs the World Economic Forum Global Agenda Council for Southeast Asia and the Asian Bond Fund 2 Supervisory Committee of the Monetary Authority of Singapore. She is on the investment committee of i-Globe, an independent

director on the board of K1 Ventures Ltd and is a board member of the Family Firm Institute, Inc. and Singapore's Central Provident Fund Board. Her appointment as a member of SkillsFuture HR Sectoral Tripartite Committee, HR Certification Taskforce, and MOE-WDA Skills Development Council, is testament to her strong linkages to businesses and industry. Professor Koh is a recipient of the prestigious Singapore Public Administration Medal (Bronze) in 2010 and the Public Administration Medal (Silver) in 2016.

Professor Koh holds a PhD in International Finance from Stern School of Business, New York University, USA.

Dr Cheah Way Mun

Independent Non-Executive Director

Date of first appointment as a Director:
8 September 1999
Date of last re-appointment as a Director:
28 October 2014
Length of service as a Director
(as at 30 June 2016): 16 years 9 months

Dr Cheah Way Mun is an Independent Non-Executive Director of HMI. He is also a member of the Audit and Risk Management Committee, Remuneration Committee and Nominating Committee.

Dr Cheah is an accomplished ophthalmic surgeon in private practice. He was previously the head of the eye department of Tan Tock Seng Hospital and a visiting consultant of the National University Hospital and the Singapore National Eye Centre.

Dr Cheah holds an MBBS from the then University of Singapore and is a fellow of the Royal College of Surgeons (Glasgow and Edinburgh) and the American Academy of Ophthalmology.

Professor Tan Chin Tiong

Independent Non-Executive Director

Date of first appointment as a Director:
8 September 1999
Date of last re-appointment as a Director:
30 October 2013
Length of service as a Director
(as at 30 June 2016): 16 years 9 months

Professor Tan Chin Tiong is an Independent Non-Executive Director of HMI. He is the Chairman of the Remuneration Committee and Nominating Committee. He is also a member of the Audit and Risk Management Committee.

He was the Founding President of Singapore Institute of Technology and the Founding Provost of SMU.

Professor Tan is currently the senior advisor to the President of SMU. He is also a professor of marketing and has co-authored

several books on marketing and business and consulted for corporations around the world.

Professor Tan is an Independent Director of MYP Ltd.

Professor Tan holds a PhD from the Pennsylvania State University, USA.

SENIOR MANAGEMENT



1



2

1 Ms Chin Wei Jia
Group Chief Executive Officer
Health Management International Ltd
Managing Director of Mahkota Medical Centre and Regency Specialist Hospital

2 Mr Chin Wei Yao
Group Chief Financial Officer
Health Management International Ltd
Executive Director of Mahkota Medical Centre

3 Mr Stanley Lam
Chief Executive Officer
Mahkota Medical Centre

4 Mr Gan Boon San
Director of Technology & Strategic Development
Health Management International Ltd
Chief Executive Officer
Regency Specialist Hospital

5 Mr Tee Soo Kong
General Manager
HMI Institute of Health Sciences



3



4



5



6



7



Regency Specialist Hospital

Mahkota Medical Centre

6 Dr Tan Cheng Hock
Medical Director
Mahkota Medical Centre

7 Ms May Tan Mei Yen
Chief Financial Officer
Mahkota Medical Centre

8 Ms Sally Tan
General Manager of Patient Services
Mahkota Medical Centre

9 Mr Kenneth Tan
Director of Human Resources
Mahkota Medical Centre



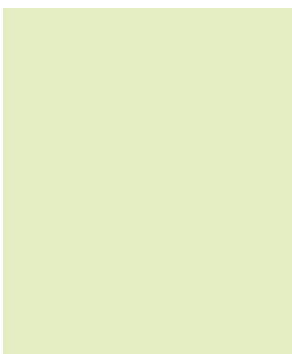
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9

10 Dr Teh Peng Hooi
Medical Director
Regency Specialist Hospital

11 Ms Siti Muslehat Bte Mustaffa
Director of Patient Services
Regency Specialist Hospital



10



11



Ms Chin Wei Jia

Group Chief Executive Officer
Health Management International Ltd
Managing Director of Mahkota Medical Centre
and Regency Specialist Hospital

Ms Chin Wei Jia is the Group Chief Executive Officer (“CEO”) of Health Management International Ltd (“HMI”). As Group CEO, she oversees and leads the strategic and operational activities of the Group. She is also the Managing Director of Mahkota Medical Centre (“Mahkota”) and Regency Specialist Hospital (“Regency”).

Ms Chin first joined HMI in 2002 and has played a key role in the development of HMI into a SGX mainboard listed healthcare company. She had contributed to the start of HMI's education business via the launch of HMI Institute of Health Sciences. Ms Chin was also a member of the core team that first commissioned Regency in 2008, and previously served as CEO of Regency from 2013 to early 2016. She also led the establishment of HMI's Medisave accredited referral centre to enable HMI hospitals to provide overseas hospitalisation and day surgeries under the Singapore Medisave scheme.

Ms Chin holds a Bachelor of Arts (summa cum laude) in Economics and International Relations from Boston University, USA. She also has a Masters of Arts in International Relations from Johns Hopkins University, USA.

Ms Chin is the daughter of the Executive Chairman, Dr Gan See Khem and the sister of the Group Chief Financial Officer, Mr Chin Wei Yao.



Mr Chin Wei Yao

Group Chief Financial Officer
Health Management International Ltd
Executive Director of
Mahkota Medical Centre

Mr Chin Wei Yao is the Group Chief Financial Officer of HMI. He is responsible for the Group's overall financial reporting matters and driving the development of the group's healthcare services business. Mr Chin is also an Executive Director of Mahkota.

Prior to joining HMI, Mr Chin worked for 8 years in private equity and investment banking in South East Asia. His last position was Associate Director at KV Asia Capital where he was responsible for investment execution and portfolio management. He was previously a Vice President at Sindicatum Sustainable Resources Group where he oversaw a portfolio of clean energy investments. Mr Chin started out his career as an investment banker at Credit Suisse in 2007.

Mr Chin holds a Bachelor of Arts (summa cum laude) in Economics (Honours) from New York University, USA. He is also an affiliate member of the Association Chartered Certified Accountants (“ACCA”).

Mr Chin is the son of the Executive Chairman, Dr Gan See Khem and the brother of the Group Chief Executive Officer, Ms Chin Wei Jia.



Mr Stanley Lam

Chief Executive Officer
Mahkota Medical Centre

Mr Stanley Lam joined Mahkota as Chief Executive Officer in 2013.

Prior to joining Mahkota, Mr Lam started his career with the Pantai Group of Hospitals in 2003 as an accountant in Pantai Cheras, where he rose to the position of CEO of Pantai Hospital Klang in a span of five years. He was subsequently appointed as Deputy CEO of Pantai Hospital Kuala Lumpur in February 2012.

Mr Lam has obtained his ACCA qualification and is also a member of the Institute of Chartered Secretaries & Administrators (“ICSA”).



Mr Gan Boon San

Director of Technology &
Strategic Development
Health Management International Ltd
Chief Executive Officer
Regency Specialist Hospital

Mr Gan Boon San joined HMI as Director of Technology and Strategic Development, and Regency as Chief Executive Officer in 2016.

Prior to joining the Group, Mr Gan has worked in the public and private sectors leading international teams and building organisations, delivering results in Asia Pacific over a period of 29 years. His past roles include President of Sun Microsystems Asia South, Vice President of Oracle APAC System Channels and General Manager of Microsoft APAC Public Sector. He has also held several board positions in the past including member of the Board of Governors for Singapore Polytechnic and President Commissioner of PT Sun Microsystems.

Mr Gan was a Singapore National Computer Board scholar and graduated from the University of Wisconsin, Madison, USA with a Bachelor of Science and Masters in Computer Engineering in 1985 and 1986 respectively.

SENIOR MANAGEMENT



Mr Tee Soo Kong

General Manager
HMI Institute of Health Sciences

Mr Tee is the General Manager of HMI Institute of Health Sciences ("IHS"). He was previously IHS's Director of Education and Operations in 2010 before taking on the General Manager role in 2012.

Mr Tee has held various leadership positions in Singapore's healthcare vocational training industry. He also has more than 25 years of experience that spans across organisations such as the Singapore Armed Forces, voluntary welfare organisations and private healthcare education service providers.

Mr Tee holds a Degree in Education and Training from the University of Melbourne.

Mahkota Medical Centre



Dr Tan Cheng Hock

Medical Director
Mahkota Medical Centre

Dr Tan Cheng Hock joined Mahkota as its Medical Director in 2006.

Dr Tan began his career as a lecturer in University Malaya before starting his private practice as a consultant in Obstetrics & Gynaecology in 1980. He has also been lecturing part time in Melaka Manipal Medical College since 2000 and was member of the Board of Directors in Southern Hospital until 2007.

In 1977, the Malaysia nation's first intrauterine fetal transfusion was performed by Dr Tan Cheng Hock with assistance by a doctor and with the aid of fluoroscopy.

Dr Tan graduated with a Bachelor of Medicine and Bachelor of Surgery ("MBBS") from the University of Sydney in 1968. He is a Fellow of Royal College of Obstetrics & Gynaecology (London) and a life member of the Malaysian Medical Association.



Ms May Tan Mei Yen

Chief Financial Officer
Mahkota Medical Centre

Ms May Tan joined Mahkota in 2010 as Chief Financial Officer. She is responsible for Mahkota's financial and management accounting functions.

Prior to joining Mahkota, she worked in the assurance industry in the United Kingdom and Malaysia with her last position being a Director in Ernst and Young.

Ms Tan graduated with a Bachelor of Commerce from the University of Melbourne. She is a member of the Institute of Chartered Accountants of Scotland and the Malaysian Institute of Accountants.



Ms Sally Tan

General Manager of Patient Services
Mahkota Medical Centre

Ms Sally Tan is the General Manager, Patient Services of Mahkota. She is responsible for a broad range of the hospital's services including Nursing, Medical Records, Haemodialysis, Diagnostic Day Procedures, Diabetic Care, International and local marketing and Hospital Occupational Safety and Health. She is also a qualified Safety Health Officer.

She first joined Mahkota in 1994 as a Head Nurse in the Critical Care Unit and has rose through several managerial roles to her current position in 2008. She was previously a clinical instructor at the Nursing College Melaka and a State Registered Nurse at Melaka General Hospital.

Ms Tan has obtained her Master of Business Administration from Edith Cowan University in Australia. She also holds a Diploma in Nursing from Nursing College Melaka and further pursued to obtain the Post Basic course in both Critical Care and Midwifery. Besides this, she holds a Graduate Diploma in Occupational Health and Safety from Queensland University of Technology.



Mr Kenneth Tan

Director of Human Resources
Mahkota Medical Centre

Mr Kenneth Tan joined Mahkota in April 2015 as Director, Human Resources. He provides a leadership role in Human Resource ("HR") strategies and roadmap implementation for the hospital.

Prior to joining Mahkota, Mr Tan was the Corporate HR Director of the Harita Group, an Indonesian conglomerate, and was based in Jakarta for four years. Prior to that, Mr Tan was the Asia Pacific Zone HR Director for Bureau Veritas.

He holds a Bachelor of Business in Business Administration from RMIT University and has a post-graduate Diploma in Management from the Malaysia Institute of Management.

Regency Specialist Hospital



Dr Teh Peng Hooi

Medical Director
Regency Specialist Hospital

Dr Teh Peng Hooi has been the Medical Director of Regency since 2009.

Dr Teh is a practising consultant orthopaedic surgeon in private practice in Singapore and Malaysia (Regency). He is also an honorary visiting consultant orthopaedic surgeon at Hospital Sultanah Aminah in Johor Bahru. Dr Teh is currently the Chairman of National St John Council of Singapore as well as the Prior of the Priory of Singapore of The Order of St John.

Dr Teh has an MBBS from the University of Singapore. He is a Fellow of the Royal College of Surgeons (Edinburgh), as well as a Fellow of the Academy of Medicine, Singapore.



Ms Siti Muslehat Bte Mustaffa

Director of Patient Services
Regency Specialist Hospital

Ms Siti Muslehat Mustaffa joined Regency in 2013 as Director, Patient Services. Her areas of responsibility includes Quality & Innovation, Infection Control, Medical Records, Operation Theatre, Central Sterile Supplies and Invasive Cardiac Laboratory. She led Regency to achieve ISO 9001:2008 Accreditation in March 2016 and is currently steering the hospital's quality journey towards meeting the accreditation requirements for the Malaysian Society for Quality in Health ("MSQH").

Ms Siti has over 30 years working experience in the healthcare sector. Prior to joining Regency, she held various management and teaching positions in a major hospital and tertiary teaching institution in Singapore.

A nurse by profession, Ms Siti is a registered nurse with the Singapore Nursing Board. She has a Bachelor of Health Sciences (Nursing) and Master of Health Science (Management) from the University of Sydney. Ms Siti also has a Post-Graduate Diploma in Higher Education from the National Institute of Education (Singapore).

GROUP CEO'S MESSAGE – REVIEW OF OPERATIONS



Ms Chin Wei Jia

Dear Shareholders,

The Group delivered yet another strong financial and operational performance for the financial year ended 30 June 2016 (“FY2016”). Our two hospitals in Malaysia, Mahkota Medical Centre (“Mahkota”) and Regency Specialist Hospital (“Regency”) continued to grow in terms of number of practising specialist consultants, patient volume and revenue intensity. As a Group, we saw more than 400,000 patients in FY2016, of which around 20% were international patients, with a trend towards more complex surgeries performed at our hospitals. This reflects our commitment towards delivering quality healthcare for all of our patients.

Delivering Financial Performance

During the year under review, the Group’s revenue grew 15.2% from RM 345.2 million to RM 397.8 million, while EBITDA increased 13.4% from RM 74.6 million to RM 84.5 million. This strong performance was mainly driven by increased patient load, more specialist consultants recruited and higher average bill sizes per patient at both hospitals. Over the past 5 years, the Group’s revenue has grown at a steady CAGR of 17.4%, underpinned by the strength of our underlying hospital businesses. The growth in revenue coupled with effective cost management, resulted in profit before tax growing 15.7% to RM 63.4 million from RM 54.8 million in the prior year.

Net profit after tax was 14.8% lower from RM 53.4 million in FY2015 to RM 45.5 million in FY2016, due to the higher tax expenses arising from a RM 9.0 million one-off recognition of deferred tax assets by Regency last year, as well as the subsequent utilisation of RM 5.5 million of deferred tax assets by Regency in FY2016. Excluding the impact from deferred taxes, net profit after tax would have been 15.0% higher at RM 51.0 million in FY2016, compared to net profit after tax of RM 44.4 million in FY2015 on an adjusted basis.

As a result, HMI posted lower net profit attributable to equity holders (“PATMI”) of RM 19.9 million in FY2016 compared to RM 27.6 million in the previous year, mainly impacted by deferred tax assets as well as higher general operating costs. Excluding the impact from deferred taxes, FY2016 adjusted PATMI would have been RM 23.3 million, a 5.0% increase from FY2015 adjusted PATMI of RM 22.1 million.

The Group continues to maintain a robust balance sheet with cash and cash equivalents doubling to RM 78.9 million as at 30 June 2016, and ended the year under review in an overall net cash position. This will ensure that the Group is able to comfortably fund our organic expansion plans for the two hospitals, as well as augment the Group’s ability to explore inorganic growth opportunities in the healthcare sector.

Mahkota Medical Centre Maintaining Leading Position in Malaysia

Mahkota is a 288-bed award-winning multidisciplinary tertiary care hospital located in the heart of Malacca, Malaysia. Established in 1994, Mahkota is the largest private hospital in the Southern region of Malaysia with over 120 practising consultants specialising in a broad range of medical and surgical disciplines. A leader in Malaysian medical tourism, Mahkota sees more than 80,000 international patients per year and has an extensive network of 17 patient representative offices in Indonesia, Malaysia and Singapore. The hospital won the Frost & Sullivan “Malaysia Medical Tourism Hospital of the Year” for its second consecutive year in 2016, and is accredited by the Malaysian Society for Quality in Health (“MSQH”).



MAHKOTA MEDICAL CENTRE

Mahkota will focus on strengthening its market position as a major one-stop comprehensive care hospital through expanding its core specialities, attracting new consultants, further developing its Centres of Excellence (“COEs”), maximising utilisation of its existing facilities, as well as further developing its pool of skilled healthcare and operations staff

GROUP CEO'S MESSAGE – REVIEW OF OPERATIONS



In FY2016, Mahkota continued to grow its revenue by 8.3%, from RM 229.0 million to RM 248.0 million, with EBITDA increasing 11.8%, from RM 61.0 million to RM 68.2 million. Patient load increased by 1.9% to around 295,000 in FY2016, despite a general slow-down in the economy following the currency depreciation and implementation of a Goods and Services Tax ("GST") in Malaysia.

Focusing on Developing Centres of Excellence

Mahkota continued its trend of recruiting experienced consultants to practise at the hospital, and welcomed new consultants from various specialities and sub-specialties including Cardiology, Paediatrics & Neonatology and more.

During the year under review, the hospital further developed the Mahkota Women and Child Centre with the launch of the new neonatology service. This makes Mahkota the first and only private hospital offering this sub-specialty service in Malacca, and is in line with the Group's strategy to continually enhance Mahkota's Centres of Excellence ("COEs").



The hospital also focused on enhancing the Mahkota Cancer Centre, with the addition of a new Positron Emission Tomography ("PET") scanner that introduces complementary nuclear medicine services to the existing range of cancer treatments available at the hospital.

In addition, Mahkota also established three new COEs in the year under review. The Mahkota Emergency & Trauma Centre, spearheaded by Emergency Specialists, specialises in attending to emergency cases that comprise mainly acute illnesses or injuries requiring immediate attention. The Mahkota Liver & Gastro Centre was established to manage a wide spectrum of liver and gastroenterology diseases of varying severity within a well-equipped facility. The Mahkota Diabetes Centre was officially launched in conjunction with World Diabetes Day 2016 to provide comprehensive holistic services tailored towards diabetic care.

Enhancing Service Delivery

A new day surgery centre, which houses minor operating theatres and day recovery beds, was launched during the year to enable Mahkota to handle more day surgery cases and facilitate a more seamless experience for patients undergoing day surgeries. This is in line with the growing trend in private healthcare for day surgery services.

In addition, new business counters for corporate and insurance patients were set up at the hospital to reduce patient waiting time. Also, customer service at Mahkota was further enhanced through the provision of additional personalised logistical support for international patients.

Growing in Strength and Capability

Going forward, Mahkota will focus on strengthening its market position as a major one-stop comprehensive care hospital through expanding its core specialities, attracting new consultants, further developing its COEs, maximising utilisation of its existing facilities, as well as further developing its pool of skilled healthcare and operations staff. The hospital will also increase inpatient bed capacity in 2017.



REGENCY SPECIALIST HOSPITAL

Regency will continue to focus on differentiating itself from other competitors by growing its key disciplines, recruiting new consultants, launching new services, enhancing patient experience and expanding its marketing network both locally and overseas

GROUP CEO'S MESSAGE – REVIEW OF OPERATIONS



Regency Specialist Hospital

Maintaining Position as One of the Fastest Growing Private Hospitals in Malaysia

Launched in late 2009, Regency is a 218-bed tertiary care hospital with over 70 practising consultants located within Iskandar in Johor, Malaysia. The hospital is approximately 15 minutes' drive from the Singapore-Woodlands Checkpoint and Johor Bahru City Centre. It is also the closest tertiary hospital to the Pasir Gudang industrial area and the new RM 60 billion Petronas oil refinery and petrochemical integrated development ("RAPID") complex. Given its proximity to both residential and industrial areas, Regency is also strategically positioned as the only private hospital in Malaysia to have a 24-hour Emergency & Trauma Centre staffed by Emergency Specialists. During the year, Regency successfully achieved the ISO 9001:2008 accreditation and aims to achieve MSQH accreditation in the next year.

In FY2016, Regency continued its fast paced growth with revenue growing 27.8% from RM 110.9 million to RM 141.7 million, and EBITDA increasing 45.8% from RM 19.2 million to RM 28.0 million. Patient load in FY2016 was around 114,000, 13.9% higher as compared to around 100,000 in the previous year, and was driven largely by new consultants recruited and increased marketing efforts. Regency has started to tap on Mahkota's existing overseas representative offices network and the hospital has seen an increase in its international patient load.

Enhancing Service Delivery

In the year under review, Regency's open heart surgery programme continued to grow strongly and the Regency Heart Centre was launched in conjunction with World Heart Day 2015. Also, a new aesthetic service was set up to provide more holistic services to patients.



Artist impression of the Regency hospital extension block

To cope with high occupancy rates, Regency continued to increase its number of operational inpatient beds. Also, to improve patient experience, the hospital has started refurbishing its wards to improve ambience and nursing work flow. In the next year, Regency will develop more clinic suites to house new consultants joining the hospital, open a new ward to cope with increasing patient demand, and set up an Admission and Discharge Lounge to improve patient services.

Increasing Capacity and Capability

In view of strong patient demand and growth, the initial plans for construction of a new medical outpatient block (with mainly clinic suites and outpatient services areas) for Regency has been expanded and re-designed to become a hospital extension block instead. This new extension block will be seamlessly linked to the existing hospital building, and will more than double the existing capacity of Regency with more inpatient beds, critical care facilities, clinical services areas, operating theatre capacity as well as clinic suites for sale or rental to doctors. At the same time, a cancer centre will be developed to provide radiotherapy services, further enhancing Regency's suite of oncology treatments. Construction is expected to commence in 2017, and the hospital extension block is expected to be completed in two and a half years.

