

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

Unaudited Financial Statements And Dividend Announcement for the first quarter and three months ended 30 September 2016

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

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

	Note	First Quarter Ended		
		30 Sep 2016 RM'000	30 Sep 2015 RM'000	+/- %
Turnover		109,460	94,079	16
Cost of services		(71,632)	(61,895)	16
Gross profit		37,828	32,184	18
Interest income		419	439	(5)
Other gains/ (losses) – net		570	(3,293)	NM
Distribution and marketing costs		(682)	(574)	19
Administrative costs		(17,844)	(15,482)	15
Finance costs		(518)	(1,186)	(56)
Share of results of associates		477	830	(43)
Profit before tax		20,250	12,918	57
Tax		(5,740)	(4,614)	24
Total profit		14,510	8,304	75
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss:				
Currency translation difference arising from consolidation		1,405	5,030	(72)
Total comprehensive income		15,915	13,334	19
Profit attributable to:				
Equity holders of the Company		6,170	1,382	346
Non-controlling interests		8,340	6,922	20
		14,510	8,304	75
Total comprehensive income attributable to:				
Equity holders of the Company		7,573	6,404	18
Non-controlling interests		8,342	6,930	20
Total comprehensive income		15,915	13,334	19

NM - Not Meaningful

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

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

	Note	First Quarter Ended		+/- %
		30 Sep 2016 RM'000	30 Sep 2015 RM'000	
Share-based payment expenses		1,238	1,252	-
Depreciation		4,831	4,508	7
Reversal of doubtful debts – net		(11)	(175)	(94)
Foreign exchange (gain)/ loss				
- realised		(64)	396	<i>NM</i>
- unrealised		1,209	4,200	(71)
Fair value gain on financial derivatives:				
- realised		14	-	100
Loss on disposal and write-off of property, plant and equipment		7	2	250

NM - Not Meaningful

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

	Group		Company	
	As at 30 Sep 2016 RM'000	As at 30 Jun 16 RM'000	As at 30 Sep 2016 RM'000	As at 30 Jun 16 RM'000
ASSETS				
Current assets				
Cash and cash equivalents	88,085	78,928	16,959	16,314
Trade and other receivables	61,439	57,400	39,589	42,107
Tax recoverable	22	6	-	-
Inventories	13,219	14,050	-	-
Other current assets	3,735	4,167	88	67
	166,500	154,551	56,636	58,488
Non-current Assets				
Trade and other receivables	126	121	126	121
Other non-current assets	446	436	116	114
Investments in associated corporations	47,296	46,355	20,409	19,945
Investments in subsidiaries	-	-	59,291	57,942
Property, plant and equipment	182,107	177,867	965	975
Deferred tax assets	1,486	3,555	-	-
	231,461	228,334	80,907	79,097
Total Assets	397,961	382,885	137,543	137,585
LIABILITIES				
Current Liabilities				
Trade and other payables	77,985	79,299	4,622	2,953
Current income tax liabilities	4,238	3,673	-	-
Borrowings	23,263	27,495	13,710	13,408
Deferred income	1,827	2,062	-	-
	107,313	112,529	18,332	16,361
Non-Current Liabilities				
Trade and other payables	18,251	18,251	-	-
Borrowings	17,505	14,362	3,729	3,655
Deferred income tax liabilities	5,475	5,479	-	-
	41,231	38,092	3,729	3,655
Total Liabilities	148,544	150,621	22,061	20,016
NET ASSETS	249,417	232,264	115,482	117,569
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	97,764	90,564	97,764	90,564
Treasury shares	(1,022)	(1,022)	(1,022)	(1,022)
Currency translation reserve	13,820	12,417	24,632	21,926
Other reserves	1,168	7,130	1,116	7,078
Retained earnings/ (Accumulated losses)	67,723	61,553	(7,008)	(977)
	179,453	170,642	115,482	117,569
Non-controlling interests	69,964	61,622	-	-
TOTAL EQUITY	249,417	232,264	115,482	117,569

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

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

As at 30 Sep 2016		As at 30 Jun 2016	
Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000
5,938	17,325	5,355	22,140

(b) Amount repayable after one year; and

As at 30 Sep 2016		As at 30 Jun 2016	
Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000
13,334	4,171	10,130	4,232

(c) Details of any collaterals.

The Group

A first assignment on the lands and buildings of certain subsidiaries in Malaysia.

The Group's borrowings include finance lease liabilities of approximately RM 13.8 million (FY2016: RM 9.9 million), which are effectively secured as the rights to the hire purchase asset will be reverted to the hiree in the event of default.