Differentiating for Future Growth

With the rapid development of Iskandar Malaysia and entry of new hospitals, the competition faced by Regency has intensified and is expected to further intensify over the next few years. However, Regency will continue to focus on differentiating itself from other competitors by growing its key disciplines, recruiting new consultants, launching new services, enhancing patient experience and expanding its marketing network both locally and overseas. In addition, the new hospital extension block will increase capacity as well as better position Regency for its next phase of growth.



HMI Institute of Health Sciences

HMI Institute of Health Sciences (“HMI Institute”) is one of only two Singapore Workforce Development Agency appointed Continuing Education and Training (“CET”) centres for the healthcare support sector in Singapore. Since inception, HMI Institute has trained more than 1,800 Workforce Skills Qualification (“WSQ”) healthcare support trainees and more than 110,000 individuals in life saving skills.

HMI Institute’s revenue grew marginally in FY2016 to RM 9.5 million, and the institute successfully secured a few major training contracts that aims towards achieving 150,000 individuals trained in life saving skills by the end of 2017. HMI Institute also achieved a four-year renewal for the Enhanced Registration Framework registration with the Singapore Council for Private Education.

In September 2016, HMI Institute relocated to its new training facility at Devan Nair Institute for Employment and Employability. The advanced purpose-built training centre models actual healthcare working environments such as an operating theatre, hospital wards and physiotherapy areas. This allows authentic and experiential learning to take place for students.

Going forward, HMI Institute is pro-actively developing and incorporating blended e-learning capabilities to make healthcare knowledge and continuing professional education more accessible to a larger pool of learners. This is also in line with the Singapore SkillsFuture initiative to promote life-long learning.

GROUP CEO'S MESSAGE – REVIEW OF OPERATIONS

Leveraging on Group Synergies

In view of the increasing competitive environment, the Group will continue to leverage on synergies across two hospitals to drive sustainable growth, performance and value. Key functional areas such as doctor recruitment and marketing will continue to be driven together so as to facilitate sustained growth in patient load.

For operational effectiveness and alignment, areas such as quality assurance, policy and process streamlining, and administrative controls will be pooled together for review and continuous improvement. Currently, the Group is reviewing its information technology system, and is also undertaking a lean six sigma project to improve business processes and reduce patient waiting times.

To maintain cost effectiveness, group procurement of equipment, medical supplies and pharmaceutical drugs will continue to be focused on. Also, the Group is in the midst of developing a core training and development framework for all patient-facing employees so that they can gain the knowledge and skills needed to develop their confidence in caring for and interacting with our customers.

Focusing on People Development

The Group has managed to achieve solid growth through the contributions from our dedicated consultants and doctors as well as our committed team of Management and operations colleagues. We believe that the key determinant of the Group's long term success is the strength and depth of our talent pool, and are committed to attracting the right talents, and nurturing and retaining them.

As such, the Group has developed the HMI People Development Roadmap that will be implemented over the next 3 years in order to ensure the sustainability of our businesses. The HMI People Development Roadmap focuses on 4 key pillars, namely (i) Leadership Development and Talent Management which includes succession planning for business continuity and sustainable growth, (ii) Continuous Training, Education and Development ("TED") that encompasses technical, cross functional and soft skills training for all employees so that they can gain the knowledge and skills needed to progress and grow in their chosen career track within the Group, (iii) Competitive Performance-Based Remuneration so as to attract and retain leadership and talent within the Group, and (iv) Good-to-Great and High-Performance Culture so as to provide all employees with a positive and engaging work environment through workplace health promotion activities, internal communication sessions, as well as numerous internal events to celebrate festivities and recognise accomplishments.

The Group also supports the professional development of our consultants, doctors, nurses and allied health professionals. To keep abreast with the latest developments in the medical field, our hospitals support our consultants and doctors in their professional upgrading initiatives, regularly conduct continuing medical and nursing education talks, actively participate in industry-wide conferences and seminars, as well as sponsor nurses and allied health professionals for post-basic training programmes.

Investor Relations

The Group is committed to corporate transparency and effective corporate governance through maintaining open and continuous dialogue with our shareholders, analysts and financial media. The Group regularly furnishes prompt, comprehensive and relevant disclosure in its announcements, circulars to shareholders and annual report. All material information is disclosed in a timely manner and can be accessed via SGXNet and the HMI corporate website (www.hmi.com.sg).





During the year, the Group reinvigorated its efforts on greater investor relations and media relations outreach. Members of our senior Management team are directly involved in the Group's investor relations activities through periodic non-deal roadshows, conferences and investor briefings with financial analysts and institutional fund managers. Going forward, HMI will continue to work to raise the public's awareness of the Group and build sustainable relationships with the shareholders and the investment community.

Acknowledgements

My team and I would also like to convey our appreciation to our Board of Directors for their insights, direction and stewardship throughout FY2016.

The Group would not have been able to grow its business without our dedicated team of consultants, doctors, nursing and allied health professionals and staff. Your unwavering commitment to excellence will ensure our continued success in the competitive environment that we operate in and we look forward to your continued support as we take the Group to the next level of growth.

Ms Chin Wei Jia

Group Chief Executive Officer and Executive Director
Health Management International Ltd

PASSION IN HEALTHCARE AND COMMUNITY

CORPORATE SOCIAL RESPONSIBILITY



Being passionate in healthcare, HMI believes in giving back to the communities in which it serves. In addition to the fundraising activities, we also give back to the community in the form of education and awareness, as well as community service. Season's festivals, such as Chinese New Year, Hari Raya and Christmas, are always celebrated together with our community.



Mahkota Medical Centre

Mahkota Charity Run, 11 October 2015

Mahkota, together with the Malacca Skyhawk Marathon Club, organised its second annual Charity Run 2016 to raise funds for cancer patients. Led by the Mahkota Cancer Centre, the event attracted more than 1,200 participants. The event also raised RM 107,538 for Lee Association's Youth Caring Fund, a foundation which supports cancer patients requiring financial assistance.



Christmas Celebrations with Lighthouse Children's Home and Pusat Jagaan Kanak-Kanak Harapan, 21 December 2015

To celebrate Christmas, Mahkota collaborated with the Malacca Tourism Association and the World Youth Foundation to grant special wishes to the underprivileged children from Lighthouse Children's Home and Pusat Jagaan Kanak-Kanak Harapan, Malacca. A total of 24 wishes, consisting of gifts and treats, from the generous donors were presented to the children during the Christmas party.



Distribution of "Sembako" or Groceries to Indonesian Communities, June 2016

Beyond the shores of Malacca, Mahkota regularly extends a helping hand to the surrounding local communities in Indonesia where we operate. As part of the outreach activities, Mahkota's patient representative staff distributed bags of "Sembako" or groceries, consisting of essential daily items such as noodles, to the needy families in Balikpapan, Palembang and Bandung, Indonesia.

Bubur Lambuk distribution, 16 June 2016

An annual affair, Mahkota staff cooked and distributed "Bubur Lambuk" in conjunction with the Muslim fasting month of Ramadhan.



Regency Specialist Hospital

Christmas Celebration with Care Haven Home, 21st December 2015

Regency celebrated Christmas by organizing a special excursion to the Johor Austin Water Theme Park for the underprivileged children from the Care Haven Home, Johor. The children were treated to an afternoon of fun water activities under the sun.



Chinese New Year Celebration with Amithaba Kulai Old Folk's Home, 21st February 2016

Regency celebrated Chinese New Year with a visit to the Amithaba Kulai Old Folk's Home, Johor. Regency volunteers spring cleaned the home, and assisted with personal grooming and haircuts for the senior residents. Residents of the home were also treated to a hearty "Prosperity Toast".

PASSION IN HEALTHCARE AND COMMUNITY

CORPORATE SOCIAL RESPONSIBILITY



**Regency World Health Day and Happy Women Carnival,
23rd April 2016**

Regency celebrated the World Health Day together with the Happy Women Carnival in April 2016. Held in collaboration with JEIWA ("Johor Empowerment of Intellectual Women Association"), the event highlighted women's roles in the community and their contributions to health and social development in the community. Regency also launched the Regency Women & Children Centre to provide dedicated women's and children's medical care.

**Regency "Jom Masak Bubur Lambuk Amal" event,
16th June 2016**

Regency celebrated Hari Raya with the annual Bubur Lambuk cooking event, as a way for the hospital to give back to the community. Together with the Pasir Gudang Municipal Council, Regency had prepared over 6,000 bowls of "Bubur Lambuk" or Malay porridge to distribute to the local community.



CODE OF CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Board”) together with the Management of Health Management International Ltd (“HMI” or the “Company” collectively with its subsidiaries, the “Group”) firmly believe that good corporate governance is essential to the success and the sustainability of the Group’s business and performance.

The corporate governance of the Group is built upon principles and guidelines set by:

- 1) Code of Corporate Governance 2012 (the “Code”);
- 2) Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”)

The Group has adhered to principles and guidelines from the Code to protect shareholders’ interests and enhance long-term shareholders’ value and corporate transparency of the Group.

THE BOARD’S CONDUCT OF AFFAIRS

Principle 1

Principal Duties of the Board

The Board oversees businesses and affairs of the Group with the objective of maximising long term shareholders’ value and safeguarding of shareholders’ and other stakeholders’ interests. The principal duties of the Board include:

- 1) Deciding on broad policies, strategic directions and objectives of the Company and the Group;
- 2) Approving annual budgets, periodic plans and major investments and divestments;
- 3) Overseeing processes for evaluating the adequacy and effectiveness of internal controls, risk management, financial reporting and compliance requirements;
- 4) Appointing the Chief Executive Officer (“CEO”), Directors and Senior Management;
- 5) Monitoring the financial performance of the Company and the Group;
- 6) Setting the Company’s values and standards (including ethical standards); and
- 7) Assuming responsibility for corporate governance and considering sustainability issues such as environmental and social factors as part of its strategic formulation.

Board Approval

Matters which are specifically reserved to the Board for approval are:

- 1) Matters involving a conflict of interest for a substantial shareholder or a Director;
- 2) Material acquisition and disposal of assets;
- 3) Corporate or financial structuring;
- 4) Share issuances, interim dividends, final dividends and other returns to shareholders;
- 5) Matters which require Board’s approval pursuant to the constitution of the Company and the Listing Manual of SGX-ST; and
- 6) Any major investments and expenditures.

Board Committees

To assist the Board in discharging its oversight function, various Board Committees, namely the Audit and Risk Management Committee (“ARMC”), Nominating Committee (“NC”), and Remuneration Committee (“RC”), have been constituted with clear written terms of reference. All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group.

Board Orientation and Training

A formal letter of appointment is provided for every new Director to explain his/her duties and obligations. All newly appointed Directors undergo a comprehensive orientation programme to ensure that they understand their duties as Directors and how to discharge such duties. The Group provides extensive background information about its history, mission and values to the newly appointed Directors. Meetings with Key Management Personnel are also conducted to familiarise the new Directors with the business activities, strategic directions, policies and corporate governance practices of the Group. This includes site visits to the hospitals in Malacca and Johor.

CODE OF CORPORATE GOVERNANCE REPORT

As part of the Company's continuing education programme for all Directors, the Board maintains a policy for any Director to attend relevant seminars and courses conducted by, including without limitation, the Singapore Institute of Directors and SGX-ST, at the Company's expense.

Board Meetings

The Board meets regularly and as warranted. The Company adopts a policy whereby Directors are welcome to request the Management to participate in Board meetings to deliver reports to the Board or engage any informal discussions with the Management on any aspect of the Group's operations or business issues.

The attendances of the Directors and former Director at meetings of the Board and Board Committees, as well as the frequency of such meetings during the financial year ended 30 June 2016, are set out below.

Name	HMI Board		Audit and Risk Management Committee		Nominating Committee		Remuneration Committee	
	Number of Meetings Held	Number of Meetings Attended	Number of Meetings Held	Number of Meetings Attended	Number of Meetings Held	Number of Meetings Attended	Number of Meetings Held	Number of Meetings Attended
Dr Gan See Khem	5	5	5	5	2	2	2	2
Ms Chin Wei Jia	5	5	5	5	2	2	2	2
Mr Chin Wei Yao ⁽¹⁾	5	3	5	3	2	1	2	1
Dr Cheah Way Mun	5	4	5	4	2	2	2	2
Mr Gan Lai Chiang, Andy ⁽²⁾	5	4	5	4	2	2	2	2
Professor Annie Koh ⁽³⁾	5	1	5	1	2	0	2	0
Professor Tan Chin Tiong	5	5	5	5	2	2	2	2

Note:

- (1) Mr Chin Wei Yao was appointed as an Executive Director of the Company with effect from 23 October 2015.
- (2) The number of meetings attended by Mr Gan Lai Chiang, Andy during the period from 1 July 2015 to 1 March 2016. Mr Gan Lai Chiang, Andy, ceased as an Independent Non-Executive Director of the Company with effect from 1 March 2016.
- (3) The number of meetings attended by Professor Annie Koh during the period from 1 March 2016 to 30 June 2016. Professor Annie Koh was appointed as an Independent Non-Executive Director of the Company with effect from 1 March 2016.

BOARD COMPOSITION AND GUIDANCE

Principle 2

Board Composition, Size and Diversity

As at 30 June 2016, the Board comprises six Directors, namely three Executive Directors and three Independent Non-Executive Directors.

Executive Directors

Dr Gan See Khem
Ms Chin Wei Jia
Mr Chin Wei Yao

Independent Non-Executive Directors

Professor Annie Koh
Dr Cheah Way Mun
Professor Tan Chin Tiong

The composition of the Board is reviewed annually by the NC to ensure that there is an appropriate mix of expertise and experience to enable the Management to benefit from a diverse perspective of issues that are brought before the Board. The Directors provide core competencies in healthcare, education, accounting, finance, business, and management to the Board. The Directors also bring to the Board their industry knowledge and vast experiences in strategic planning and corporate development.

CODE OF CORPORATE GOVERNANCE REPORT

The Board is committed to pursuing gender diversity in relation to the composition of the Board. Female candidates are always included for consideration whenever a Board position becomes vacant or additional Directors are required. Having said that, the Company is of the view that gender is but one aspect of diversity and new Directors will continue to be selected on the basis of their experience, skills, knowledge, insight and relevance to the Board. As at 30 June 2016, the Board comprises of three female Directors and the Board is satisfied with the diversity of the Board.

The Board considers that there is a strong independent element in the Board as the number of Independent Non-Executive Directors represent half of the Board as at 30 June 2016. The Board also considers that the current Board size is appropriate for effective decision-making, taking into account the scope and nature of the operations of the Group.

The detailed background and principal commitments of the Directors are set out in pages 8 and 9 of this Annual Report.

Board Independence

The Board, at the recommendation of NC, determines on an annual basis whether a Director is independent pursuant to the definition of independence of the Code, that is, an Independent Director is one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company. Under this definition of independence, the NC considers that, apart from Dr Gan See Khem, Ms Chin Wei Jia and Mr Chin Wei Yao, the four Non-Executive Directors, namely Mr Gan Lai Chiang, Andy (resigned on 1 March 2016), Professor Annie Koh (appointed on 1 March 2016), Professor Tan Chin Tiong and Dr Cheah Way Mun are independent pursuant to the Code.

The NC also considers the Non-Executive Directors to be of calibre and adequate in number, and their views to be of sufficient weight that no individual or small group can dominate the Board's decision-making processes. The Non-Executive Directors have no financial or contractual interests in the Group other than by way of their Directors' fees and shareholdings in the Company as set out in the Directors' Statement.

Professor Annie Koh was appointed as an Independent Non-Executive Director on 1 March 2016 and subsequently re-designated as the Lead Independent Director with effect from 1 September 2016. She is also the Chairman of the ARMC and a member of the NC and RC. Professor Tan Chin Tiong is an Independent Director, the Chairman of the RC and NC; and a member of the ARMC. Dr Cheah Way Mun was appointed as the Lead Independent Director on 1 March 2016 and subsequently re-designated as an Independent Director with effect from 1 September 2016. He is a member of the ARMC, RC and NC.

As at 30 June 2016, two of the three Non-Executive Directors have served on the Board for more than nine years. In subjecting the independence of Professor Tan Chin Tiong and Dr Cheah Way Mun to particularly rigorous review, the NC and the Board have (with each of them abstaining from discussion and deliberation on their individual independence) placed more emphasis on whether each of them has demonstrated independent judgment, integrity, professionalism and objectivity in the discharge of his duties rather than imposing a maximum number of years that he should serve.

The NC and the Board have noted that each of the Non-Executive Directors has not hesitated to express his own viewpoints as well as seeking clarification from Management on issues he deems necessary. It is noted that each of them is able to exercise objective judgment on corporate matters independently, in particular from Management and 10% shareholders, notwithstanding that each of them has served more than nine years on the Board. After due consideration and careful assessment, the NC and the Board are of the view that Professor Tan Chin Tiong and Dr Cheah Way Mun remain independent pursuant to the definition of independence in the Code.

Board Information

The Board and Management firmly believe that an effective and robust Board engages in open and constructive debate and challenges Management on its assumptions and proposals. To facilitate this, the Board, in particular, the Non-Executive Directors, must be well-informed of the Group's business and affairs, and be knowledgeable about the industry in which the Group's businesses operate.

With that in mind, regular updates on the developments of the Group are disseminated to the Non-Executive Directors on periodic basis. Informal meetings are also held throughout the financial year to keep Directors updated with prospective deals and potential developments, and before formal Board approval is sought. Further, the Non-Executive Directors meet without the presence of management and Executive Directors, if required, on a need-be basis.

CODE OF CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3

During the financial year ended 30 June 2016, Dr Gan See Khem is the Executive Chairman and Managing Director of the Company. Ms Chin Wei Jia was appointed as Group CEO of the Company on 30 September 2015. Ms Chin Wei Jia is the daughter of Dr Gan See Khem, the controlling shareholder, Executive Chairman and Managing Director of the Company, and Dr Chin Koy Nam, the controlling shareholder of the Company, and the sister of Mr Chin Wei Yao, Executive Director and Group Chief Financial Officer ("Group CFO") of the Company.

Dr Gan See Khem has executive responsibilities for the Group's business as well as responsibility for the working of the Board and ensures that procedures are introduced to comply with the Code. Dr Gan See Khem has played an instrumental role in developing the business of the Group and has also provided the Group with sound and strong leadership. Although the roles and responsibilities for Chairman and Managing Director are vested in Dr Gan See Khem, all major decisions are made in consultation with the Board, ARMC, NC and RC.

Ms Chin Wei Jia, the Group CEO, assisted by the management team, is responsible for the overall management and operation of the Group and the development of the Group's healthcare and education businesses in Singapore and the region. Ms Chin Wei Jia makes strategic proposals to the Board and after robust and constructive board discussions, executes the agreed strategies, manages and implement the Board's decisions.

During the financial year ended 30 June 2016, Independent Non-Executive Directors represent half of the Board while the ARMC, NC and RC are entirely made up of Independent Non-Executive Directors. Therefore, the Board believes that there are adequate safeguards in place against having an uneven concentration of power and authority in a single individual.

Lead Independent Director

Mr Gan Lai Chiang, Andy was the Lead Independent Director of the Company until his resignation as Director on 1 March 2016.

The Board appointed Dr Cheah Way Mun as the Lead Independent Director on 1 March 2016 and subsequently re-designated the role of Lead Independent Director to Professor Annie Koh on 1 September 2016 to lead and co-ordinate activities of the Independent Non-Executive Directors of the Company.

The Lead Independent Director is the principal liaison on Board issues between the Independent Non-Executive Directors and the Executive Chairman and Executive Directors. The Lead Independent Director is also responsible to spearhead the meeting among Independent Non-Executive Directors without the presence of management and other Directors, if required, on a need-be basis, and provide feedback from the Independent Non-Executive Directors to the Executive Chairman and Managing Director. The Lead Independent Director also aids the Independent Non-Executive Directors to constructively challenge and help develop strategic proposals for the Group.

In situations where shareholders may have concerns or issues and such communication with the Executive Chairman and Managing Director or the Executive Directors have failed to resolve the matter, shareholders should feel free to approach any Independent Non-Executive Director of the Company to raise their concerns or issues directly.

BOARD MEMBERSHIP

Principle 4

Nominating Committee

The NC meets regularly and as warranted to carry out the duties and responsibilities in accordance with the terms of reference. The primary duties of the NC are to make recommendations to the Board on all Board appointments, review the effectiveness of the Board and the Board Committees as a whole, and the contribution and independence of individual Directors.

The NC comprises three members, all of whom are Independent Non-Executive Directors:

Professor Tan Chin Tiong	Chairman (Independent Non-Executive Director)
Professor Annie Koh	Member (Lead Independent Director)
Dr Cheah Way Mun	Member (Independent Non-Executive Director)

The NC is guided by written terms of reference which clearly sets out its authority and duties. The key roles of the NC includes:

- 1) Review and make recommendations to the Board on all candidates nominated (whether by the Board or the shareholders) for appointment to the Board and on re-nomination of retiring Directors for re-election, taking into account the composition and progressive renewal of the Board and each Director's competencies, commitments, contributions and performance;

CODE OF CORPORATE GOVERNANCE REPORT

- 2) Make recommendations to the Board on matters relating to Board succession plans, the development of a process for evaluating the performance of the Board, Board Committees and Directors and training programmes for the Board;
- 3) Decide on procedures for evaluating the performance of the Board and Board Committees and propose objective performance criteria;
- 4) Review the effectiveness of the Board and Board Committees as a whole and contributions of each Director;
- 5) Decide, when a Director has multiple board representations, whether the Director is able to and has been adequately carrying out his or her duties as Director of the Company; and
- 6) Review the independence of Non-Executive Directors pursuant to the Code.

Each member of the NC shall abstain from voting on and making any recommendations and/or participating in any deliberations of the NC in respect of any matter in which he or she may be directly or indirectly interested.

Directors' Time Commitments

The NC also considers whether Directors, who have multiple board representations, are able to and have been devoting sufficient time and attention to discharge their responsibilities adequately. The NC is satisfied that notwithstanding the multiple board representations, all Directors of the Company including former Director, Mr Gan Lai Chiang, Andy, have discharged their duties adequately for the financial year ended 30 June 2016.

The Company does not face competing time commitment issue as the dates for all Board and Board Committee meetings are planned and agreed in advance by all Directors of the Company.

None of the Directors holds more than five directorships in public listed companies, the maximum number determined by the Company. The following is the list of present and past directorships held over the preceding three years in other public listed companies by each current Director of the Company up to 30 June 2016:

Name	Present chairmanships and directorships in other listed companies	Chairmanships and directorships held over the preceding three (3) years in other listed companies
Dr Gan See Khem	Health Management International Limited	–
Ms Chin Wei Jia	Health Management International Limited	–
Mr Chin Wei Yao	Health Management International Limited	–
Dr Cheah Way Mun	Health Management International Limited	–
Professor Annie Koh	Health Management International Limited K1 Ventures Limited	–
Professor Tan Chin Tiong	Health Management International Limited Imperium Crown Ltd MYP Ltd	–

Process and Criteria Used for Appointment of New Directors

In appointing a new Director, the NC first considers the range of skills and experience required in the light of the:

- 1) Geographical spread and diversity of the Group's businesses;
- 2) Strategic direction and progress of the Group;
- 3) Current composition of the Board; and
- 4) Independence requirements.

After which, the NC 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.

Next, the NC will conduct interviews and assess the suitability of the candidates. The key criteria used to select new appointments include possession of expert knowledge that meets the needs of the Group, ability to commit time, personal character, business experience and acumen. Where a Director has multiple board representations, the NC will evaluate whether he or she will be able to adequately carry out his or her duties as a Director of the Company. Final approval on the appointment of a candidate is determined by the Board of the Company.

CODE OF CORPORATE GOVERNANCE REPORT

During the financial year ended 30 June 2016, the Board appointed Mr Chin Wei Yao as an Executive Director of the Company on 23 October 2015. The Board also appointed Professor Annie Koh as an Independent Non-Executive Director of the Company, in place of Mr Gan Lai Chiang, Andy, on 1 March 2016. The Board and the NC are satisfied with the qualification, experience and suitability of Mr Chin Wei Yao and Professor Annie Koh after taking into account their extensive working experiences and their qualifications prior to the joining of the Group, and accordingly, the appointments of Mr Chin Wei Yao and Professor Annie Koh have been approved by the Board as a whole.

The NC is also responsible for the nomination of retiring Directors for re-election at the Annual General Meeting ("AGM"). For this purpose, the NC reviews each retiring Director's contributions and assess the performance of the retiring Director for the relevant financial year. Each member of the NC shall abstain from voting on any resolutions in respect to his or her nomination for re-election.

Article 95 of the Company's Constitution requires one-third of the Directors for time being, other than the Managing Director, to retire and being eligible, to subject themselves for re-election by shareholders at every AGM. Article 96 of the Company's Constitution requires any Director appointed by the Directors of the Company to retire from office at the next AGM and being eligible, to subject himself or herself for re-election by shareholders of the Company.

The Directors standing for retirement and being eligible, for re-election at the forthcoming AGM are Mr Chin Wei Yao, Professor Annie Koh and Professor Tan Chin Tiong. The NC has considered the performance of retiring Directors and accordingly, recommended the nomination of the three retiring Directors to the Board. Accordingly, the Board has accepted the recommendation of the NC and put forward the nomination of the retiring Directors, namely Mr Chin Wei Yao, Professor Annie Koh and Professor Tan Chin Tiong, for re-election as Directors at the forthcoming AGM of the Company.

Mr Chin Wei Yao will, upon re-election as a Director of the Company, remain as an Executive Director of the Company. He is also the Group CFO of the Company. Mr Chin Wei Yao is the son of Dr Gan See Khem, the controlling shareholder, Executive Chairman and Managing Director of the Company, and Dr Chin Koy Nam, the controlling shareholder of the Company, and the brother of Ms Chin Wei Jia, Executive Director and Group CEO of the Company. Mr Chin Wei Yao has a direct interest in 2,147,600 ordinary shares, representing less than 10% in the capital of the Company. Mr Chin Wei Yao has no indirect interest in the ordinary shares of the Company.

Professor Annie Koh will, upon re-election as a Director of the Company, remain as the Chairman of the ARMC and as a member of the NC and RC. There is no relationship (including immediate family relationships) between Professor Annie Koh and the other Directors of the Company or the Company's 10% shareholders. Professor Annie Koh has no direct or indirect interest in the ordinary shares of the Company.

Professor Tan Chin Tiong will, upon re-election as a Director of the Company, remain as the Chairman of the NC and RC and as a member of the ARMC. There is no relationship (including immediate family relationships) between Professor Tan Chin Tiong and the other Directors of the Company or the Company's 10% shareholders. Professor Tan Chin Tiong has direct interest in 2,285,627 ordinary shares, representing less than 10% in the capital of the Company. Professor Tan Chin Tiong has no indirect interest in the ordinary shares of the Company.

Pursuant to the Code, the Board shall generally avoid approving the appointment of an Alternate Director unless the Director has a medical emergency or any other reasons that the Board shall determine as valid. Prior to recommending such appointment to the Board for approval, the NC shall appraise the proposed Alternate Director to assess his/her familiarity with the Company's affairs and whether he/she qualifies as an Independent Director if he/she is to be appointed as an Alternate Director to an Independent Director. Such appointment shall only be for a limited period and the Alternate Director shall assume all the duties and responsibilities of the Director. During the financial year ended 30 June 2016, no Alternate Director was appointed or proposed to be appointed by any Director of the Company.

BOARD PERFORMANCE

Principle 5

Evaluation Processes

The NC believes that evaluating the performance and effectiveness of the Board and Board Committees is essential for good corporate governance of the Company.

CODE OF CORPORATE GOVERNANCE REPORT

The NC has implemented formal processes for assessing the Board and Board Committees as a whole. Factors including but not limited to (1) structure and size of the Board and Board Committees, (2) the manner in which the Board and Board Committees meetings are conducted, (3) Board and Board Committees accountability, (4) degree of corporate strategy and planning, (5) risk management and internal controls review processes are taken into consideration to evaluate the Board's and Board Committees' performance.

The NC also has in place a formal process for assessment of the contributions by each Director and the effectiveness of the Board and Board Committees. The NC reviews the assessment result of each Director's performance and reviews the Board's and Board Committees' performance and effectiveness as a whole annually using objective and appropriate quantitative and qualitative criteria, such as those factors above recommended by the NC. In reviewing the overall Board's performance, the NC also took into consideration the Board's ability to monitor the Management's achievement of the strategic directions/objectives set and approved by the Board.

Assessment parameters for Directors' performance include their level of participation at Board and Board committee meetings and the quality of their contributions to Board processes and the business strategies and performance of the Group. Using results from the assessment exercise, the Board then takes the opportunity to explore areas of improvement so that necessary steps can be executed to improve the performance of the Board and Board Committees.

The evaluation of effectiveness and performance of the Board and Board Committee as a whole is carried out on a self-evaluation basis by each member of the Board, while the performance of an individual Director is evaluated by all Directors except for the Director that is subject to assessment. No external facilitator has been engaged by the Company for the purpose of performance and effectiveness evaluation for the financial year ended 30 June 2016.

ACCESS TO INFORMATION

Principle 6

Complete, Adequate and Timely Information

The Management recognises that the flow of accurate and timely information to the Board is fundamental to the Board's effectiveness and efficiency in discharging its duties.

Prior to each Board and Board Committee meeting, the Management provides the Board with information relevant to matters on the agenda for the Board and Board Committee meetings. The papers generally include sufficient information from Management on financial, business and corporate issues to support the Directors in making informed decisions on the matters and issues considered at the Board and Board Committee meetings. Management and staff who have prepared the papers, or who can provide additional insights into the matters to be discussed, are invited to attend the Board and Board Committee meetings. The Directors of the Company also receive information from the Management about the Group on a regular and timely manner. The Directors of the Company are also entitled to request from Management any additional information as may be needed to make informed decisions.

The Directors have the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the operations or undertakings of the Group in furtherance of their duties and responsibilities.

Company Secretary

The Directors of the Company have unrestricted access to the Company's records and information, and independent access to the Company's Management and the Company Secretary.

The appointment and the removal of Company Secretary is subject to the approval of the Board as a whole in accordance with the Constitution of the Company. On 1 September 2016, the Board approved the appointment of Ms Noraini Binte Noor Mohamed Abdul Latiff as the Company Secretary of the Company, in place of Mr Lo Kim Seng.

During the financial year ended 30 June 2016, the Company Secretary or his/her representatives attend all Board and Board Committee meetings and is responsible for ensuring that Board procedures are observed and that the Constitution of the Company, the Companies Act, Chapter 50 and the Listing Manual of the SGX-ST, are complied with.

CODE OF CORPORATE GOVERNANCE REPORT

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7

LEVEL AND MIX OF REMUNERATION

Principle 8

DISCLOSURE ON REMUNERATION

Principle 9

Remuneration Committee

The RC meets regularly and as warranted to carry out the duties and responsibilities in accordance with the terms of reference. The RC generally recommends the general framework of remuneration for the Directors of the Company and Key Management Personnel of the Group and reviews the appropriateness, transparency and accountability to shareholders on the remuneration issues of the Directors and Key Management Personnel in the Company.

The RC comprises three members, all of whom are Independent Non-Executive Directors:

Professor Tan Chin Tiong	Chairman (Independent Non-Executive Director)
Professor Annie Koh	Member (Lead Independent Director)
Dr Cheah Way Mun	Member (Independent Non-Executive Director)

The primary objective of the general remuneration framework is to provide remuneration packages in tandem with market rate, which would attract, retain and motivate the Directors of the Company and the Key Management Personnel of the Group.

The RC is guided by written terms of reference which clearly sets out its authority and duties. The key roles of the RC includes:

- 1) Recommend to the Board a framework of remuneration for the Board members and Key Management Personnel of the Group;
- 2) Decide on the appropriate level of remuneration to attract, retain and motivate the Directors and Key Management Personnel;
- 3) Consider whether Directors should be eligible for benefits under any long-term incentive schemes; and
- 4) Review terms, conditions and remuneration of the Key Management Personnel of the Group.

The recommendations of the RC are submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, base or fixed salary, variable or performance related incomes or bonus, share options, share-based rewards and benefits-in-kind are reviewed by the RC.

Each member of the RC shall abstain from voting on and making any recommendations and/or participating in any deliberations of the RC in respect of his or her remuneration package.

The RC has full authority to engage any external professional advice relating to remuneration matters as and when the need arises. During the financial year ended 30 June 2016, the Company with the recommendation of the RC had engaged Mercer (Singapore) Pte Ltd ("Mercer"), a global human resource consulting firm to perform a benchmarking assessment to assess competitiveness of the Group's remuneration against the market, and to propose an incentive plan comprising short term and long term incentives for the attraction and retention of C-suite and key personnel within the Group. In addition, they were also engaged to develop a leadership success profile with key competencies so as to facilitate the Group's leadership succession planning exercise and enable the Group to identify and develop candidates who are able to assume C-suite positions within the Group. Mercer is an external professional firm with no relationship with the Company and hence, its independence and objectivity in the engagement has been maintained.

Directors' Remuneration

In structuring and reviewing the Directors' remuneration packages, the RC seeks to align interests of Directors with those of the shareholders and link rewards to corporate and individual performances as well as the roles and responsibilities of each Executive Director.

CODE OF CORPORATE GOVERNANCE REPORT

The RC also ensures that the Independent Non-Executive Directors should not be overcompensated to the extent that their independence may be compromised.

The Directors' fees for the Non-Executive Directors of the Company consists of a basic fee and additional fees, where applicable, for their participation in Board Committees of the Company. The additional fees are set in accordance with a remuneration framework by taking into account the effort, time spent and responsibilities of individual Non-Executive Director of the Company.

No individual Non-Executive Director is allowed to fix his or her remuneration. The payment of Directors' fees for Non-Executive Directors are submitted to shareholders for approval at each AGM.

The Board, having considered several factors, including the confidentiality and commercial sensitivity attached to the remuneration matters and in the interest of the Company, decided that the remuneration of each Director and former Director of the Company should be disclosed on a band-wide manner.

The total remuneration of the Directors and former Director of the Company received from the Group for the financial year ended 30 June 2016 in bands of SGD250,000 is set out below:

Directors	Base/Fixed salary	Variable or performance-related income/bonuses	Share options/share-based awards	Benefits in kind	Directors' fee	Total
SGD1,500,000 to SGD1,750,000						
Dr Gan See Khem	50%	12%	33%	2%	3%	100%
SGD1,000,000 to below SGD1,250,000						
Ms Chin Wei Jia ⁽¹⁾	37%	9%	48%	5%	1%	100%
SGD250,000 to below SGD500,000						
Mr Chin Wei Yao ⁽²⁾	86%	5%	0%	4%	5%	100%
Below SGD250,000						
Dr Cheah Way Mun	0%	0%	0%	0%	100%	100%
Mr Gan Lai Chiang, Andy ⁽³⁾	0%	0%	0%	3%	97%	100%
Professor Annie Koh ⁽⁴⁾	0%	0%	0%	0%	100%	100%
Professor Tan Chin Tiong	0%	0%	0%	2%	98%	100%

Note:

- (1) Ms Chin Wei Jia was appointed as Group CEO of the Company with effect from 30 September 2015.
- (2) Mr Chin Wei Yao was appointed as an Executive Director of the Company with effect from 23 October 2015. Mr Chin Wei Yao was also the Director, Finance & Corporate Development of the Company. The total remuneration information covers the full financial year from 1 July 2015 to 30 June 2016.
- (3) Mr Gan Lai Chiang, Andy, ceased as an Independent Non-Executive Director of the Company with effect from 1 March 2016.
- (4) Professor Annie Koh was appointed as an Independent Non-Executive Director of the Company with effect from 1 March 2016.

The Board and the RC are satisfied that the Group's prescribed performance targets set for Dr Gan See Khem, Dr Chin Koy Nam and Ms Chin Wei Jia under the HMI Performance Share Plan have been achieved subsequent to the financial year ended 30 June 2016 and accordingly, the Company allotted and issued an aggregate of 8,820,000 new ordinary shares in the capital of the Company pursuant to the vesting of the awards in late August 2016. The awards were granted to the participants pursuant to the HMI Performance Share Plan in November 2014.

Remuneration of Top Five Key Management Personnel

Having considered several factors, the Group is of the view that in order to maintain confidentiality and commercial sensitivity of the remuneration matters and avoid staff poaching within the healthcare industry, the remuneration of top five Key Management Personnel will be disclosed on a band-wide manner, without further disclosing the full name of the Key Management Personnel and the detailed breakdown of their remuneration package. The remuneration paid to the top five Key Management Personnel of the Group (who are not Directors of the Company) for financial year ended 30 June 2016 is set out below:-

Remuneration Band	Number of Key Management Personnel
Band A: SGD250,000 to below SGD500,000	1
Band B: Below SGD250,000	4

CODE OF CORPORATE GOVERNANCE REPORT

The total remuneration paid to the top five Key Management Personnel of the Group (who are not Directors of the Company) for financial year ended 30 June 2016 is SGD1,243,000.

Remuneration of Employees related to Directors

During the financial period commencing from 1 July 2015 to the date preceding to the appointment of Mr Chin Wei Yao as Executive Director of the Company on 23 October 2015, Mr Chin Wei Yao was holding the position of Director, Finance & Corporate Development of the Company. He is the son of Dr Gan See Khem, Executive Chairman and Managing Director of the Company, and the brother of Ms Chin Wei Jia, Group CEO and Executive Director of the Company.

As at 30 June 2016, the Company has one employee, Dr Chin Koy Nam, who is the spouse of Dr Gan See Khem and father of Ms Chin Wei Jia and Mr Chin Wei Yao. Dr Chin serves the Company as the Group Medical Director and is responsible for the oversight of the Group's overall medical and related matters.

The remuneration packages for both Mr Chin Wei Yao and Dr Chin Koy Nam are consistent with the basis of determining the remuneration of the other unrelated employees. The remuneration paid to Mr Chin Wei Yao preceding to the date of his appointment as Executive Director of the Company on 23 October 2015 exceeded SGD50,000 and the total remuneration thereof has been disclosed on the above table. The remuneration paid to Dr Chin Koy Nam for the financial year ended 30 June 2016 is set out below:

Name	Base/Fixed salary	Variable or performance-related income/bonuses	Share options/share-based awards	Benefits in kind	Directors' fee ⁽¹⁾	Total
SGD400,000 to below SGD450,000						
Dr Chin Koy Nam	29%	5%	62%	2%	2%	100%

Note:

(1) Directors' fee is payable to Dr Chin Koy Nam in his capacity as a Director of a subsidiary.

Save for the above, none of the employees of the Company and its subsidiaries was an immediate family member of any Director of the Company and whose remuneration exceeded SGD50,000 during the financial year ended 30 June 2016.

Remuneration Mix

The Company's remuneration framework is made up of two key components, namely fixed pay and variable incentives. Fixed pay comprises a base salary and annual wage supplement. The variable incentives can be further broken down into short-term incentives and long-term incentives.

The short-term incentive takes the form of an annual variable bonus. The RC reviews and approves annual variable bonus to the Executive Chairman and Executive Directors of the Company, based on individual performance and contributions towards the Company and the Group.

Two share-based incentive schemes are also in place to reward, motivate and retain Key Management Personnel, namely the HMI Employee Share Option Scheme and the HMI Performance Share Plan. Key information regarding the HMI Employee Share Option Scheme and the HMI Performance Share Plan is set out on pages 44 and 45 of the Annual Report.

Even though there are no contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors or Key Management Personnel in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Group, the Company and/or its subsidiaries will not hesitate to take legal actions against the personnel responsible for and involved in such exceptional circumstances.

ACCOUNTABILITY

Principle 10

The Board is accountable to shareholders and the Management is accountable to the Board for the Group's financial and operational position. The Company recognises that timely and effective communication will enhance transparency and accountability to its shareholders.

CODE OF CORPORATE GOVERNANCE REPORT

The Board is committed to providing shareholders with a balanced and comprehensive assessment of the Group's financial performance, position, and prospects, including quarterly financial statements reporting and other price-sensitive reports, and reports as required by regulatory bodies. The Company communicates the Group's material price-sensitive information announcements to its shareholders via SGXNET and via the Company's corporate website. Material price-sensitive information is publicly released on a timely manner as required under the Listing Manual of the SGX-ST.

The Board has taken steps in compliance with rules and regulations as well as listing rules introduced by SGX-ST. The Board has made reference to Rule 705(5) of the Listing Manual of the SGX-ST and adopted a written policy by providing negative assurance statement in respect of the quarterly financial statements and half-year financial statements to the shareholders of the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11

The Board acknowledges their full responsibility of the overall internal controls system and risk management established by the Group. However, they also recognise that no internal controls system and risk management system will preclude all material errors and irregularities as the Group's internal controls system and risk management system is designed to manage rather than eliminate the risk of failure to achieve business objectives. The system provides reasonable, but not absolute assurance that the Group will not be adversely affected by any event that can be reasonably foreseen. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

The ARMC has facilitated the Board in discharging the function of reviewing the Group's risk management policy and strategy. By identifying areas of significant business risks, including revenue loss, property loss and breach of information security, the Management, under the guidance of ARMC, implements appropriate measures to control and mitigate these risks. In determining the appropriate measures, the cost of control and risk management, and the impact of risks occurring will be assessed against the benefits of reducing the risks.

During the financial year ended 30 June 2016, the Group put in place the HMI Enterprise Risk Management Framework (the "Framework") outlining the Group's internal control and risk management processes and procedures. The Framework has been tailored to meet the risk management requirements and support the achievement of the Group's objectives. It is designed to identify potential key events that may affect the Group and manage risks within its risk appetite, and ultimately provide assurance to its stakeholders regarding the achievement of its objectives.

The risk governance principles embedded in the Framework comprises of four Lines of Defence, which is a prerequisite to ensuring a robust system of risk management and effective internal controls within the Group. Under the first Line of Defence, Management is required to ensure good corporate governance through identifying risks, maintaining internal controls and executing risk and control procedures on a day-to-day basis. Such policies and procedures relevant to Group's business environment would govern financial, operational, information technology and regulatory compliance matters and are reviewed and updated periodically.

Under the second Line of Defence, the effectiveness of implementation of the first Line of Defence is being monitored by the Group's Risk Management function. The Group's Risk Management function will guide and coordinate risk management and compliance across the Group.

Under the third Line of Defence, to obtain assurance on the adequacy and effectiveness of internal controls, the significant business units are required to provide the Company with written assurances on the adequacy and effectiveness of their system of internal controls and risk management. The Board has received written assurance from the Executive Chairman and Managing Director, the Group CEO, the Group CFO, the CEOs and Chief Financial Officers of the hospitals, that the financial records have been properly maintained and the financial statements provide a true and fair view of the Group's operations and finances; and the Group's risk management and internal control systems are operating effectively for the financial year ended 30 June 2016.

The ARMC has also met with the internal and external auditors to review the internal and external auditors' audit plans and the adequacy of risk management mechanisms implemented within the Group. As part of the annual statutory audit on financial statements, the internal and external auditors also report to the ARMC and the appropriate level of Management on any material weaknesses in financial internal controls over the areas which are significant.

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Under the fourth Line of Defence, the Board, together with the ARMC, reviews the effectiveness and adequacy of the Group's internal controls, including financial, operational, compliance and information technology controls and risks management of the Group on annual basis. The review is based on the internal controls established and maintained by the Group, reports submitted by the external auditor and the internal auditor and regular reviews performed by Management. The Board, with the concurrence of the ARMC, is of the opinion that, at the Company and Group level, there were adequate and effective risk management and internal control systems, covering financial, operational, compliance and information technology controls as at 30 June 2016.