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

	First Quarter Ended	
	30 Sep	30 Sep
	2016	2015
Note	RM'000	RM'000
Cash Flows from Operating Activities		
Net profit after taxation	14,510	8,304
Adjustments for:		
Income tax expense	5,740	4,614
Depreciation	4,831	4,508
Reversal of doubtful debts – net	(11)	(175)
Interest expense	518	1,186
Share-based payment expenses	1,238	1,252
Interest income	(419)	(439)
Loss on disposal and write-off of property, plant and equipment	7	2
Share of profit of associated corporations	(477)	(830)
Currency translation differences	666	1,780
Operating profit before working capital changes	<u>26,603</u>	<u>20,202</u>
Changes in operating assets and liabilities:		
Inventories	830	(1,050)
Trade and other receivables	(3,689)	4,359
Other current and non-current assets	443	(750)
Trade and other payables	3,775	(6,790)
Deferred income	(281)	(228)
Cash provided by operations	<u>27,681</u>	<u>15,743</u>
Interest paid	(518)	(1,186)
Tax paid	(5,009)	(1,316)
Net cash provided by operating activities	<u>22,154</u>	<u>13,241</u>
Cash Flows from Investing Activities		
Repayment of loans by associated corporations	-	(558)
Additions to property, plant and equipment	(2,363)	(5,723)
Proceeds from disposal of property, plant and equipment	1	-
Interest received	419	439
Net cash used in investing activities	<u>(1,943)</u>	<u>(5,842)</u>
Cash Flows from Financing Activities		
(Repayment)/ Drawdown of borrowings	(2,422)	760
Repayment of lease liabilities	(2,722)	(1,188)
Dividends paid to non-controlling interests by a subsidiary	(3,318)	(6,637)
Net cash used in financing activities	<u>(8,462)</u>	<u>(7,065)</u>
Net increase in cash and cash equivalents	11,749	334
Cash and cash equivalents at beginning of financial period	74,326	38,835
Effect of exchange rate changes on cash and cash equivalents	402	588
Cash and cash equivalents at end of financial period	<u>86,477</u>	<u>39,757</u>
Cash and equivalents comprise:		
Cash and bank balances	88,085	40,068
Bank overdraft	(1,608)	(311)
	<u>86,477</u>	<u>39,757</u>

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

The Group

	Attributable to equity holders of the Company						Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Currency Translation Reserve RM'000	Other Reserves RM'000	Retained Earnings RM'000	Non- controlling Interests RM'000	
Balance as at 1 Jul 2015	90,564	(47)	9,114	3,094	41,654	60,750	205,129
Exchange translation difference	-	-	5,022	-	-	8	5,030
Net profit for the period	-	-	-	-	1,382	6,922	8,304
Total comprehensive income for the financial period	-	-	5,022	-	1,382	6,930	13,334
Dividend paid to non-controlling interests by subsidiaries	-	-	-	-	-	(14,294)	(14,294)
Share-based payment	-	-	-	1,252	-	-	1,252
Balance as at 30 Sep 2015	90,564	(47)	14,136	4,346	43,036	53,386	205,421
Balance as at 1 Jul 2016	90,564	(1,022)	12,417	7,130	61,553	61,622	232,264
Exchange translation difference	-	-	1,403	-	-	2	1,405
Net profit for the period	-	-	-	-	6,170	8,340	14,510
Total comprehensive income for the financial period	-	-	1,403	-	6,170	8,342	15,915
Share-based payment	-	-	-	1,238	-	-	1,238
Issue of new shares	7,200	-	-	(7,200)	-	-	-
Balance as at 30 Sep 2016	97,764	(1,022)	13,820	1,168	67,723	69,964	249,417

The Company

	Share Capital RM'000	Treasury Reserves RM'000	Other Reserves RM'000	Retained Earnings/ (Accumulated Losses) RM'000	Currency Translation Reserves RM'000	Total Equity RM'000
Balance as at 1 Jul 2015	90,564	(47)	3,042	(10,066)	16,296	99,789
Net profit for the period	-	-	-	6,039	-	6,039
Exchange translation difference	-	-	-	-	10,582	10,582
Share-based payment	-	-	1,252	-	-	1,252
Balance as at 30 Sep 2015	90,564	(47)	4,294	(4,027)	26,878	117,662
Balance as at 1 Jul 2016	90,564	(1,022)	7,078	(977)	21,926	117,569
Net loss for the period	-	-	-	(6,031)	-	(6,031)
Exchange translation difference	-	-	-	-	2,706	2,706
Share-based payment	-	-	1,238	-	-	1,238
Issue of new shares	7,200	-	(7,200)	-	-	-
Balance as at 30 Sep 2016	97,764	(1,022)	1,116	(7,008)	24,632	115,482

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

The Company has on 26 August 2016 allotted and issued an aggregate of 8,820,000 new ordinary shares in the capital of the Company (the "New Shares"), at S\$0.28 per award to the eligible participants pursuant to the vesting of the awards granted under the HMI Performance Share Plan following the achievement of the prescribed performance targets.

Following the allotment and issuance of the New Shares, the total number of issued ordinary shares in the share capital of the Company will increase from 577,272,286 (which includes 1,209,600 treasury shares) to 586,092,286.