AUDIT COMMITTEE

Principle 12

The ARMC is guided by written terms of reference which clearly sets out its authority and duties. The ARMC meets regularly and as warranted to carry out its duties and responsibilities.

The ARMC comprises three members, all of whom are Independent Non-Executive Directors:

Professor Annie Koh	Chairman (Lead Independent Director)
Professor Tan Chin Tiong	Member (Independent Non-Executive Director)
Dr Cheah Way Mun	Member (Independent Non-Executive Director)

None of the members nor the Chairman of the ARMC is a partner or director of the Group's audit firms or former partner or former director of the Group's audit firms. None of them has any financial interest in the Group's audit firms.

The Board is of the view that at least two members of the ARMC have relevant accounting or related financial management expertise and experience to discharge their functions within the terms of reference.

Duties of the ARMC

The primary duties of the ARMC are to assist the Board to discharge the responsibility for reviewing the Group's financial reporting, budgeting and auditing processes, monitoring the changes in the Group's accounting policies, reviewing the Group's internal controls including financial, operational, compliance and information technology controls and risk management system and assessing the accounting implications of major transactions of the Group.

During the financial year ended 30 June 2016, the ARMC discharged the following delegated functions in accordance with the terms of reference adopted by the ARMC:

- 1) Reviewed the adequacy and the effectiveness of the Group's internal controls including financial, operational, compliance and information technology controls and risk management system after the reporting from the internal auditor and external auditor;
- 2) Reviewed the consolidated financial statements of the Group with external auditor before submission to the Board for adoption;
- 3) Reviewed interested person transactions as defined in Chapter 9 of the Listing Manual of the SGX-ST to ensure that they are on normal commercial terms and not prejudicial to the interest of the Company and its minority shareholders;
- 4) Reviewed the scope of work of the external auditor and the results arising therefrom;
- 5) Reviewed the independence and objectivity of the external auditor, their re-appointment, and their audit fee;
- 6) Reviewed the audit plans of the external auditor and any recommendations on internal controls arising from the statutory audit;
- 7) Reviewed the appointment of the internal auditor, the scope of internal audit and the internal audit fees;
- 8) Reviewed the internal control weaknesses and the recommendations arising from the internal audit;

CODE OF CORPORATE GOVERNANCE REPORT

- 9) Reviewed the adequacy and effectiveness of the internal audit function of the Group;
- 10) Reviewed the quarterly, half year and full year financial statements and reports that are submitted to the Board for approval;
- 11) Reviewed fraud, irregularity or infringement of any laws of the countries that the Group operates in, rule and regulations the ARMC is aware of, which has or is likely to have a material impact on the Group's operation and financial position, and the findings of any internal investigations and Management's response thereto; and
- 12) Considered other matters as requested by the Board.

Each member of the ARMC shall abstain from voting on and making any recommendations and/or participating in any deliberations of the ARMC in respect of any matter directly or indirectly he or she may be interested.

The ARMC meets periodically with internal auditor, external auditor and the Management to review accounting policies, audit processes, financial statements and such other related matters so as to ensure that the ARMC is comfortable with the Group's control environment.

The ARMC met the internal auditor and the external auditor, in each case, without the presence of the Management, at least once during the financial year ended 30 June 2016.

The ARMC has reviewed the independence and objectivity of the external auditor of the Company, Messrs PricewaterhouseCoopers LLP, an audit firm registered with the Accounting & Corporate Regulatory Authority through discussions as well as the review of the volume and nature of non-audit services, if any, provided by the external auditor during the financial year ended 30 June 2016.

Based on the information available to the ARMC, the ARMC assessed Messrs PricewaterhouseCoopers LLP, based on factors such as performance, adequacy of resources and experience of their audit engagement partners and audit team assigned to the Group's audit, as well as the size and complexity of the Group. The ARMC is satisfied that the financial, professional and business relationships between the Group and the external auditor do not prejudice their independence and objectivity. Accordingly, the ARMC is satisfied that Rule 712 and Rule 715 of the Listing Manual of the SGX-ST have been complied with and has recommended to the Board the re-appointment of Messrs PricewaterhouseCoopers LLP as the external auditor at the forthcoming AGM.

The ARMC has undertaken a review of the non-audit services provided by Messrs PricewaterhouseCoopers LLP, the external auditor for the financial year ended 30 June 2016 and is satisfied that such services have not significantly and will not, in the ARMC's opinion, affect the independence of the external auditor. The amount of audit and non-audit fees paid or payable to the external auditor, Messrs PricewaterhouseCoopers LLP and other auditor in respect of the financial year ended 30 June 2016 are as set out in page 64 of this Annual Report.

The ARMC is kept abreast with regular updates on the changes to accounting standards, rules and regulations to ensure that they are well-informed and competent in carrying out their roles and responsibilities.

In accordance with the principles and best practices as set out in the Code, the ARMC has:

- 1) Full access to and co-operation from the Management as well as full discretion to invite any Director or Key Management Personnel to attend meetings; and
- 2) Been given reasonable resources to enable it to discharge its function properly.

Whistle-Blowing Policy

The Company has established a whistle-blowing policy within the Group to encourage the reporting in good faith of suspected improprieties or misconducts. The policy stipulates clearly defined processes through which the reports may be made by the employees of the Group, with the assurance that any employee and other persons making such a report will be treated fairly and, to the extent possible, protected from reprisal. The ARMC is satisfied that arrangements are in place for independent investigation of such matters and for appropriate follow-up action. To facilitate the management of such incidences of alleged improprieties or misconducts, the ARMC is guided by a set of guidelines to ensure proper conduct of investigations and appropriate closure actions following completion of investigations, including administrative, disciplinary, civil and/or criminal actions, and remediation of control weaknesses that perpetrated the improprieties and misconduct so as to prevent a recurrence.

CODE OF CORPORATE GOVERNANCE REPORT

In addition, the ARMC reviews the policy periodically to ensure that it remains current. To the best knowledge of the Board and the ARMC, there were no whistle-blowing reports received through the Group's whistle-blowing mechanism during financial year ended 30 June 2016.

INTERNAL AUDIT

Principle 13

During the financial year ended 30 June 2016, the Company outsourced its internal audit function to a reputable audit firm, Messrs Ernst & Young Malaysia LLP, after obtaining the approval of the ARMC. The objective of outsourced internal audit function is to assist the ARMC and the Directors of the Company to evaluate the adequacy and effectiveness of the Group's internal controls including financial, operational, compliance and information technology controls and risk management system annually by performing independent reviews on the Group's internal processes and procedures over the Group's operations.

The internal auditor, Messrs Ernst & Young Malaysia LLP, consists of experienced personnel with relevant qualification and experience, have unfettered access to all the Group's documents, records, properties and personnel during the course of internal audit. Based on information available to the ARMC, the ARMC is satisfied that Messrs Ernst & Young Malaysia LLP is a reputable audit firm and is adequately resourced. The internal auditor has carried out its function in general conformance with the applicable International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors Incorporated, USA.

The significant internal control weaknesses identified during the course of internal audit together with the recommendations thereof are reported to the ARMC on a timely basis. The follow up review on the implementation of recommendations are also monitored closely by both the Management and the internal auditor of the Group on a regular basis.

The ARMC will approve the hiring, the removal, the evaluation and the compensation of internal audit function, in addition to the annual review of the adequacy and effectiveness of the internal audit function of the Group.

SHAREHOLDER RIGHTS

Principle 14

The Company is committed to treat all shareholders fairly and equitably by recognising and facilitating the exercise of shareholders' rights, and continually updating the shareholders of the Company on the Group's affairs. The Company strives to facilitate the exercise of ownership rights by all shareholders and to keep them sufficiently informed of changes in the Group and/or its businesses which are likely to materially affect the price or value of the Company's shares.

The Company also ensures that its shareholders have the opportunity to participate effectively in and vote at the general meetings by providing essential information relating to the proposed resolutions tabled at the general meeting and the voting procedures that govern general meetings.

COMMUNICATION WITH SHAREHOLDERS

Principle 15

Proactive Engagement with Shareholders

The Company is committed to engaging and strengthening stakeholder relationships through its investor relations team by engaging in timely communication with its shareholders, investors, analysts, fund managers, bankers, stakeholders, the media and the public. In addition to general meetings, the senior management meets regularly with investors, analysts and the media, as well as participates in various public forums. In the financial year ended 30 June 2016, the Company started hosting meetings and participating in non-deal roadshows with analysts and investors. Such meetings provide useful platforms for senior management to engage with investors and analysts on a regular basis.

CODE OF CORPORATE GOVERNANCE REPORT

Disclosure of Material Price-Sensitive Information on a Timely Basis

The Company adopts the practice of disclosing material price-sensitive information in a timely, fair and transparent manner to its shareholders. All material price-sensitive information is primarily disclosed in a comprehensive, accurate and timely basis to SGX-ST via SGXNET. The release of such information is pivotal to good corporate governance and enables shareholders to make informed decisions with respect to their investments in the Company.

Furthermore, the Company communicates to all stakeholders through various methods:

- 1) Annual reports are prepared and issued to all shareholders. The Board makes every effort to ensure that the annual reports includes the essential information about the Group, future developments and other disclosures required by the Companies Act, Chapter 50 and Singapore Financial Reporting Standards;
- 2) Quarterly, half year and full year financial statements containing a summary of financial information and affairs of the Group for the financial period under review;
- 3) Notices of the explanatory memoranda for AGMs and Extraordinary General Meetings ("EGMs");
- 4) Disclosures to the SGX-ST;
- 5) Corporate website at <http://hmi.com.sg> where shareholders can access information on the Group; and
- 6) Quarterly and full year presentation slides containing the material financial results/analysis and developments of the Group.

The notice of each AGM or EGM is despatched to the shareholders of the Company within requisite period together with explanatory notes or additional information relating to resolutions. The notice of each AGM or EGM is also advertised in a major newspaper and made available on SGXNET.

Steps taken to Solicit and Understand the Views of Shareholders

During the financial year ended 30 June 2016, the Company has engaged in proactive and timely communication with its shareholders, investors, analysts, fund managers, bankers, stakeholders, the media and the public by addressing their queries in email or phone as well as soliciting and understanding their views or concerns on the Group at various occasions other than at the AGMs or EGMs.

Corporate Website

The corporate website, which is available at <http://hmi.com.sg>, prominently features the latest and the past financial results and related information of the Group. The contact details of the investor relations team are available on the corporate website to enable the shareholders of the Company to contact the Company easily.

The corporate website provides, *inter alia*, announcements, annual reports, presentation slides, and information about the Group. To ensure fair and equal dissemination to the shareholders of the Company, the Group's financial statements are also posted on the corporate website following the release to the SGX-ST via SGXNET.

Dividend Policy

The Company does not have a fixed dividend policy. The frequency and amount of dividends that the Directors of the Company may recommend or declare in respect of any particular financial year or period will depend on the Group's level of earnings, financial results of operations, capital expenditure requirements, investment plans, cash flow, general financial and general business conditions and such other factors as the Directors of the Company may deem appropriate.

The Board has recommended a final one-tier tax-exempt cash dividend of RM 0.75 cents per ordinary share for the financial year ended 30 June 2016 for shareholders' approval at the forthcoming annual general meeting of the Company scheduled for 24 October 2016. Payment of the final one-tier tax-exempt cash dividend, upon receipt of shareholders' approval, will be paid to the eligible shareholders in an equitable manner on 11 November 2016. The full details are set out in page 89 of this Annual Report.

CODE OF CORPORATE GOVERNANCE REPORT

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16

The Company is in full support of Principle 16 to encourage shareholders' participation at the general meetings of the Company. The shareholders are encouraged to attend the AGM or EGM to ensure a high level of accountability and to stay informed of the Group's strategy and goals. The AGM or EGM is the principal forum for dialogue with the shareholders of the Company.

The Constitution of the Company allows a shareholder entitled to attend and vote at the general meetings to appoint not more than two proxies to attend and vote in his or her stead. A shareholder who is a relevant intermediary defined under the Companies Act, Chapter 50, may appoint more than two proxies to attend and vote at the general meetings of the Company. The Company also accept absentia voting method, pursuant to which the proxies are allowed to vote in his or her discretion or in accordance with shareholders' instructions at the general meetings of the Company.

Together with Executive Directors, the Chairman of ARMC, RC and NC are required to be present at the general meetings of the Company to address shareholders' questions. The external auditor of the Company will also be present to assist the Directors of the Company in addressing shareholders' queries on the conduct of the audit and the preparation and content of their auditors' report.

To facilitate an informative session, the shareholders of the Company are also invited to raise issues either formally or informally before or at the general meetings. At the AGM or EGM, each substantial distinct issue is tabled as a separate resolution for approval by shareholders of the Company.

The Company has established the system of voting in accordance with the Constitution of the Company at the general meetings, in which each resolution put forth is voted by way of poll by the shareholders of the Company. The results of each resolution is presented at the general meetings and announced subsequently to SGX-ST via SGXNET.

The Company Secretary or representative will prepare the minutes of the general meetings to record the proceedings of general meeting, of which essentially contain the salient questions and answers exchanged between the shareholders and the Board and Management. The minutes of the general meetings will be made available to the shareholders of the Company upon request.

ADDITIONAL INFORMATION

Dealing in Securities

The Group has adopted internal codes pursuant to Rule 1207(19)(c) of the SGX-ST Listing Manual that applicable to the Company and its officers in relation to the dealing in the Company's securities. The Company and its officers are prohibited to deal in the Company's securities on short term considerations and during the period commencing two weeks before the announcement of the Group's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements. The prohibition ends on the release of the announcement of the Company's financial statements.

The Company and its officers are also prohibited to deal in the Company's securities whenever they are in possession of unpublished, price-sensitive information that is not generally available to the public.

Interested Person Transactions

The Company does not have interested person transactions general mandate from shareholders of the Company. However, the Group has adopted internal policies, involving review and approval procedures for any interested person transactions entered into by the Group.

For the financial year ended 30 June 2016, there was no interested person transactions entered into by the Company or its subsidiaries with any of its interested persons, that when aggregated, exceeded SGD100,000.

Material Contracts

Save for those material contracts disclosed by the Company to SGX-ST via SGXNET, there were no other material contracts entered into by the Company or any of its subsidiaries of the Group with parties in which a Director or controlling shareholder has interests in during the financial year ended 30 June 2016.

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DIRECTORS' STATEMENT

For the financial year ended 30 June 2016

The directors present their statement to the shareholders together with the audited financial statements of the Group for the financial year ended 30 June 2016 and the balance sheet of the Company as at 30 June 2016.

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 48 to 103 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 30 June 2016 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this report are as follows:

Dr Gan See Khem	
Professor Annie Koh	(Appointed on 1 March 2016)
Dr Cheah Way Mun	
Professor Tan Chin Tiong	
Ms Chin Wei Jia	
Mr Chin Wei Yao	(Appointed on 23 October 2015)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options and share awards" in this report.

DIRECTORS' STATEMENT

For the financial year ended 30 June 2016

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares, options or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which a director is deemed to have an interest	
	At 30.6.2016	At 1.7.2015 or date of appointment, if later	At 30.6.2016	At 1.7.2015 or date of appointment, if later
Immediate and ultimate holding company				
<u>Nam See Investment (Pte) Ltd.</u>				
– Ordinary Shares				
Dr Gan See Khem	2,785,575	2,785,575	3,214,425	3,214,425
Ms Chin Wei Jia	1,000,000	1,000,000	–	–
Mr Chin Wei Yao	1,000,000	1,000,000	–	–
<u>Health Management International Ltd</u>				
– Ordinary Shares				
Dr Gan See Khem	5,164,600	5,164,600	290,597,495	289,733,195
Dr Cheah Way Mun	16,422,602	16,163,602	–	–
Professor Tan Chin Tiong	2,285,627	2,285,627	–	–
Ms Chin Wei Jia	4,742,400	4,742,400	–	–
Mr Chin Wei Yao	2,147,600	2,147,600	–	–
– Share Options				
Dr Gan See Khem	1,512,000	1,512,000	2,268,000	2,268,000
Ms Chin Wei Jia	1,512,000	1,512,000	–	–
– Share Awards				
Dr Gan See Khem	3,528,000	3,528,000	5,292,000	5,292,000
Ms Chin Wei Jia	3,528,000	3,528,000	–	–

The directors' interests in the ordinary shares and convertible securities of the Company as at 21 July 2016 were the same as those as at 30 June 2016.

Share options and share awards

On 23 October 2008, the shareholders of the Company approved the adoption of HMI Employee Share Option Scheme ("HMI ESOS") and HMI Performance Share Plan ("HMI PSP") to grant equity-based incentives to all its eligible employees. The maximum aggregate number of shares on which options may be granted under the HMI ESOS and awards may be granted under the HMI PSP is 15% of the total issued equity shares excluding treasury shares of the Company. In the event of a bonus issue, rights issue or a capital reconstruction, the number of options and awards and the exercise price would be adjusted in accordance with the formula stipulated in the HMI ESOS and the HMI PSP.

DIRECTORS' STATEMENT

For the financial year ended 30 June 2016

Share options and share awards (continued)

HMI Employee Share Option Scheme

On 14 November 2014, the Company granted certain directors and other key management personnel, options to subscribe for 3,780,000 ordinary shares of the Company at an exercise price of S\$0.28 per share under the HMI ESOS.

The exercise price of the options is determined as the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange for five market days immediately preceding the date of the grant. The vesting of the options is conditional on the directors and key management personnel completing one year of service to the Group from the date of the grant. Once they have vested, the options are exercisable immediately and will expire after a period of ten years from date of grant. These options are exercisable from 14 November 2015 and expire on 13 November 2024.

The fair value of the options granted was estimated to be S\$386,000 (approximately RM 1,081,000), using the Black-Scholes Option Pricing model.

The details of the options granted are as follows:

Name	Number of unissued ordinary shares of the Company under HMI ESOS			
	Granted in financial year ended 30 June 2016	Aggregate granted since commencement of scheme to 30 June 2016	Aggregate exercised since commencement of scheme	Aggregate outstanding as at 30 June 2016
Directors				
Dr Gan See Khem	–	1,512,000	–	1,512,000
Ms Chin Wei Jia	–	1,512,000	–	1,512,000
Other key management personnel				
Dr Chin Koy Nam	–	756,000	–	756,000
	–	3,780,000	–	3,780,000

DIRECTORS' STATEMENT

For the financial year ended 30 June 2016

Share options and share awards (continued)

HMI Performance Share Plan

On 14 November 2014, the Company granted certain directors and other key management personnel 8,820,000 awards, comprising of 8,820,000 shares under the HMI PSP. The actual number of shares to be released could be zero or a maximum of 8,820,000, at nil exercise price, depending on the achievement of pre-determined performance targets. As at 30 June 2016, no awards were vested.

The fair value of the awards granted was estimated to be S\$2,470,000 (approximately RM 6,920,000) using the Black-Scholes Option Pricing model.

The details of the awards granted are as follows:

Name	Number of unissued ordinary shares of the Company under HMI PSP			
	Granted in financial year ended 30 June 2016	Aggregate granted since commencement of scheme to 30 June 2016	Aggregate released since commencement of scheme	Aggregate not released as at 30 June 2016
Directors				
Dr Gan See Khem	–	3,528,000	–	3,528,000
Ms Chin Wei Jia	–	3,528,000	–	3,528,000
Other key management personnel				
Dr Chin Koy Nam	–	1,764,000	–	1,764,000
	–	8,820,000	–	8,820,000

DIRECTORS' STATEMENT

For the financial year ended 30 June 2016

Audit and Risk Management Committee

The members of the Audit and Risk Management Committee at the end of the financial year were as follows:

Professor Annie Koh (Chairman) (Appointed on 1 March 2016)
Professor Tan Chin Tiong
Dr Cheah Way Mun

All members of the Audit and Risk Management Committee are non-executive directors and are independent.

The Audit and Risk Management Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Audit and Risk Management Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan and the reports of the Company's independent auditor, and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 30 June 2016 before their submission to the Board of Directors, as well as the Independent Auditor's Report on the balance sheet of the Company and the consolidated financial statements of the Group.

The Audit and Risk Management Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

DR GAN SEE KHEM
Director

PROFESSOR ANNIE KOH
Director

21 September 2016

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Health Management International Ltd

Report on the Financial Statements

We have audited the accompanying financial statements of Health Management International Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 48 to 103, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 30 June 2016, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016, and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 21 September 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2016

		Group	
	Note	2016 RM'000	2015 RM'000
Revenue	4	397,810	345,224
Cost of services	7	(268,033)	(242,166)
Gross profit		129,777	103,058
Other income	4	6,111	4,916
Other losses	5	(3,055)	(3,807)
Expenses			
– Distribution and marketing	7	(2,703)	(2,458)
– Administrative	7	(65,162)	(46,726)
– Finance	6	(3,637)	(3,354)
Share of profit of associated corporations	14	2,051	3,134
Profit before income tax		63,382	54,763
Income tax expense	8	(17,931)	(1,406)
Profit after tax		45,451	53,357
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
– Gains		3,307	3,260
Total comprehensive income		48,758	56,617
Profit attributable to:			
Equity holders of the Company		19,899	27,643
Non-controlling interests		25,552	25,714
		45,451	53,357
Total comprehensive income attributable to:			
Equity holders of the Company		23,202	30,897
Non-controlling interests		25,556	25,720
		48,758	56,617
Earnings per share for profit attributable to equity holders of the Company (expressed in RM cents per share)			
	9		
– Basic		3.45	4.79
– Diluted		3.38	4.69

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS

As at 30 June 2016

		Group	Company		
Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	
ASSETS					
Current assets					
Cash and cash equivalents	10	78,928	39,076	16,314	2,223
Trade and other receivables	11	57,400	87,842	42,107	45,792
Tax recoverable	8	6	21	–	–
Inventories	12	14,050	12,810	–	–
Other current assets	13	4,167	3,996	67	230
		154,551	143,745	58,488	48,245
Non-current assets					
Trade and other receivables	11	121	107	121	107
Other non-current assets	13	436	409	114	104
Investments in associated corporations	14	46,355	37,990	19,945	13,814
Investments in subsidiaries	15	–	–	57,942	56,418
Property, plant and equipment	16	177,867	180,475	975	743
Deferred income tax assets	21	3,555	9,040	–	–
		228,334	228,021	79,097	71,186
Total assets		382,885	371,766	137,585	119,431
LIABILITIES					
Current liabilities					
Trade and other payables	17	79,299	66,209	2,953	3,407
Current income tax liabilities	8	3,673	1,033	–	–
Borrowings	18	27,495	28,885	13,408	16,053
Deferred income	20	2,062	1,236	–	–
		112,529	97,363	16,361	19,460
Non-current liabilities					
Trade and other payables	17	18,251	52,847	–	–
Borrowings	18	14,362	11,691	3,655	182
Deferred income tax liabilities	21	5,479	4,736	–	–
		38,092	69,274	3,655	182
Total liabilities		150,621	166,637	20,016	19,642
NET ASSETS		232,264	205,129	117,569	99,789
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	22	90,564	90,564	90,564	90,564
Treasury shares	22	(1,022)	(47)	(1,022)	(47)
Currency translation reserve	23(a)	12,417	9,114	21,926	16,296
Other reserves	23(b)	7,130	3,094	7,078	3,042
Retained earnings/ (accumulated losses)	23(c)	61,553	41,654	(977)	(10,066)
		170,642	144,379	117,569	99,789
Non-controlling interests		61,622	60,750	–	–
TOTAL EQUITY		232,264	205,129	117,569	99,789

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2016

	← Attributable to equity holders of the Company →						Non-	
	Share	Treasury	Currency	Other	Retained		controlling	Total
	capital	shares	translation	reserves	earnings	Total	Interests	equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2016								
Beginning of financial year	90,564	(47)	9,114	3,094	41,654	144,379	60,750	205,129
Profit after tax	—	—	—	—	19,899	19,899	25,552	45,451
Other comprehensive income	—	—	3,303	—	—	3,303	4	3,307
Total comprehensive income	—	—	3,303	—	19,899	23,202	25,556	48,758
Redemption of redeemable convertible preference share	—	—	—	—	—	—	(1,080)	(1,080)
Dividend declared to non-controlling interests by subsidiaries *	—	—	—	—	—	—	(24,504)	(24,504)
Capital injection in a subsidiary	—	—	—	—	—	—	900	900
Purchase of treasury shares	—	(975)	—	—	—	(975)	—	(975)
Share-based payment 23(b)	—	—	—	4,036	—	4,036	—	4,036
End of financial year	90,564	(1,022)	12,417	7,130	61,553	170,642	61,622	232,264
2015								
Beginning of financial year	90,564	(47)	5,860	68	14,011	110,456	41,737	152,193
Profit after tax	—	—	—	—	27,643	27,643	25,714	53,257
Other comprehensive income	—	—	3,254	—	—	3,254	6	3,260
Total comprehensive income	—	—	3,254	—	27,643	30,897	25,720	56,617
Dividend paid to non-controlling interests by subsidiaries	—	—	—	—	—	—	(6,707)	(6,707)
Share-based payment 23(b)	—	—	—	3,026	—	3,026	—	3,026
End of financial year	90,564	(47)	9,114	3,094	41,654	144,379	60,750	205,129

An analysis of the movements in each category within "Currency translation reserve" and "Other reserves" are presented in Note 23(a) and 23(b) respectively.

* In 2016, out of the dividend declared to non-controlling interests by a subsidiary of RM 24,504,000, RM 14,294,000 was settled in cash, RM 10,210,000 was unpaid as at 30 June 2016 and included within "Trade and other payables" in Note 17 to the Financial Statements.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2016

	Note	2016 RM'000	2015 RM'000
Cash flows from operating activities			
Profit after tax		45,451	53,357
Adjustments for:			
– Income tax		17,931	1,406
– Share-based payment expense		4,036	3,026
– Reversal of allowance for impairment of trade receivables		(109)	(956)
– Allowance for impairment of trade and other receivables		3,683	2,447
– Trade and other receivables written off		6	477
– Depreciation of property, plant and equipment		18,306	16,239
– Loss on disposal and write-off of property, plant and equipment		95	76
– Interest income		(1,703)	(1,690)
– Interest expense		3,637	3,354
– Share of profit of associated corporations		(2,051)	(3,134)
– Currency translation differences		845	1,073
Operating cash flow before working capital changes		90,127	75,675
Change in operating assets and liabilities			
– Inventories		(1,240)	(7,499)
– Trade and other receivables		372	(17,509)
– Other current and non-current assets		(148)	184
– Trade and other payables		4,390	7,958
– Deferred income		757	45
Cash provided by operations		94,258	58,854
Interest paid		(3,637)	(3,354)
Income tax paid		(9,048)	(7,530)
Net cash provided by operating activities		81,573	47,970
Cash flows from investing activities			
Repayment of loans from associated corporations		(7,840)	1,282
Additions to property, plant and equipment		(11,244)	(10,682)
Proceeds from disposal of property, plant and equipment		175	256
Capital injection in an associated corporation	14	(5,269)	–
Interest received		1,703	1,690
Net cash used in investing activities		(22,475)	(7,454)
Cash flows from financing activities			
Drawdown of loan from holding company		–	529
Drawdown of borrowings		1,772	–
Repayment of borrowings		(5,553)	(11,264)
Repayment of lease liabilities		(4,291)	(6,501)
Dividends paid to non-controlling interests by a subsidiary		(14,294)	(6,707)
Capital injection in a subsidiary from non-controlling interests		900	–
Repayment of amount owing to non-controlling interests of a subsidiary		(996)	–
Redemption of redeemable convertible preference shares in a subsidiary by non-controlling interests		(1,080)	–
Purchase of treasury shares		(975)	–
Net cash used in financing activities		(24,517)	(23,943)
Net increase in cash and cash equivalents		34,581	16,573
Cash and cash equivalents at beginning of financial year		38,835	22,017
Effects of currency translation on cash and cash equivalents		910	245
Cash and cash equivalents at end of financial year	10	74,326	38,835

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Health Management International Ltd (the “Company”) is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 7 Temasek Boulevard #12-10, Suntec Tower One, Singapore 038987.

The principal activities of the Company are those of investment holding and provision of management services. The principal activities of its subsidiaries are stated in Note 33 to the financial statements.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”) under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2016

On 1 July 2015, the Group adopted the new or amended FRS and Interpretations to FRS (“INT FRS”) that are mandatory for application for the financial year. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group’s activities. Revenue is presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, when it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group’s activities are met as follows:

(a) Rendering of services

Revenue from hospital and other healthcare services is recognised in the period in which the services are rendered.

Revenue from healthcare education and training is recognised on a straight-line basis over the duration of the relevant course. Revenue received in advance is deferred and recognised in the balance sheet as deferred income.

(b) Interest income

Interest income is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(c) *Car park income*

Car park income is recognised on a straight-line time proportion basis.

(d) *Rental income*

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

2.3 Group accounting

(a) *Subsidiaries*

(i) *Consolidation*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of subsidiaries attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) *Acquisition*

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) *Subsidiaries (continued)*

(ii) *Acquisition (continued)*

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of (a) the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (b) the fair values of the identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed, is recorded as goodwill.

(iii) *Disposals*

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries and associated corporations" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(c) *Associated corporations*

Associated corporations are entities over which the Group has significant influence, but not control, and generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. Investments in associated corporations are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) *Acquisitions*

Investments in associated corporations are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(c) *Associated corporations (continued)*

(ii) *Equity method of accounting*

In applying the equity method of accounting, the Group's share of its associated corporations' post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated corporations are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated corporation equals to or exceeds its interest in the associated corporation, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated corporations. If the associated corporation subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains/losses on transactions between the Group and its associated corporations are eliminated against the asset transferred to the extent of the Group's interest in the associated corporations. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated corporations are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) *Disposals*

Investments in associated corporations are derecognised when the Group loses significant influence. If the retained equity interest in the former associated corporation is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Gains and losses arising from partial disposals or dilutions in investments in associated corporations in which significant influence is retained are recognised in profit or loss.

Please refer to the paragraph "Investment in subsidiaries and associated corporations" for the accounting policy on investments in associated corporations in the separate financial statements of the Company.

2.4 Property, plant and equipment

(a) *Measurement*

All items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is also included as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(b) *Depreciation*

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Leasehold land	Over the lease term of 99 years commencing from 2002
Leasehold buildings	50 years
Electrical equipment	10 years
Medical equipment	8 - 10 years
Motor vehicles	5 - 10 years
Furniture, office equipment and housekeeping equipment	3 - 10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other losses".

2.5 Investments in subsidiaries and associated corporations Loan to an associated corporation

Investments in subsidiaries and associated corporations, including loans and receivables from subsidiaries or associated corporations that form part of the net investment in the subsidiary or associated corporation are carried at cost less accumulated impairment losses in the Company and Group's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.6 Impairment of non-financial assets

Property, plant and equipment

Investments in subsidiaries and associated corporations

Property, plant and equipment and investments in subsidiaries and associated corporations are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

2. Significant accounting policies (continued)

2.6 Impairment of non-financial assets (continued)

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss.

2.7 Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "other current and non-current assets" (Note 13), "trade and other receivables" (Note 11) and "cash and cash equivalents" (Note 10) on the balance sheet.

Financial assets are initially recognised at fair value plus transaction costs.

Loans and receivables are derecognised when the rights to receive cash flows from the customers have expired or have been received and the Group has substantially transferred all risks and rewards of ownership.

Receivables that form part of the net investment in subsidiaries or associated corporations are carried at cost less accumulated impairment losses.

The Group assesses at each balance sheet date whether there is objective evidence that loans and receivables are impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

2. Significant accounting policies (continued)

2.8 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.9 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.10 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.11 Fair value estimation of financial assets and liabilities

The carrying amounts of current financial assets and liabilities carried at amortised cost approximate their fair values. The fair values of non-current financial assets and liabilities are computed based on cash flows discounted at market borrowing rates.

2.12 Leases

The Group leases medical equipment and motor vehicles under finance leases. Land and buildings and office premises are leased under operating leases.

(a) *Lessee – Finance leases*

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair values of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(b) *Lessee – Operating leases*

Leases where substantially all risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

2. Significant accounting policies (continued)

2.13 Inventories

Inventories, including pharmaceutical and surgical medicine, medical supplies and medical suites held for sale, are carried at lower of cost and net realisable value. Cost is determined using the weighted average basis or specific identification basis, and includes all costs in bringing the inventories to their present location and condition. In the case of medical suites held for sale, cost is determined based on acquisition costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Income taxes

Current income tax for current and prior periods is recognised at the amounts expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associated corporations, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date; and
- (ii) based on the tax consequence that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income tax are recognised as income or expenses in profit or loss.

2.15 Employee compensation

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

2. Significant accounting policies (continued)

2.15 Employee compensation (continued)

(c) *Share-based compensation*

The Group operates equity-settled, share-based compensation plans. The value of the employee services received in exchange for the grant of options and awards for shares is recognised as an expense with a corresponding increase in the share-based payment reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options and awards for shares granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options and awards for shares that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share-based payment reserve over the remaining vesting period.

2.16 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The functional currency of the Company is the Singapore Dollar. The presentation currency of the Company and the Group is the Malaysian Ringgit as it provides a better understanding of the Group's operations, which are predominantly based in Malaysia.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

In preparation of the consolidated financial statements of the Group, exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation shall be recognised in profit or loss in the separate financial statements of the reporting entity or the individual financial statements of the foreign operation, as appropriate. In the financial statements that include the foreign operation and the reporting entity, such exchange differences shall be recognised initially in a separate component of equity and recognised in profit or loss on disposal of the net investment.

(c) *Translation of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

2. Significant accounting policies (continued)

2.17 Provisions

Provision for other liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2.18 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

2.19 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand which are subject to an insignificant risk of change in value and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet.

2.20 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

2.21 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the carrying amounts are netted off against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

2.22 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

3. Critical accounting estimates, assumptions and judgements

(a) Current and deferred income taxes

The Group is subject to income taxes in different jurisdictions. In determining the income tax liabilities, management continues to take positions in tax returns based on well-grounded positions taken in good faith. Judgements concerning positions taken may change as developments in case law, new rulings or regulations by the tax authorities become available.

Deferred tax assets are recognised for unutilised tax losses, unabsorbed capital allowances and unutilised tax credits to the extent that it is probable that taxable profit will be available against which the losses, capital allowances and tax credits can be utilised. This involves judgement regarding the future financial performance of the Companies within the Group and the extent to which deferred tax asset can be recognised.

Where the final outcome is different from the amounts that were initially recorded in the financial statements, such differences will impact the current and deferred income tax provisions in the period in which such determination is made.

(b) Allowance for impairment of receivables

The Group assesses at the end of each reporting period whether there is objective evidence that receivables have been impaired. The impairment loss is determined based on a review of the current status of the existing receivables which includes a review over payments received after the balance sheet date, the aging of debts, customer disputes, litigation and any known deterioration in the credit worthiness of the debtors. As a result of management's review, the total allowance for impairment of receivables amounted to RM 15,183,000 (2015: RM 12,033,000) as at 30 June 2016. The allowance for impairment is adjusted periodically to reflect the actual and anticipated recovery based on the information available.

4. Revenue and other income

	Group	
	2016 RM'000	2015 RM'000
<u>Revenue</u>		
Revenue from hospital and other healthcare services	388,188	336,756
Healthcare education and training	9,622	8,468
Total revenue	397,810	345,224
<u>Other income</u>		
Car park income	597	632
Rental income	757	440
Grant income	1,074	525
<u>Interest income</u>		
– bank deposits	922	732
– loans to associated corporations	781	958
	1,703	1,690
<u>Sponsorship income</u>	775	160
<u>Others</u>	1,205	1,469
Total other income	6,111	4,916

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

5. Other losses

	Group	
	2016 RM'000	2015 RM'000
Currency exchange losses	(2,960)	(3,731)
Loss on disposal and write-off of property, plant and equipment	(95)	(76)
	(3,055)	(3,807)

6. Finance expenses

	Group	
	2016 RM'000	2015 RM'000
Interest expense:		
– bank borrowings	1,418	1,888
– finance lease liabilities	495	612
– loan from holding company	214	172
– amounts due to associated corporations	1,510	682
	3,637	3,354

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

7. Expenses by nature

	Group	
	2016 RM'000	2015 RM'000
Depreciation of property, plant and equipment (Note 16)	18,306	16,239
Fees for audit services paid/payable to:		
– Auditor of the Company	443	428
– Other auditors*	176	146
Fees for non-audit services paid/payable to:		
– Other auditors*	325	298
Directors' fee:		
– Directors of the Company	966	800
– Directors of subsidiaries	269	308
Staff costs:		
(i) Directors' remuneration other than fees		
(a) Directors of the Company		
– Salaries and other related expenses	5,652	3,643
– Contribution to defined contribution plans	164	81
– Share-based payment expenses	3,229	2,421
(b) Directors of subsidiaries		
– Salaries and other related expenses	388	381
– Contribution to defined contribution plans	43	43
(ii) Other than directors:		
– Salaries and other related expenses	62,340	56,279
– Contribution to defined contribution plans	6,851	5,932
– Share-based payment expenses	807	605
Included in cost of services:		
– Medical materials costs	70,983	64,680
– Medical consultants' fees	113,908	99,098
– Educators' fees	1,619	1,267
Rental and other operating leases	10,159	9,751
Advertising expenses	2,574	2,226
Levies payable	1,339	395
Utilities	6,896	6,340
Repairs and maintenance	5,719	6,890
Allowance for impairment of trade and other receivables	3,683	2,447
Reversal of allowance for impairment of trade receivables	(109)	(956)
Trade and other receivables written off	6	477
Professional fees	4,010	2,737
Others	15,152	8,394
Total cost of services, distribution and marketing expenses and administrative expenses	335,898	291,350

* Includes the network of member firms of PricewaterhouseCoopers International Limited (PwCIL). The Audit and Risk Management Committee has undertaken a review of all non-audit services provided by the auditors and they would not, in the Audit and Risk Management Committee's opinion, affect the independence of the auditors. The Company complies with Rule 712 and Rule 715 in relation to its auditing firms.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

8. Income taxes

(a) Income tax expense

Tax expense attributable to profit is made up of:

Current income tax

– Singapore

– Foreign

Deferred income tax (Note 21)

(Over)/ under provision in preceding financial years

– current income tax (b)

	Group	
	2016 RM'000	2015 RM'000
	107	71
	11,846	6,600
	6,228	(5,387)
	18,181	1,284
	(250)	122
	(250)	122
	17,931	1,406

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2016 RM'000	2015 RM'000
Profit before tax	63,382	54,763
Share of profit of associated corporations	(2,051)	(3,134)
	61,331	51,629
Tax calculated at a tax rate of 17% (2015: 17%)	10,426	8,777
Effects of:		
– Different tax rates in other countries	4,917	4,477
– Expenses not deductible for tax purposes	4,409	3,527
– Income not subject to tax	(140)	(92)
– Utilisation of deferred tax assets previously unrecognised	–	(4,440)
– Recognition of previously unrecognised deferred tax assets on temporary differences	–	(11,587)
– Tax expenses arising from elimination of upstream transactions with associated corporations	–	639
– Tax incentives	(1,431)	(17)
Tax charge	18,181	1,284

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

8. Income taxes (continued)

(b) Movements in current income tax liabilities/(tax recoverable)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Beginning of financial year	1,012	1,749	–	–
Income tax paid	(9,048)	(7,530)	(106)	(71)
Tax payable on profit for the current financial year	11,953	6,671	106	71
(Over)/ under provision in preceding financial years	(250)	122	–	–
End of financial year	3,667	1,012	–	–
<u>Composition:</u>				
Tax recoverable	(6)	(21)	–	–
Current income tax liabilities	3,673	1,033	–	–
End of financial year	3,667	1,012	–	–

9. Earnings per share

(a) Basic earnings per share

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.

	Group	
	2016	2015
Net profit attributable to equity holders of the Company (RM'000)	19,899	27,643
Weighted average number of ordinary shares outstanding for basic earnings per share	576,840,061	577,071,286
Basic earnings per share (RM cents per share)	3.45	4.79

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

9. Earnings per share (continued)

(b) Diluted earnings per share

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	
	2016	2015
Net profit attributable to equity holders of the Company (RM'000)	19,899	27,643
Weighted average number of ordinary shares adjusted for the effects of dilutive potential ordinary shares	589,440,061	589,671,286
Basic earnings per share (RM cents per share)	3.38	4.69

10. Cash and cash equivalents

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash at bank and on hand	78,928	39,076	16,314	2,223
Less: Bank overdrafts (Note 18)	(4,602)	(241)	–	–
Cash and cash equivalents per consolidated statement of cash flows	74,326	38,835	16,314	2,223

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

11. Trade and other receivables

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Current</u>				
Trade receivables – third parties	50,790	51,644	–	–
Less: Allowance for impairment of receivables	(8,837)	(6,054)	–	–
Trade receivables – net	41,953	45,590	–	–
Other receivables	4,446	4,355	10,651	42
Less: Allowance for impairment of receivables	(919)	(897)	–	–
Other receivables – net	3,527	3,458	10,651	42
Amount due from subsidiaries – trade	–	–	3,188	3,765
Amount due from subsidiaries – non-trade (a)	–	–	17,499	18,453
Amount due from associated corporations – non-trade	12,431	39,218	10,405	23,247
Less: Allowance for impairment of receivables (Note 14(b))	(875)	(709)	–	–
Amount due from associated corporations – non-trade – net (b)	11,556	38,509	10,405	23,247
Amount due from related parties	364	285	364	285
	57,400	87,842	42,107	45,792
<u>Non-current</u>				
Trade receivables – third parties	1,194	1,194	–	–
Less: Allowance for impairment of receivables	(1,194)	(1,194)	–	–
Trade receivables – third parties - net	–	–	–	–
Amount due from associated corporations – non-trade	3,479	3,286	3,479	3,286
Less: Allowance for impairment of receivables (Note 14(b))	(3,358)	(3,179)	(3,358)	(3,179)
Amount due from associated corporations – non-trade – net (c)	121	107	121	107

- (a) The non-trade amounts due from subsidiaries represent advances which are unsecured, interest-free and are recoverable on demand.
- (b) The non-trade amounts due from associated corporations are unsecured and recoverable on demand. Out of these balances, an amount of RM Nil (2015: RM14,327,000) bears interest at Nil% (2015: 6.95%) per annum.
- (c) An net amount of RM 121,000 (2015: RM 107,000) has been loaned to an associated corporation as its working capital. The settlement is not due in the next twelve months. Accordingly, this amount is classified as non-current. The balance is unsecured and bears interest at 6.95% (2015: 6.95%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

12. Inventories

	Group	
	2016 RM'000	2015 RM'000
<u>At cost</u>		
Pharmaceutical and surgical medicine	4,327	3,642
Medical supplies	3,941	3,386
Medical suites held for sale (a)	5,782	5,782
	14,050	12,810

The cost of inventories recognised as an expense and included in cost of services amounted to RM 70,983,000 (2015: RM 64,680,000).

- (a) In the last financial year, the medical suites held for sale were acquired as part of an asset restructuring exercise. Please refer to Note 16(c) for more details.

13. Other assets

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Current</u>				
Deposits	1,338	499	–	55
Prepayments	1,963	2,343	67	175
Down payment for purchase of plant and equipment	866	1,154	–	–
	4,167	3,996	67	230
<u>Non-Current</u>				
Deposits	436	409	114	104

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

14. Investments in associated corporations

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cost				
Beginning of financial year			17,743	16,293
Capital injection in an associated corporation (d)			5,269	–
Translation difference			1,129	1,450
End of financial year			24,141	17,743
Accumulated impairment losses				
Beginning of financial year			(3,929)	(3,608)
Impairment loss made			(47)	–
Translation difference			(220)	(321)
End of financial year (b)			(4,196)	(3,929)
Net carrying value			19,945	13,814
Beginning of financial year	37,990	37,486		
Capital injection in associated corporations (d)	5,269	–		
Share of profit of associated corporations	2,051	3,134		
Elimination of upstream transactions (e)	–	(3,759)		
Currency translation differences	1,045	1,129		
End of financial year	46,355	37,990		

Details of associated corporations are provided in Note 33.

- (a) In 2015, investments in an associated corporation of RM 50,000 were pledged as security for bank borrowings of the Company. During the financial year, the charge was fully satisfied and discharged.
- (b) The Company has accumulated impairment losses of RM 4,196,000 (2015: RM 3,929,000) for impairment of its investment in certain associated corporations and an allowance of RM 4,233,000 (2015: RM 3,888,000) for impairment of receivables from the associated corporations (Note 11) which have been dormant for the current and past financial years.
- (c) During the financial year, the Group has not recognised its share of loss of certain associated corporations amounting to RM 145,000 (2015: RM 141,000) because the Group's cumulative share of losses exceeds its interest in the associated corporations and the Group has no obligation in respect of those losses. The cumulative unrecognised losses amount to RM 2,091,000 (2015: RM 1,946,000) at the balance sheet date.
- (d) During the financial year, capital injection of RM 5,269,000 in associated corporations was made by way of cash.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

14. Investments in associated corporations (continued)

- (e) In 2015, the Group acquired property, plant and equipment (Note 16) and medical suites held for sale (Note 12) amounting to RM 35,045,000 and RM 5,782,000 respectively from its associated corporations as part of an asset restructuring exercise. The Group eliminated its share of losses on disposal amounting to RM 3,759,000 arising from this transaction against property, plant and equipment. Please refer to Note 16(c) for more details of the transaction.

Set out below are the associated corporations of the Group as at 30 June 2016, which, in the opinion of the directors, are material to the Group.

Name of entity	Place of business/ country of incorporation	% of ownership interest
Mahkota Commercial Sdn. Bhd. ("MCSB")	Malaysia	48.95
Regency Medical Centre (Seri Alam) Sdn. Bhd. ("RMCSA")	Malaysia	29.00

MCSB is an investment holding company with subsidiaries holding investment properties in Malaysia. MCSB and its subsidiaries ("MCSB Group") held medical suites, hospital and commercial units within Mahkota Medical Centre ("MMC") and leased the use of the assets to MMC. Upon the completion of the asset restructuring exercise in 2015, MCSB and its subsidiaries became dormant, except for RMCSA which is an asset holding company and leases its hospital building to Regency Specialist Hospital for its day-to-day operations.

There are no contingent liabilities relating to the Group's interest in the associated corporations.

Summarised financial information for associated corporations

Set out below are the summarised consolidated financial information for MCSB Group and RMCSA. RMCSA is a subsidiary of MCSB by virtue of MCSB's 65% equity interest in RMCSA and its results are included in the consolidated financial information of MCSB Group.

Summarised balance sheets

	MCSB Group As at 30 June		RMCSA As at 30 June	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current assets	10,732	10,981	9,482	6,686
Includes:				
– Cash and cash equivalents	3,916	1,275	2,668	693
Current liabilities	27,066	67,466	5,773	19,570
Includes:				
– Financial liabilities (excluding trade and other payables)	3,491	4,150	3,491	4,150
Non-current assets	105,400	138,369	100,840	100,000
Non-current liabilities	19,340	22,135	58,294	61,069
Includes:				
– Financial liabilities	7,936	11,428	47,036	50,528
– Other liabilities	11,403	10,707	11,258	10,541
Net assets	69,726	59,749	46,255	26,047

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

14. Investments in associated corporations (continued)

Summarised statements of comprehensive income

	MCSB Group		RMCSA	
	For the financial year ended 30 June		For the financial year ended 30 June	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	6,706	9,474	6,706	6,549
Interest income	1,510	687	–	–
Expenses				
Includes:				
– Interest expense	(1,846)	(2,237)	(1,846)	(2,230)
Profit/ (Loss) before income tax	4,727	(3,353)	2,925	2,055
Income tax (expense)/ credit	(1,050)	1,657	(717)	(637)
Profit/ (Loss) after income tax and total comprehensive income/ (loss)	3,677	(1,696)	2,208	1,418
Profit/ (Loss) attributable to:				
Equity holders of the Company	2,910	(2,310)	2,208	1,418
Non-controlling interests	767	614	–	–
Share of associates' profit/ (loss)	1,424	(1,131)	640	411
Elimination of upstream transaction with associated corporations (Note14(e))	–	3,759	–	–
	1,424	2,628	640	411

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the associated corporations.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

14. Investments in associated corporations (continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in associated corporations.

	MCSB Group As at 30 June		RMCSA ^(a) As at 30 June	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net assets				
At 1 July	59,749	61,445	26,047	24,629
Profit/ (Loss) for the year	3,677	(1,696)	2,208	1,418
Issuance of shares by subsidiary to non-controlling interest	6,300	—	—	—
Issuance of preference shares	—	—	18,000	—
At 30 June	69,726	59,749	46,255	26,047
Interest in associated corporations	34,130	29,247	13,414	7,554
Adjustment for net assets attributable to non-controlling interest	(14,809)	(11,357)	—	—
Adjustment for quasi-equity investment	—	—	11,339	11,339
Translation difference	9	7	2,272	1,200
Carrying value	19,330	17,897	27,025	20,093
Add:				
Carrying value of individually immaterial associated corporations			*	*
Carrying value of Group's interest in associated corporations			46,355	37,990

(a) The Group has a direct equity interest of 29% in RMCSA.

* Immaterial being value below RM 1,000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

15. Investments in subsidiaries

	Company	
	2016 RM'000	2015 RM'000
Equity investments at cost		
Beginning of financial year	101,326	93,044
Capital injection in a subsidiary (a)	4,350	–
Redemption of redeemable convertible preference shares in a subsidiary (b)	(5,220)	–
Translation differences	4,933	8,282
End of financial year	105,389	101,326
Less: Impairment losses		
Beginning of financial year	(44,908)	(37,796)
Additions during the financial year (d)	–	(3,538)
Translation differences	(2,539)	(3,574)
End of financial year	(47,447)	(44,908)
	57,942	56,418

Details of subsidiaries are included in Note 33.

- (a) During the financial year, a capital injection of RM 4,350,000 in a subsidiary was made by way of cash of RM 3,257,000 and a capitalisation of an amount due to the Company of RM 1,093,000.
- (b) During the financial year, 52,200 redeemable convertible preference shares amounting to RM 5,220,000 of a subsidiary was redeemed.
- (c) In 2015, investments in a subsidiary of RM 29,729,000 have been pledged as security for bank borrowings of the Company. During the financial year, the charge was fully satisfied and discharged.
- (d) In 2015, provision for impairment losses, amounting to RM 3,538,000, was made for a subsidiary which is undergoing voluntary liquidation.
- (e) Carrying value of non-controlling interests

	2016 RM'000	2015 RM'000
Mahkota Medical Centre Sdn. Bhd. ("MMCSB")	70,355	75,137
Regency Specialist Hospital Sdn. Bhd. ("RSHSB")	(3,587)	(10,510)
Other subsidiaries with immaterial non-controlling interest	(5,146)	(3,877)
Total	61,622	60,750

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

15. Investments in subsidiaries (continued)

Summarised financial information of subsidiaries with material non-controlling interests

Set out below is the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations and adjusted for differences in accounting policies between the Group and the subsidiaries.

Summarised balance sheets

	MMCSB		RSHSB	
	As at 30 June		As at 30 June	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current				
Assets	70,843	80,151	56,937	52,252
Liabilities	68,040	39,379	33,379	50,312
Current net assets	2,803	40,772	23,558	1,940
Non-current				
Assets	148,004	153,895	23,364	29,263
Liabilities	13,292	47,786	1,511	920
Non-current net assets	134,712	106,109	21,853	28,343
Net assets	137,515	146,881	45,411	30,283

Summarised income statements

	MMCSB		RSHSB	
	For year ended 30 June		For year ended 30 June	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Revenue	248,016	229,019	141,659	110,851
Profit before income tax	50,670	52,194	23,614	14,759
Income tax (expense)/credit	(12,035)	(11,577)	(5,486)	8,999
Profit after tax and total comprehensive income	38,635	40,617	18,128	23,758
Dividends paid to non-controlling interests	24,504	4,595	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

15. Investments in subsidiaries (continued)

Summarised cash flows

	MMCSB 2016 RM'000	RSHSB 2016 RM'000
<u>Cash flows from operating activities</u>		
Cash generated from operations	50,534	28,585
Interest paid	(1,997)	(434)
Income tax paid	(8,864)	(30)
Net cash generated from operating activities	39,673	28,121
Net cash used in investing activities	(3,959)	(2,810)
Net cash used in financing activities	(33,227)	(7,782)
Net increase in cash and cash equivalents	2,487	17,529
Cash and cash equivalents at beginning of year	23,906	11,084
Cash and cash equivalents at end of year	26,393	28,613

16. Property, plant and equipment

	Leasehold land RM'000	Leasehold buildings RM'000	Electrical equipment RM'000	Medical equipment RM'000	Motor vehicles RM'000	Furniture, office equipment and housekeeping equipment RM'000	Total RM'000
The Group							
2016							
<i>Cost</i>							
Beginning of financial year	19,038	102,036	33,586	108,044	2,964	32,418	298,086
Currency translation differences	–	–	–	–	54	195	249
Additions	–	–	2,522	8,328	316	4,725	15,891
Disposals/Write-offs	–	–	(329)	(920)	(311)	(1,776)	(3,336)
End of financial year	19,038	102,036	35,779	115,452	3,023	35,562	310,890
<i>Accumulated depreciation</i>							
Beginning of financial year	1,682	14,631	23,338	59,602	1,684	16,674	117,611
Currency translation differences	–	–	–	–	18	154	172
Depreciation charge	189	2,615	2,301	9,290	382	3,529	18,306
Disposals/Write-offs	–	–	(243)	(774)	(306)	(1,743)	(3,066)
End of financial year	1,871	17,246	25,396	68,118	1,778	18,614	133,023
Net book value at end of financial year	17,167	84,790	10,383	47,334	1,245	16,948	177,867

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

16. Property, plant and equipment (continued)

	Leasehold land RM'000	Leasehold buildings RM'000	Electrical equipment RM'000	Medical equipment RM'000	Motor vehicles RM'000	Furniture, office equipment and housekeeping equipment RM'000	Total RM'000
The Group							
2015							
<i>Cost</i>							
Beginning of financial year	19,038	63,187	32,964	98,235	2,885	28,576	244,885
Currency translation differences	–	–	1	–	79	281	361
Additions	–	38,849	643	10,936	–	3,920	54,348
Disposals/Write-offs	–	–	(22)	(1,127)	–	(359)	(1,508)
End of financial year	19,038	102,036	33,586	108,044	2,964	32,418	298,086
<i>Accumulated depreciation</i>							
Beginning of financial year	1,641	12,442	21,177	52,064	1,273	13,719	102,316
Currency translation differences	–	–	–	–	23	209	232
Depreciation charge	211	2,019	2,177	8,457	388	2,987	16,239
Reclassification	(170)	170	–	–	–	–	–
Disposals/Write-offs	–	–	(16)	(919)	–	(241)	(1,176)
End of financial year	1,682	14,631	23,338	59,602	1,684	16,674	117,611
Net book value at end of financial year	17,356	87,405	10,248	48,442	1,280	15,744	180,475

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

16. Property, plant and equipment (continued)

	Furniture and office equipment RM'000	Motor vehicles RM'000	Total RM'000
<u>Company</u>			
2016			
<i>Cost</i>			
Beginning of financial year	172	740	912
Currency translation differences	9	42	51
Additions	342	–	342
End of financial year	523	782	1,305
<i>Accumulated depreciation</i>			
Beginning of financial year	34	135	169
Currency translation differences	2	8	10
Depreciation charge	73	78	151
End of financial year	109	221	330
<i>Net book value</i>			
End of financial year	414	561	975
2015			
<i>Cost</i>			
Beginning of financial year	51	679	730
Currency translation differences	11	61	72
Additions	132	–	132
Disposals/Write-offs	(22)	–	(22)
End of financial year	172	740	912
<i>Accumulated depreciation</i>			
Beginning of financial year	39	56	95
Currency translation differences	3	9	12
Depreciation charge	8	70	78
Disposals/Write-offs	(16)	–	(16)
End of financial year	34	135	169
<i>Net book value</i>			
End of financial year	138	605	743

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

16. Property, plant and equipment (continued)

- (a) The net carrying amount of motor vehicles and medical equipment of the Group and Company held under finance leases are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Motor vehicles	1,109	931	561	605
Medical equipment	14,521	25,583	–	–
	15,630	26,514	561	605

During the financial year, motor vehicles and medical equipment of the Group amounting to RM 4,076,000 (2015: RM 4,862,000) were acquired under finance leases (Note 19).

- (b) Property, plant and equipment of certain subsidiaries with a net carrying amount of RM 14,329,000 (2015: RM 14,518,000) have been pledged to financial institutions for credit facilities granted to the Group (Note 18(a)).
- (c) In 2015, the Group's subsidiary, Mahkota Medical Centre Sdn. Bhd. ("MMCSB") acquired property, plant and equipment of RM 35,045,000 and inventories of medical suites held for sale of RM 5,782,000 (Note 12) from its associated corporations, including Mahkota Commercial Sdn. Bhd. ("MCSB") and its subsidiaries as part of an asset restructuring exercise to restore the Group's ownership of certain hospital assets previously transferred to associated corporations. The additions of RM 38,849,000 in leasehold buildings in 2015 included the elimination of losses arising from these upstream transactions with the associated corporations amounting to RM 3,759,000 (Note 14(e)). RM 35,952,000 of the amounts due to associated corporations for the transaction remained outstanding in 2015. The outstanding amounts due to associated corporations have been fully repaid during the current financial year.

17. Trade and other payables

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Current</u>				
Trade payables – third parties	27,993	27,731	39	–
Deposits received	1,484	267	–	–
Directors' fee payable	591	533	591	533
Accrued employee compensation expense	11,164	9,985	892	862
Accrued rental expense (a)	5,376	5,628	–	–
Other payables and accruals	22,348	19,626	1,350	1,924
Dividend payable to non-controlling interests of a subsidiary	10,210	–	–	–
Amount due to associated corporations (non-trade) (c)	52	2,351	–	–
Amount due to related parties (non-trade) (b)	81	88	81	88
	79,299	66,209	2,953	3,407

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

17. Trade and other payables (continued)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Non-current</u>				
Amount due to associated corporations (non-trade) (c)	–	33,600	–	–
Amount due to non-controlling interests of a subsidiary (non-trade) (d)	18,251	19,247	–	–
	18,251	52,847	–	–

- (a) Included in “trade and other payables” are lease expenses accrued on a straight-line basis for a non-cancellable operating lease with an associated corporation of RM 5,376,000 (2015: RM 5,628,000). Please refer to Note 25(b).
- (b) The current amounts due to related parties are unsecured, interest-free and are repayable on demand.
- (c) The current and non-current non-trade amounts due to associated corporations arose from the asset restructuring exercise (Note 16c) in the prior financial year and are unsecured. The balance had been fully repaid during the current financial year.
- (d) The non-current non-trade amount due to non-controlling interests of a subsidiary is unsecured and interest-free.

18. Borrowings

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Current</u>				
Overdraft (Note 10) - secured	4,602	241	–	–
Short-term bank loans				
– secured	16,979	19,607	13,319	12,607
– unsecured	602	572	–	–
Loan from holding company				
– unsecured	–	3,362	–	3,362
Current portion of long-term bank loans				
– secured	559	552	–	–
Finance lease liabilities - secured (Note 19)	4,753	4,551	89	84
	27,495	28,885	13,408	16,053

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

18. Borrowings (continued)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Non-current</u>				
Long-term bank loans				
– secured	4,984	5,584	–	–
– unsecured	680	559	–	–
Loan from holding company				
– unsecured	3,552	–	3,552	–
Finance lease liabilities - secured (Note 19)	5,146	5,548	103	182
	14,362	11,691	3,655	182
Total borrowings	41,857	40,576	17,063	16,235

The exposure of the borrowings of the Group and of the Company to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Less than one year	27,495	28,885	13,408	16,053
Between one and five years	14,362	11,691	3,655	182
	41,857	40,576	17,063	16,235

The weighted average effective interest rates at the balance sheet date are as follows:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Overdraft	5.82	6.67	–	–
Short-term bank loans	4.17	4.65	3.81	4.01
Long-term bank loans	6.81	6.86	–	–
Loan from holding company	6.00	6.00	6.00	6.00
Finance lease liabilities	5.78	5.54	5.07	5.07

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

18. Borrowings (continued)

(a) Security granted

The short-term and long-term bank loans are secured by the following:

- (i) *The Company* - A corporate guarantee from the holding company.
- (ii) *The Group* – In addition to paragraph (i) above, a first assignment on land and buildings and assignment of rental proceeds of certain subsidiaries in Malaysia (Note 16(b)).

The finance lease liabilities of the Group and the Company are effectively secured as the rights to the hire purchase assets (Note 16(a)) revert to the hiree in the event of default.

(b) Maturity of borrowings

The non-current borrowings (excluding finance lease liabilities (Note 19)) has the following maturity:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Between two and five years	7,109	3,268	3,552	–
Later than five years	2,107	2,875	–	–
	9,216	6,143	3,552	–

(c) Fair value of non-current borrowings

The fair values of non-current borrowings approximate their carrying values.

(d) Undrawn borrowing facilities

The Group and the Company had the following undrawn borrowing facilities:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
– Expiring not later than one year	34,700	12,843	1,184	–
– Expiring later than one year	2,975	2,977	–	–
	37,675	15,820	1,184	–

The borrowing facilities expiring within one year are annual facilities subject to review at various dates in 2016. The borrowing facilities were arranged to finance partially the Group's working capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

19. Finance lease liabilities

The Group and the Company lease certain plant and equipment, and motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group and the Company with options to purchase the leased assets at nominal values at the end of the lease term.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Minimum lease payments due:				
– Not later than one year	5,155	4,964	99	94
– Between two and five years	5,394	5,867	115	203
	10,549	10,831	214	297
Less: Future finance charges	(650)	(732)	(22)	(31)
Present value of finance lease liabilities	9,899	10,099	192	266

The present values of finance lease liabilities are analysed as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Not later than one year (Note 18)	4,753	4,551	89	84
Later than one year (Note 18):				
– Between two and five years	5,146	5,548	103	182
	9,899	10,099	192	266

20. Deferred income

This relates to fees receivable in advance in respect of healthcare education and training courses as follows:

	Group	
	2016 RM'000	2015 RM'000
Beginning of financial year	1,236	1,091
Additions during the financial year	7,443	6,580
Amount credited to profit or loss	(6,686)	(6,535)
Currency translation differences	69	100
End of financial year	2,062	1,236

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

21. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheets as follows:

	Group	
	2016 RM'000	2015 RM'000
Deferred income tax assets:		
– to be recovered after one year	(3,555)	(9,040)
Deferred income tax liabilities:		
– to be settled after one year	5,479	4,736

The movement in the deferred income tax account is as follows:

	Group	
	2016 RM'000	2015 RM'000
Beginning of financial year	(4,304)	1,083
Tax charged/ (credited) to profit or loss (Note 8)	6,228	(5,387)
End of financial year	1,924	(4,304)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the financial year were as follows:

Group

Deferred income tax liabilities

	Accelerated tax depreciation RM'000
2016	
Beginning of financial year	8,534
Charged to profit or loss	734
End of financial year	9,268
2015	
Beginning of financial year	6,045
Charged to profit or loss	2,489
End of financial year	8,534

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

21. Deferred income taxes (continued)

The Company has no deferred tax liabilities or assets as at 30 June 2016 and 2015.

Group

Deferred income tax assets

	Provisions RM'000	Unutilised tax credits claimed RM'000	Unutilised tax losses RM'000	Total RM'000
2016				
Beginning of financial year	(2,347)	–	(10,491)	(12,838)
(Credited)/charged to profit or loss	(763)	–	6,257	5,494
End of financial year	(3,110)	–	(4,234)	(7,344)
2015				
Beginning of financial year	(1,231)	(3,731)	–	(4,962)
(Credited)/charged to profit or loss	(1,116)	3,731	(10,491)	(7,876)
End of financial year	(2,347)	–	(10,491)	(12,838)

Deferred income tax assets are recognised for tax losses, capital allowances, provisions and unutilised tax credits claimed to the extent that realisation of the related tax benefits through future taxable profits is probable.

The Group has unrecognised tax losses of RM 26,757,000 (2015: RM 25,971,000) and provisions of RM 11,310,000 (2015: RM 9,128,000) at the balance sheet date which can be carried forward and used to offset against future taxable income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

22. Share capital

	No. of ordinary shares		Amount	
	Issued share capital	Treasury shares	Issued share capital RM'000	Treasury shares RM'000
2016				
Beginning of financial year	577,272,286	(201,000)	90,564	(47)
Treasury shares purchased	–	(1,008,600)	–	(975)
End of financial year	577,272,286	(1,209,600)	90,654	(1,022)
2015				
Beginning and end of financial year	577,272,286	(201,000)	90,564	(47)

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

(a) Treasury shares

The Company acquired 1,008,600 (2015: nil) shares in the Company in the open market during the financial year. The total amount paid to acquire the shares was RM 975,000 (2015: nil) and this is presented as a component within shareholders' equity.

(b) HMI Employee Share Option Scheme

On 14 November 2014, options to subscribe for 3,780,000 ordinary shares in the Company at an exercise price of S\$0.28 per ordinary share were granted to certain directors and other key management personnel under the HMI Employee Share Option Scheme ("HMI ESOS"), which was approved by shareholders on 23 October 2008.

The exercise price of the options is determined as the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange for five market days immediately preceding the date of the grant. The vesting of the options is conditional on the directors and key management personnel completing one year of service to the Group from the date of the grant. Once they have vested, the options are exercisable immediately and will expire after a period of ten years from date of grant. The options granted are exercisable from 14 November 2015 and expire on 13 November 2024.

The fair value of the options granted was estimated to be S\$386,000 (approximately RM 1,081,000), using the Black-Scholes Option Pricing model. The significant inputs into the model were share price of S\$0.28 at the grant date, exercise price of S\$0.28, dividend yield of 0%, expected life of 5 years and annual risk-free interest rate of 1.49%. The volatility of 0.39 is measured as the standard deviation of continuously compounded daily returns over 5 years before grant date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

22. Share capital (continued)

(b) HMI Employee Share Option Scheme (continued)

Movements in the number of unissued ordinary shares under the HMI ESOS and their exercise prices are as follows:

	← No. of ordinary shares under HMI ESOS →					Exercise price	Exercise period
	Beginning of financial year	Granted during financial year	Forfeited during financial year	Exercised during financial year	End of financial year		
<u>Group and Company</u>							
2016							
Options	3,780,000	–	–	–	3,780,000	S\$0.28	14.11.2015 – 13.11.2024
	<u>3,780,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,780,000</u>		
2015							
Options	–	3,780,000	–	–	3,780,000	S\$0.28	14.11.2015 – 13.11.2024
	<u>–</u>	<u>3,780,000</u>	<u>–</u>	<u>–</u>	<u>3,780,000</u>		

The options are fully vested but not exercised at the balance sheet date.

(c) HMI Performance Share Plan

On 14 November 2014, 8,820,000 awards, comprising of 8,820,000 shares, were granted to certain directors and other key management personnel under the HMI Performance Share Plan ("HMI PSP"), which was approved by shareholders on 23 October 2008.

The actual number of shares to be released could be zero or a maximum of 8,820,000, at nil exercise price, depending on the achievement of pre-determined performance targets.

The fair value of the awards granted was estimated to be S\$2,470,000 (approximately RM 6,920,000) using the Black-Scholes Option Pricing model. The significant inputs into the model were share price of S\$0.28 at the grant date, dividend yield of 0%, expected life of 2 years and annual risk-free interest rate of 0.48%. The volatility of 0.38 is measured as the standard deviation of continuously compounded daily returns over 2 years before grant date.

Movements in the number of shares awarded under the HMI PSP are as follows:

	Group and Company	
	2016	2015
Beginning of financial year	8,820,000	–
Granted	–	8,820,000
End of financial year	8,820,000	8,820,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

23. Other reserves

(a) Currency translation reserve

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Beginning of financial year	9,114	5,860	16,296	8,180
Net currency translation differences of the Company and Singapore subsidiaries	3,307	3,260	5,630	8,116
Less: Non-controlling interests	(4)	(6)	–	–
	3,303	3,254	5,630	8,116
End of financial year	12,417	9,114	21,926	16,296

The currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of Singapore operations whose functional currencies are different from the presentation currency of the financial statements of the Group.

(b) Other reserves

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Composition:				
Capital reserve	68	68	16	16
Share-based payment reserve	7,062	3,026	7,062	3,026
	7,130	3,094	7,078	3,042
Movements:				
(i) Capital reserve				
Beginning and end of financial year	68	68	16	16
(ii) Share-based payment reserve				
Beginning of financial year	3,026	–	3,026	–
Share-based payment reserve	4,036	3,026	4,036	3,026
End of financial year	7,062	3,026	7,062	3,026

Other reserves are non-distributable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

23. Other reserves (continued)

(c) Retained earnings/(accumulated losses)

- (i) Retained earnings of the Group include the accumulated share of profits of associated corporations amounting to RM 28,729,000 (2015: RM 26,678,000).
- (ii) Movement in accumulated losses for the Company is as follows:

	Company	
	2016	2015
	RM'000	RM'000
Beginning of financial year	(10,066)	(2,410)
Net profit/ (loss)	9,089	(7,656)
End of financial year	(977)	(10,066)

24. Dividends

At the Annual General Meeting on 24 October 2016, a final one-tier tax-exempt cash dividend of 0.75 RM cents per ordinary share of the Company in respect of the financial year ended 30 June 2016 amounting to a total of RM 4,387,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 30 June 2016.

25. Commitments

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	7,959	8,621	–	145

(b) Operating lease commitments - where the Group is a lessee

The Group leases various land and office premises under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

25. Commitments (continued)

(b) Operating lease commitments - where the Group is a lessee (continued)

The future aggregate minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities are as follows:

	Group	
	2016	2015
	RM'000	RM'000
Not later than one year	7,177	7,458
Between two and five years	23,781	25,208
Later than five years	131,337	136,866
	162,295	169,532
Less: Accrual for operating lease expenses recognised on a straight-line basis (Note 17)	(5,376)	(5,628)
Operating lease commitments not recognised as liabilities at balance sheet date	156,919	163,904

26. Contingent liabilities

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These bank borrowings amount to RM 7,213,000 (2015: RM 3,071,000) at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

27. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's policy is not to engage in speculative transactions.

(a) Market risk

(i) *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in currency exchange rates.

The Company's operational activities are carried out in Singapore Dollars ("SGD"). The Group's operational activities are substantially carried out in Malaysian Ringgit ("RM") by its subsidiaries in Malaysia.

Management monitors the Group's and Company's exposure to currency risk to keep the net exposure at an acceptable level.

As at balance sheet date, the Group's subsidiaries have their financial instruments mainly denominated in their respective functional currencies, and currency risk is insignificant. The Company's exposure to currency risk mainly arises from RM denominated amount due from an associated corporation of RM 10,405,000 (2015: RM 23,247,000) and amount due from subsidiaries of RM 18,275,000 (2015: RM 19,472,000) as the Company's functional currency is SGD.

As at 30 June 2016, if the RM has strengthened/ weakened by 1% (2015: 1%) against the SGD with all other variables including tax rate being held constant, the Group and Company's profit after tax would have been RM 238,000 (2015: RM 335,000) higher/lower, as a result of currency translation gains/losses on these RM denominated balances.

(ii) *Cash flow and fair value interest rate risk*

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to cash flow interest rate risks arises mainly from variable rate borrowings. The Group and Company manage its interest rate exposure by monitoring movements in interest rates and actively reviewing its borrowings.

The Group's and Company's borrowings at variable rates comprise approximately 68% (2015: 67%) and 78% (2015: 78%) of the total borrowings respectively. If the interest rate during the financial year had been higher/lower by 0.5% (2015: 0.5%) with all other variables including tax rates being held constant, the profit after tax for the Group and Company would have been lower/higher by RM 118,000 (2015: RM 113,000) and RM 55,000 (2015: RM 52,000) respectively as a result of higher/lower interest expense on variable rate borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

27. Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade and other receivables. For trade and other receivables, the Group adopts the policy of dealing only with customers and counterparties of appropriate credit history to mitigate credit risk. Bank deposits are mainly placed with financial institutions which have high credit ratings.

Trade and other receivables are monitored on an ongoing credit evaluation by the respective management and by Group management. The Group has no significant concentration exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers who are dispersed. Management believes that there is no anticipated additional credit risk beyond the amount of allowance for impairment made in the Group's trade receivables.

As the Group and Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The Group's dominant operations are in Malaysia, and the Group's trade receivables located in Malaysia represents 89% (2015: 89%) of total trade receivables. The remainder represents revenues arising from operations in Singapore.

Trade receivables arise entirely from non-related parties: corporate customers and individual customers which represent 79% (2015: 76%) and 21% (2015: 24%) respectively.

It is the Group's policy to transact with creditworthy counterparties. In addition, the granting of material credit limits to counterparties is reviewed and approved by senior management.

(i) *Financial assets that are neither past due nor impaired*

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

(ii) *Financial assets that are either past due or impaired*

Apart from other receivables and amounts due from an associated corporation (refer to Note 11) which are assessed for impairment on a case-by-case basis, there is no other class of financial assets that is past due and/or impaired except for trade receivables (refer below for analysis).

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2016 RM'000	2015 RM'000
Past due 0 to 1 months	3,256	5,382
Past due 1 to 3 months	1,641	8,241
Past due over 3 months	7,300	4,821
	12,197	18,444

At the Company level, all non-trade receivables are from subsidiaries and associated corporations and the carrying amounts are not past due.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

27. Financial risk management (continued)

(b) Credit risk (continued)

(ii) *Financial assets that are either past due or impaired (continued)*

The carrying amount of trade receivables individually determined to be impaired and the movement of the related allowance for impairment is as follows:

	Group	
	2016 RM'000	2015 RM'000
Gross amount	10,031	7,248
Less: Allowance for impairment	(10,031)	(7,248)
	–	–
Beginning of financial year	7,248	6,466
Allowance made	3,515	1,738
Allowance written back	(69)	(956)
Allowance utilised	(663)	–
End of financial year	10,031	7,248

The impaired trade receivables arise mainly from corporate and individual customers, and an allowance is made on a case-by-case basis.

(c) Liquidity risk

The Group and the Company manage liquidity risk by maintaining sufficient cash to enable them to meet their normal operating commitments and having an adequate amount of committed credit facilities.

The table below analyses the maturity profile of the financial liabilities of the Group and the Company based on contractual undiscounted cash flows.

	Less than 1 year RM'000	Between 2 and 5 years RM'000	Over 5 years RM'000
<u>Group</u>			
2016			
Trade and other payables	79,303	18,251	–
Borrowings	28,800	13,739	2,340
	108,103	31,990	2,340
2015			
Trade and other payables	68,803	26,472	36,060
Borrowings	29,883	9,515	3,474
	98,686	35,987	39,534

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

27. Financial risk management (continued)

(c) Liquidity risk (continued)

	Less than 1 year RM'000	Between 2 and 5 years RM'000
<u>Company</u>		
2016		
Trade and other payables	2,953	–
Borrowings	13,916	3,869
Financial guarantee	7,213	–
	24,082	3,869
2015		
Trade and other payables	3,407	–
Borrowings	16,358	182
Financial guarantee	3,071	–
	22,836	182

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 30 June 2016 and 2015.

(e) Financial instruments by category

The aggregate carrying amounts of loans and receivables and financial liabilities at amortised cost are as follows:

	2016 RM'000	2015 RM'000
Group		
Loans and receivables	138,223	127,933
Financial liabilities at amortised cost	139,407	159,632
Company		
Loans and receivables	58,656	48,281
Financial liabilities at amortised cost	20,016	19,642

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

28. Immediate and ultimate holding company

The Company's immediate and ultimate holding company is Nam See Investment (Pte) Ltd., incorporated in Singapore.

29. Related party transactions

- (a) In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and the related parties at terms agreed between the parties:

		Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(i)	Rental expense to associated corporations*	–	6,788	–	–
(ii)	Interest income from associated corporations	(781)	(958)	(8)	(7)
(iii)	Payments on behalf of an associated corporation	421	1,901	–	–
(iv)	Agency fee paid to a related party [#]	129	119	129	119
(v)	Agency fee recharged to subsidiaries	–	–	(129)	(119)
(vi)	Management fee income from subsidiaries	–	–	(1,836)	(1,404)
(vii)	Salaries recharged to subsidiaries	–	–	(427)	(272)
(viii)	Service fee income from subsidiaries	–	–	(31)	(30)
(ix)	Interest expense charged by holding company	214	172	214	172
(x)	Interest expense charged by associated corporations	1,510	682	–	–
(xi)	Healthcare training cost charged by a subsidiary	–	–	1,439	–

* Rental expense to associated corporations is based on lease agreements.

[#] The related party refers to a company which is controlled by certain key management personnel of the Group and their close family members.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

29. Related party transactions (continued)

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2016 RM'000	2015 RM'000
Wages and salaries	9,050	6,771
Employer's contribution to defined contribution plans, including Central Provident Fund	371	270
Share-based payment expenses	4,036	3,026
Benefits in kind	224	189
	13,681	10,256

30. Segment information

The Management has determined the operating segments based on the reports that are used to make strategic decisions. The Management comprises the Executive Chairman/Managing Director, the Group Chief Executive Officer and the Executive Directors.

The Management assesses the performance of the operating segments based on a measure of earnings before interest and tax ("adjusted EBIT").

The Management considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in the two primary geographic areas, Singapore and Malaysia. The Singapore segment derives revenue from healthcare education and training services. The Malaysia segment derives revenue from hospital and other healthcare services.

Other operations included within Singapore and Malaysia relate to investment holding.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

30. Segment information (continued)

The segment information provided to the Management for the reportable segments are as follows:

	Malaysia Hospital and other- healthcare services RM'000	Singapore Healthcare education and training RM'000	Malaysia & Singapore Investment holding RM'000	Total RM'000
2016				
Revenue:				
Total segment revenue	394,311	11,061	25,326	430,698
Inter-segment revenue	(6,123)	(1,439)	(25,326)	(32,888)
Revenue to external parties	388,188	9,622	–	397,810
Adjusted EBIT	78,130	(455)	(14,410)	63,265
Interest expense - net	(1,234)	(63)	(637)	(1,934)
Share of profit of associated corporations	2,051	–	–	2,051
Profit before income tax	78,947	(518)	(15,047)	63,382
Depreciation expense	17,563	592	151	18,306
Segment assets	344,811	8,781	29,294	382,886
Segment assets includes:				
Investment in associated corporations	46,355	–	–	46,355
Additions to:				
– property, plant and equipment	12,586	2,963	342	15,891
Segment liabilities	107,092	5,250	38,279	150,621

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

30. Segment information (continued)

	Malaysia Hospital and other- healthcare services RM'000	Singapore Healthcare education and training RM'000	Malaysia & Singapore Investment holding RM'000	Total RM'000
2015				
Revenue:				
Total segment revenue	347,869	8,468	5,959	362,296
Inter-segment revenue	(11,113)	–	(5,959)	(17,072)
Revenue to external parties	336,756	8,468	–	345,224
Adjusted EBIT	61,615	1,656	(9,978)	53,293
Interest expense - net	(970)	–	(694)	(1,664)
Share of profit of associated corporations	3,134	–	–	3,134
Profit before income tax	63,779	1,656	(10,672)	54,763
Depreciation expense	15,645	516	78	16,239
Segment assets	337,808	6,879	27,079	371,766
Segment assets includes:				
Investment in associated corporations	37,990	–	–	37,990
Additions to:				
– property, plant and equipment	54,192	24	132	54,348
Segment liabilities	125,155	2,584	38,898	166,637

The revenue from external parties reported to the Management is measured in a manner consistent with that in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

30. Segment information (continued)

(a) Reconciliations

(i) *Segment profits*

A reconciliation of adjusted EBIT to profit before tax is as follows:

	Group	
	2016	2015
	RM'000	RM'000
Adjusted EBIT for reportable segments	63,265	37,054
Finance expense	(3,637)	(3,354)
Interest income	1,703	1,690
Unallocated:		
Share of profit of associated corporations	2,051	3,134
Profit before tax	63,382	54,763

(ii) *Segment liabilities*

The amounts provided to the management with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments.

	Group	
	2016	2015
	RM'000	RM'000
Segment liabilities for reportable segments	150,621	166,637
	150,621	166,637

(b) Revenue from major products and services

Revenue from external customers are derived from hospital and other healthcare services and healthcare education and training as follows:

	Group	
	2016	2015
	RM'000	RM'000
Hospital and other healthcare services	388,188	336,756
Healthcare education and training	9,622	8,468
	397,810	345,224

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

30. Segment information (continued)

(c) Geographical information

The Group's two business segments operate in two main geographical areas:

- (i) Singapore – the Company is headquartered and has operations in Singapore. The operations in this area are healthcare education and training.
- (ii) Malaysia – the operations in this area are hospital and other healthcare services.

		Total sales	
		2016	2015
		RM'000	RM'000
Singapore		9,639	8,486
Malaysia		388,171	336,738
		397,810	345,224
		Total non-current assets	
		2016	2015
		RM'000	RM'000
Singapore		50,984	39,249
Malaysia		177,350	188,772
		228,334	228,021

31. Events occurring after balance sheet date

On 26 August 2016, the directors approved the allotment of 8,820,000 new ordinary shares pursuant to the achievement of the prescribed performance targets under the HMI Performance Share Plan.

32. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 July 2016 or later periods and which the Group has not early adopted:

- FRS 115 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2017)

FRS 115 was issued in November 2015 and supersedes FRS 18 Revenue, FRS 11 Construction contracts and other revenue related interpretations. It applies to all contracts with customers, except for leases, financial instruments and insurance contracts. FRS 115 provides a single, principle-based model to be applied to all contracts with customers. It provides guidance on whether revenue should be recognised at a point in time or over time, replacing the previous distinction between goods and services. The standard introduces new guidance on specific circumstances where cost should be capitalised and new requirements for disclosure of revenue in the financial statements.

- FRS 109 Financial Instruments (effective for annual periods beginning on or after 1 January 2018.)

FRS 109 was issued in December 2015 and includes guidance on the classification and measurement of financial assets and financial liabilities and de-recognition of financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

32. New or revised accounting standards and interpretations (continued)

- FRS 116 Leases (effective for annual periods beginning on or after 1 January 2019)

FRS 116 requires lessees to recognise nearly all leases on the balance sheet which will reflect their right to use an asset for a period of time and the associated liability for payments. As such, lessees has to recognise a *right-of-use asset and a lease liability* for almost all lease contracts. The only exemptions are for short-term leases with lease term of 12 months or less and low-value leases. Lessor accounting model substantially stays the same except for the enhanced disclosure requirements for both lessor and lessees aiming to reflect a more relevant picture of every companies' leasing arrangements.

The Group is in the midst of assessing the impact of the adoption of these mandatory standards that have been published to the financial statements.

33. Listing of companies in the Group

Name of companies	Principal activities	Country of business/ incorporation	Equity holding*		
			2016 %	2015 %	
Subsidiaries (held by the Company)					
HMI Institute of Health Sciences Pte. Ltd. ^(a)	Healthcare education and training	Singapore	100	100	
HMI Health Management (M) Sdn. Bhd. ^(b)	Hospital management services	Malaysia	100	100	
Mahkota Medical Centre Sdn. Bhd. (“MMCSB”) ^{(b) (e)}	Hospital and healthcare services	Malaysia	48.95	48.95	
Mahkota Medical Group Sdn. Bhd. (“MMGSB”) ^{(b) (f)}	Investment holding	Malaysia	48.95	48.95	
Regency Specialist Hospital Sdn. Bhd. (“RSHSB”) ^{(b) (g)}	Hospital and healthcare services	Malaysia	29	29	
Held by MMCSB (48.95% held by the Company)					
Mahkota Realty Sdn. Bhd. ^(b)	Dormant	Malaysia	75	75	
Mahkota Land Sdn. Bhd. ^(b)	Property investment	Malaysia	75	75	
PT. Mahkota Healthcare Services ^(b)	Hospital management and consulting services	Indonesia	95	95	
Held by MMGSB (48.95% held by the Company)					
Regency Specialist Hospital Sdn. Bhd. (“RSHSB”) ^{(b) (g)}	Hospital and healthcare services	Malaysia	65	65	
Held by RSHSB (60.82%% held by the Company)					
Regency Specialist Hospital (S) Pte. Ltd. ^(a)	Hospital management and consulting services	Singapore	100	100	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

33. Listing of companies in the Group (continued)

Name of companies	Principal activities	Country of business/ incorporation	Equity holding*	
			2016 %	2015 %
Associated corporations (held by the Company)				
Nathill Track (M) Sdn. Bhd. ^(c)	Dormant	Malaysia	30	30
Mahkota Commercial Sdn. Bhd. ("MCSB") ^(d)	Holding company of investment properties	Malaysia	48.95	48.95
Regency Healthcare Sdn. Bhd. ("RHSB") ^(d)	Dormant	Malaysia	35	35
Regency Medical Centre (Seri Alam) Sdn. Bhd. ^(d)	Development and lease of a hospital building	Malaysia	29	29
Panodahlia Sdn. Bhd. ^{(b) (h)}	Healthcare education and training	Malaysia	43.45	43.45
Silver Uptown Sdn. Bhd. ⁽ⁱ⁾	Investment holding	Malaysia	48.95	50
Held by MCSB (48.95% held by the Company)				
Mahkota Realty Sdn. Bhd. ^(b)	Dormant	Malaysia	25	25
Raspuri Sdn. Bhd. ^(d)	Dormant	Malaysia	100	100
Mahkota Land Sdn. Bhd. ^(b)	Property investment	Malaysia	25	25
Pancastle Sdn. Bhd. ^(d)	Dormant	Malaysia	100	100
Regency Healthcare Sdn. Bhd. ("RHSB") ^(d)	Dormant	Malaysia	65	65
Regency Medical Centre (Seri Alam) Sdn. Bhd. ^(d)	Development and lease of a hospital building	Malaysia	65	65
Held by RHSB (66.82% held by the Company)				
Regency Medical Centre Sungai Petani) Sdn. Bhd. ^(d)	Dormant	Malaysia	85	85

(a) Audited by PricewaterhouseCoopers LLP, Singapore

(b) Audited by PricewaterhouseCoopers, Malaysia

(c) Audited by BKR Peter Chong, Malaysia

(d) Audited by Crowe Horwath, Malaysia

(e) Although the Company holds 48.95% equity interest in MMCSB, pursuant to an agreement signed by the shareholders of MMCSB on 21 September 2002, the Company exercises control over the Board of Directors, by having the power to cast majority votes at meetings of the Board of Directors, and accordingly considers MMCSB as a subsidiary.

(f) Although the Company holds 48.95% equity interest in MMGSB, pursuant to an agreement signed by the shareholders of MMGSB on 22 October 2008, the Company exercises control over the Board of Directors by, having the power to cast majority votes at meetings of the Board of Directors, and accordingly considers MMGSB as a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

33. Listing of companies in the Group (continued)

- (g) The Company controls directly and indirectly interest of 29% and 31.82% respectively and accordingly considers RSHSB a subsidiary.
 - (h) The Company operates Mahkota Institute of Health Sciences and Nursing.
 - (i) The Company acquired 50% of the issued and paid-up capital of Silver Uptown Sdn. Bhd. ("SUSB") on 12 June 2015, and subsequently subscribed 48,947 ordinary shares, representing 48.95% of the enlarged issued and paid-up capital of SUSB on 16 November 2015.
- * Equity holding refers to the equity holding by the respective entity referred above.

34. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Health Management International Ltd on 21 September 2016.

SUPPLEMENTARY INFORMATION

(A) Leasehold land and leasehold buildings of the Group as set out in Note 16 to the financial statements held by subsidiaries include the following:-

Location	Description	Gross Floor Area (Sq ft)	Tenure	Group's effective interest in the property
<u>Held by Mahkota Medical Centre Sdn Bhd ("MMCSB")</u>				
No. 3 Mahkota Melaka, Jalan Merdeka, 75000 Melaka (a)	Basement, Ground Floor, 1st, 2nd, 3rd, 5th and 6th floor of Mahkota Medical Centre for facilities support, road infrastructure and hospital use; Medical suites, administration office and nursing college at 2nd, 3rd, 4th and 9th floor of Mahkota Medical Centre; Patient wards at 7th and 8th floor of Mahkota Medical Centre	251,359	99 years commencing from 19 July 2002	48.95%
Lot 1349, Kawasan Bandar XLII, Melaka Tengah, Melaka (a)	Car park	46,812	95 years commencing from 16 November 2007	48.95%
Lot 1344, Kawasan Bandar XLII, Melaka Tengah, Melaka (a)	Car park	115,884	99 years commencing from 19 July 2002	48.95%

SUPPLEMENTARY INFORMATION

(B) Land and buildings of the Group held by associated corporations include the following:-

Location	Description	Gross Floor Area (Sq ft)	Tenure	Group's effective interest in the property
<u>Held by Mahkota Commercial Sdn Bhd ("MCSB")</u>				
No. 3 Mahkota Melaka, Jalan Merdeka, 75000 Melaka (a)	Medical suite at 4th floor of Mahkota Medical Centre	344	99 years commencing from 19 July 2002	48.95%
<u>Held by Regency Medical Centre (Seri Alam) Sdn Bhd (subsidiary of MCSB)</u>				
HS(D) 239043, PTD 111517, Mukim Plentong, Daerah Johor Bahru, Negeri Johor (b)	Hospital building and land	413,613	Freehold	60.82%

(a) Valuation performed by Henry Butcher Malaysia (Malacca) Sdn Bhd

(b) Valuation performed by KGV International Property Consultants (Johor) Sdn Bhd

STATISTICS OF SHAREHOLDINGS

As at 19 September 2016

Class of shares	: Ordinary shares
Voting rights	: One vote for each ordinary share
Number of issued shares	: 586,092,286
Number of issued shares excluding treasury shares	: 584,882,686
Number of treasury shares	: 1,209,600 (0.21%)

Distribution of Shareholdings as at 19 September 2016

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	81	1.97	2,986	0.00
100 – 1,000	1,493	36.29	1,416,089	0.24
1,001 – 10,000	1,375	33.42	6,376,572	1.09
10,001 – 1,000,000	1,117	27.15	73,669,460	12.60
1,000,001 and above	48	1.17	503,417,579	86.07
Total	4,114	100.00	584,882,686	100.00

Twenty Largest Shareholders as at 19 September 2016

No.	Name of Shareholders	No. of Shares	%
1	Nam See Investment (Pte) Ltd.	279,883,673	47.85
2	Raffles Nominees (Pte) Limited	48,217,188	8.24
3	Cheah Way Mun	16,422,602	2.81
4	DBS Nominees (Private) Limited	14,877,682	2.54
5	Beh Chun Chuan	10,210,800	1.75
6	HSBC (Singapore) Nominees Pte Ltd	10,168,759	1.74
7	Gan See Khem	8,692,600	1.49
8	Tan Han Shing Richard	7,824,325	1.34
9	OCBC Securities Private Limited	6,883,387	1.18
10	Kaka Singh S/O Dalip Singh	6,436,168	1.10
11	Phillip Securities Pte Ltd	6,126,233	1.05
12	Allplus Holdings Pte Ltd	6,000,150	1.03
13	Ching Kwok Choy	4,565,483	0.78
14	United Overseas Bank Nominees (Private) Limited	4,474,814	0.77
15	Maybank Kim Eng Securities Pte. Ltd.	4,102,834	0.70
16	Chin Wei Jia	3,528,000	0.60
17	Ng Chee Fatt	3,450,000	0.59
18	Chern Chian (Chen Qian)	3,300,000	0.56
19	UOB Kay Hian Private Limited	3,253,123	0.56
20	Coffee Express 2000 Pte Ltd	3,039,800	0.52
	Total	451,457,621	77.20

STATISTICS OF SHAREHOLDINGS

As at 19 September 2016

Direct Interest and Deemed Interest of Substantial Shareholders as at 19 September 2016

Name of Substantial Shareholders	Registered in the name of the substantial shareholders	Shareholdings in which substantial shareholders are deemed to have an interest
Nam See Investment (Pte) Ltd.	280,747,973	—
Dr Gan See Khem	8,692,600	295,889,495 ^(a)
Dr Chin Koy Nam	3,288,000	301,294,095 ^(b)
Kabouter Management, LLC	—	48,881,965 ^(c)

Note:

- (a) Dr Gan See Khem is deemed to have interest in shares held by Nam See Investment (Pte) Ltd., her spouse and her children.
- (b) Dr Chin Koy Nam is deemed to have interest in shares held by Nam See Investment (Pte) Ltd., his spouse and his children.
- (c) Kabouter Management, LLC is deemed to be interested in the shares of Health Management International Ltd which are held through funds managed by Kabouter Management, LLC.

Percentage of Shareholdings held in the Public Hands as at 19 September 2016

Based on the information available to the Company as at 19 September 2016, there are approximately 36.31% of the total number of issued shares excluding treasury shares of the Company held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited which requires at least 10% of the total number of issued shares excluding treasury shares (excluding preference shares and convertible equity securities) in a class that is listed at all times held by the public.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of Health Management International Ltd (the “**Company**”) will be held at Hall 2, Level 1, Devan Nair Institute for Employment and Employability, 80 Jurong East Street 21, Singapore 609607 on Monday, 24 October 2016 at 4.00 p.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and Audited Financial Statements of the Company for the financial year ended 30 June 2016 together with the Auditor’s Report thereon. **[Resolution 1]**

2. To re-elect Professor Tan Chin Tiong (“**Prof Tan**”), retiring by rotation pursuant to Article 95 of the Constitution of the Company and who, being eligible, offers himself for re-election. **[Resolution 2]**

Prof Tan, if re-elected, will remain as a Chairman of Nominating Committee and Remuneration Committee of the Company and a member of the Audit and Risk Management Committee of the Company. Prof Tan is considered as an Independent Non-Executive Director of the Company.

3. To re-elect Mr Chin Wei Yao, retiring pursuant to Article 96 of the Constitution of the Company and who, being eligible, offers himself for re-election. **[Resolution 3]**

4. To re-elect Professor Annie Koh (“**Prof Koh**”), retiring pursuant to Article 96 of the Constitution of the Company and who, being eligible, offers herself for re-election. **[Resolution 4]**

Prof Koh, if re-elected, will remain as a Chairman of Audit and Risk Management Committee of the Company and a member of Nominating Committee and Remuneration Committee of the Company. Prof Koh is also the Lead Independent Director of the Company.

5. To approve the payment of Directors’ Fees of S\$199,655 to the Independent Non-Executive Directors of the Company for the financial year ended 30 June 2016 (2015: S\$190,149). **[Resolution 5]**

6. To approve the final one-tier tax-exempt cash dividend of 0.75 RM cents per ordinary share of the Company for the financial year ended 30 June 2016. **[Resolution 6]**

7. To re-appoint Messrs PricewaterhouseCoopers LLP as the Auditor of the Company and to authorise the Directors of the Company to fix their remuneration. **[Resolution 7]**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions and Special Resolution (for item 11 only), with or without any modifications:

8. **Authority to issue shares in the capital of the Company** **[Resolution 8]**

THAT pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the authority be and is hereby given to the Directors of the Company to:

- (a) (i) issue shares in the Company (“**shares**”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant of offers, agreements or options (collectively, the “**instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any instrument made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent (50%) of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in paragraph (2) below), of which the aggregate number of shares (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per cent (20%) of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in accordance with paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the total number of issued shares excluding treasury shares shall be based on the total number of issued shares in the capital of the Company excluding treasury shares at the time this Resolution is passed, after adjusting for:
 - (i) new shares arising from the conversion or exercise of any convertible securities;
 - (ii) new shares arising from exercise of share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (iii) any subsequent bonus issue, consolidation or subdivision of shares;
- (c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (d) unless revoked or varied by the Company in a general meeting, the authority conferred by this Resolution shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the instruments, made or granted to this Resolution, until the issuance of such shares in accordance with the terms of the instruments.

[See Explanatory Note (i)]

9. **Authority to issue shares under the HMI Employee Share Option Scheme and the HMI Performance Share Plan** **[Resolution 9]**

THAT pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be and are hereby empowered to offer and grant options under the HMI Employee Share Option Scheme (the “**Scheme**”) and share awards under the HMI Performance Share Plan (the “**Plan**”); and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, and the vesting of share awards under the Plan, granted during the subsistence of this authority, provided always that the aggregate total number of issued shares to be issued pursuant to the Scheme and the Plan shall not exceed fifteen per cent (15%) of the total number of issued shares in the capital of the Company excluding treasury shares from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)]

NOTICE OF ANNUAL GENERAL MEETING

10. The Proposed Renewal of the Share Buy Back Mandate

[Resolution 10]

THAT:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 (the “**Companies Act**”), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (“**Ordinary Shares**”) not exceeding in aggregate the Maximum Percentage (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:
 - (i) market purchase(s) on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and/or any other stock exchange on which the Ordinary Shares may for the time be listed and quoted (the “**Other Exchange**”); and/or
 - (ii) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, the Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, the Other Exchange as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “**Share Buy Back Mandate**”);

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:
 - (i) the date on which the next Annual General Meeting of the Company is held;
 - (ii) the date by which the next Annual General Meeting of the Company is required by law to be held;
 - (iii) the date on which purchase and acquisitions of Ordinary Shares pursuant to the Share Buy Back Mandate are carried out to the full extent mandated;
- (c) in this Resolution:

“**Average Closing Price**” means the average of the closing market prices of an Ordinary Share over the last five market days on which transactions in the Ordinary Shares on the SGX-ST or, as the case may be, the Other Exchange were recorded, immediately preceding the date of the market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted, in accordance with the listing rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period;

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Ordinary Shares from Shareholders, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the basis set out below) for each Ordinary Share and the relevant terms of the equal access scheme for effecting the off-market purchase;

“**Maximum Percentage**” means that number of issued Ordinary Shares representing 10% of the issued Ordinary Shares of the Company as at the date of the passing of this Resolution (excluding any Ordinary Shares which are held as treasury shares as at that date); and

“**Maximum Price**” in relation to an Ordinary Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) which shall not exceed:

NOTICE OF ANNUAL GENERAL MEETING

- (i) in the case of a market purchase of an Ordinary Share, 105% of the Average Closing Price of the Ordinary Shares; and
 - (ii) in the case of an off-market purchase of an Ordinary Share, 120% of the Average Closing Price of the Ordinary Shares; and
 - (d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.
- [See Explanatory Note (iii)]

11. **The Proposed Alteration to the Constitution of the Company Relating to the HMI Scrip Dividend Scheme [Resolution 11]**

THAT the Constitution of the Company be altered in the manner as set out in Appendix 1 to the Company's Letters to Shareholders dated 30 September 2016 (the "**Circular**").

12. **The Proposed Authority to Issue New Ordinary Shares pursuant to the HMI Scrip Dividend Scheme [Resolution 12]**

THAT, contingent upon the passing of Resolution 11 above, the Directors of the Company be and are hereby authorised, pursuant to Section 161 of the Companies Act, to allot and issue from time to time such number of new ordinary shares in the Company as may be required to be allotted and issued pursuant to the HMI Scrip Dividend Scheme (as defined in the Circular).

NOTICE OF BOOKS CLOSURE DATE AND PAYMENT DATE FOR FINAL ONE-TIER TAX-EXEMPT DIVIDEND

NOTICE IS HEREBY GIVEN that subject to shareholders' approval being obtained at the Eighteenth Annual General Meeting of the Company to be held on 24 October 2016:

1. A final one-tier tax-exempt cash dividend of 0.75 RM cents per ordinary share of the Company in respect of the financial year ended 30 June 2016 will be paid on 11 November 2016 ("**Proposed Final Dividend**").
2. The Share Transfer Books and Register of Members of the Company will be closed on 3 November 2016 for the preparation of payment for the Proposed Final Dividend.

Duly completed registrable transfers in respect of ordinary shares in the capital of the Company ("**Shares**") received by the Company's Share 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 2 November 2016 will be registered to determine shareholders' entitlement to the Proposed Final Dividend.

Shareholders whose securities accounts maintained with The Central Depository (Pte) Limited are credited with Shares at 5:00 p.m. on 2 November 2016 will be entitled to the Proposed Final Dividend.

By Order of the Board

Ms Noraini Binte Noor Mohamed Abdul Latiff
Company Secretary
Singapore
30 September 2016

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES

- (i) The Resolution 8 in item 8 above, if passed, will authorise the Directors of the Company, from the date of this Annual General Meeting of the Company until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held, or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding fifty per cent (50%) the total number of issued shares in the capital of the Company excluding treasury shares, of which the total number of issued shares to be issued other than on a pro rata basis, up to a number not exceeding twenty per cent (20%) of the total number of issued shares in the capital of the Company excluding treasury shares.

For the purpose of determining the aggregate number of shares that may be issued, the total number of issued shares excluding treasury shares shall be based on the total number of issued shares in the capital of the Company excluding treasury shares at the time this Resolution 8 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities; (b) new shares arising from exercise of share options or vesting of share awards which are outstanding or subsisting at the time this Resolution 8 is passed; and (c) any subsequent bonus issue, consolidation or subdivision of shares.

- (ii) The Resolution 9 in item 9 above, if passed, will empower the Directors of the Company, from the date of this Annual General Meeting of the Company until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held, or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the capital of the Company pursuant to the exercise of options granted or to be granted under the Scheme and the vesting of share awards granted or to be granted under the Plan up to a number not exceeding in total (for the entire duration of the Scheme and the Plan) fifteen (15%) per cent of the total number of issued shares in the capital of the Company excluding treasury shares from time to time.
- (iii) The Resolution 10 in item 10 above, if passed, will authorise the Directors of the Company, from the date of this Annual General Meeting of the Company until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held, or the date on which the share buy backs are carried out to the full extent mandated, or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to purchase or otherwise acquire ordinary shares in the capital of the Company not exceeding in aggregate the ten (10%) per cent of the issued ordinary share capital of the Company excluding any treasury shares at such price up to the Maximum Price (as defined above) as at the date of the passing of this Resolution 10. The details of the proposed renewal of the share buy back mandate are set out in the Letters to the Company's Shareholders dated 30 September 2016 accompanying this annual report.

NOTES

1. (a) A member of the Company (otherwise than a relevant intermediary) is entitled to appoint not more than two (2) proxies to attend, speak and vote at the Annual General Meeting of the Company. Where such member appoints more than one proxy, the number of shares to be represented by each proxy shall be specified in the instrument appointing a proxy or proxies.
- (b) A member of the Company who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the Annual General Meeting of the Company, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified) and specified in the instrument appointing a proxy or proxies.

“Relevant intermediary” means:

- (i) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
- (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
- (iii) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under the Central Provident Fund Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

2. A proxy need not be a Member of the Company.
3. If the appointor is a corporation, the instrument appointing a proxy or proxies must be executed either under its common seal or signed under the hand of its attorney or officer duly authorised on behalf of the corporation.
4. The instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for the holding of the Annual General Meeting of the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting of the Company and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting of the Company (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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HEALTH MANAGEMENT INTERNATIONAL LTD

(Company Registration No.: 199805241E)

(Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Proxy Form)

IMPORTANT:

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 of Singapore, may appoint more than two (2) proxies to attend, speak and vote at the Annual General Meeting of the Company. For CPF/SRS investors who have used their CPF monies to buy Health Management International Ltd's shares, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their CPF Approved Nominees if they have any queries regarding their appointment as proxies (Please see Note 3).
2. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 30 September 2016.
- 3.

I/We (Name) _____ (NRIC/Passport/UEN No.) _____

of (Address) _____

being a member/members of Health Management International Ltd (the "Company"), hereby appoint:

Name	NRIC/Passport No.	No. of Shares Represented
Address		

and/or (delete as appropriate)

Name	NRIC/Passport No.	No. of Shares Represented
Address		

or failing him/her, the Chairman of the Annual General Meeting of the Company as my/our proxy/proxies to vote for me/us on my/our behalf at the Eighteenth Annual General Meeting of the Company to be held at Hall 2, Level 1, Devan Nair Institute for Employment and Employability, 80 Jurong East Street 21, Singapore 609607 on Monday, 24 October 2016 at 4.00 p.m. and any adjournment thereof.

I/We direct my/our proxies to vote for or against the Resolutions to be proposed at the Eighteenth Annual General Meeting of the Company as indicated hereunder. If no specific directions as to voting is given, the proxy/proxies may vote or abstain from voting at his/their discretion.

Resolutions	Number of votes For*	Number of votes Against*
ORDINARY RESOLUTION 1: Adoption of Audited Financial Statements for the financial year ended 30 June 2016 and Directors' Statement together with Auditor's Report thereon		
ORDINARY RESOLUTION 2: Re-election of Professor Tan Chin Tiong, retiring pursuant to Article 95 of the Constitution of the Company, as a Director of the Company		
ORDINARY RESOLUTION 3: Re-election of Mr Chin Wei Yao, retiring pursuant to Article 96 of the Constitution of the Company, as a Director of the Company		
ORDINARY RESOLUTION 4: Re-election of Professor Annie Koh, retiring pursuant to Article 96 of the Constitution of the Company, as a Director of the Company		
ORDINARY RESOLUTION 5: Payment of Directors' Fees of S\$199,655 to the Independent Non-Executive Directors of the Company for the financial year ended 30 June 2016		
ORDINARY RESOLUTION 6: Approval of the final one-tier tax-exempt cash dividend of 0.75 RM cents per ordinary share of the Company for the financial year ended 30 June 2016		
ORDINARY RESOLUTION 7: Re-appointment of Messrs PricewaterhouseCoopers LLP as the Auditor of the Company and the Directors of the Company be authorised to fix their remuneration.		
ORDINARY RESOLUTION 8: Authority to issue shares in the capital of the Company		
ORDINARY RESOLUTION 9: Authority to issue shares under the HMI Employee Share Option Scheme and the HMI Performance Share Plan		
ORDINARY RESOLUTION 10: The Proposed Renewal of the Share Buy Back Mandate		
SPECIAL RESOLUTION 11: The Proposed Alteration to the Constitution of the Company relating to the HMI Scrip Dividend Scheme		
ORDINARY RESOLUTION 12: The Proposed Authority to issue of new Shares pursuant to the HMI Scrip Dividend Scheme		

* If you wish to use all your votes "For" or "Against", please indicate with an "X" within the box provided. Otherwise, please indicate number of votes "For" or "Against" for each Resolution within the box provided.

Dated this _____ day of _____ 2016.

Signature of Member(s) or Common Seal of Corporation

Total number of shares held

IMPORTANT: PLEASE READ NOTES OVERLEAF

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BOARDROOM CORPORATE & ADVISORY SERVICES PTE. LTD.

**Share Registrar of
Health Management International Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623**

FOLD HERE

NOTES TO PROXY FORM:

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by the member.
2. (a) A member of the Company (otherwise than a relevant intermediary) is entitled to appoint not more than two (2) proxies to attend, speak and vote at the general meeting. Where such member appoints more than one (1) proxy, the number of shares to be represented by each proxy shall be specified in the instrument appointing a proxy or proxies.
(b) A member of the Company who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the general meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified) and specified in the instrument appointing a proxy or proxies.
"Relevant intermediary" means:
 - (i) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
 - (iii) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under the Central Provident Fund Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. CPF/SRS investors whose names have been given by their CPF Approved Nominees to the Company or the Company's share registrar, as the case may be, pursuant to a blanket instrument appointing proxy or proxies may attend and vote in person at the general meeting. In the event that such CPF/SRS investors are unable to attend the general meeting but would like to vote, they should inform their CPF Approved Nominees to appoint the Chairman of the meeting to act as their proxy.
4. A proxy need not be a member of the Company.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company's share registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight hours (48 hours) before the time appointed for the holding of general meeting.
6. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the general meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the general meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy or proxies, to the general meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer on behalf of the corporation.
8. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument appointing a proxy or proxies, failing which the instrument may be treated as invalid.
9. A corporation which is a member of the Company may also authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the general meeting in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
10. The Company shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument (including any related attachment).
11. In the case of a member whose shares are entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the general meeting, as certified by The Central Depository (Pte) Limited to the Company.

Health Management International Ltd
(Company Registration No. 199805241E)

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