Share Options and Performance Shares

Pursuant to HMI Employee Share Option Scheme and HMI Performance Share Plan, which were approved at the extraordinary general meeting of the Company held on 23 October 2008, a total of 3,780,000 share options and 8,820,000 awards were granted by the Company on 14 November 2014. As at 30 September 2016, the number of shares that may be issued on conversion of outstanding convertibles is 3,780,000 shares (30 June 2016: 12,600,000). As at 30 September 2016, the number of share options that are vested but not exercised is 3,780,000. The 8,820,000 share awards had been fully allotted as the New Shares on 26 August 2016.

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

The Company's total number of issued shares excluding treasury shares is 584,882,686 (30 June 2016: 576,062,686) as at the end of the current financial period. Total number of treasury shares is 1,209,600 as at 30 September 2016 and 30 June 2016.

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

There were no sales, transfers, disposal, cancellation and/or use of treasury shares during the three months ended 30 September 2016.

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

The financial statements for the three months ended 30 September 2016 have not been audited nor reviewed by the independent auditor.

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the financial statements of the current reporting year compared with those of the audited financial statements as at 30 June 2016.

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

The new or amended Financial Reporting Standards ("FRS") and Interpretations to FRS ("INT FRS") that are mandatory for the financial year beginning on or after 1 July 2016 have been adopted by the Group. The adoption of these new or amended FRS and INT FRS has no material impact on the financial statements of the Group.

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

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

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

	Group	
	3 Months Ended 30 Sep	
	<u>2016</u>	<u>2015</u>
Net profit attributable to equity holders of the Company (RM'000)	6,170	1,382
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	579,514	577,071
(i) Basic earnings per share (RM cents per share)	1.06	0.24
Weighted average number of ordinary shares adjusted for the effects of dilutive potential ordinary shares ('000)	588,663	589,671
(ii) Diluted earnings per share (RM cents per share)	1.05	0.23

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

	As at 30 Sep 2016	As at 30 Jun 2016
The Group		
Net asset value attributable to ordinary shareholders (RM'000)	179,453	170,642
Total number of issued shares excluding treasury shares ('000)	584,883	576,063
Net asset value per share (RM cents per share)	30.68	29.62
The Company		
Net asset value attributable to ordinary shareholders (RM'000)	115,482	117,569
Total number of issued shares excluding treasury shares ('000)	584,883	576,063
Net asset value per share (RM cents per share)	19.74	20.41

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

(i) INCOME STATEMENT

First Quarter

For the three months ended 30 September 2016 ("Q12017"), the Group's turnover increased by 16% from RM 94.1 million to RM 109.5 million, when compared with the corresponding period in the previous year ("Q12016"). Turnover from the Group's healthcare business accounted for approximately RM 14.1 million of the increase mainly due to higher patient load and average bill sizes in its two hospitals i.e. Mahkota Medical Centre Sdn. Bhd. ("MMCSB") and Regency Specialist Hospital Sdn. Bhd. ("RSHSB"). The Group's education business registered a RM 1.3 million increase in revenue due to higher student headcount.

Despite the higher expenses arising from input GST which could not be recovered, gross profit margin improved slightly to 34.6% from 34.2% in Q12016 as a result of higher revenue intensity in both hospitals and better cost management. The Group reported RM 0.6 million of other gains in Q12017 as compared to RM 3.3 of other losses in Q12016. This is mainly due to foreign exchange losses of RM 1.2 million arising from weakening Malaysian ringgit during the quarter which was RM 3.5 million lower than the corresponding period in the prior year.

Distribution & marketing expenses in Q12017 were comparable to Q12016. Administrative expenses increased by RM 2.4 million as compared to the previous financial period mainly due to increase in indirect labour costs in the current period. Finance costs were RM 0.7 million lower due to full repayment of amounts owing to the associated companies in the financial year ended 30 June 2016.

(i) INCOME STATEMENT (Continued)

As a result of the above, the Group registered a 57% increase in profit before tax of RM 20.3 million in Q12017, as compared to RM 12.9 million in Q12016. Tax expense increased by RM 1.1 million mainly due to higher profitability of the Group's hospitals and lower tax incentives available to MMCSB in the current period. The profit attributable to shareholders was RM 6.2 million and RM 1.4 million in Q12017 and Q12016 respectively, whereas profit attributable to non-controlling interests was RM 8.3 million and 6.9 million in Q12017 and Q12016 respectively.

(ii) BALANCE SHEET

The cash and cash equivalents of the Group remained strong at RM 88.1 million as at 30 September 2016. Trade and other receivables increased by RM 4.0 million mainly due to higher corporate sales during the quarter.

Investment in associated companies increased by RM 0.9 million mainly due to conversion effect as a result of weaker Malaysian ringgit rate in the last three months. The RM 4.2 million increase in property, plant and equipment was due to the acquisition of new medical equipment by the hospitals offset by the depreciation expenses. Deferred tax assets decreased by RM 2.1 million due to utilisation of tax losses by RSHSB in the current period.

Current income tax liabilities increased by RM 0.6 million when compared to 30 June 2016 due to higher profitability of the Group's hospitals. Total borrowings during the period decreased by RM 1.1 million mainly due to repayment of revolving credit facilities by MMCSB and RSHSB.

(iii) CASH FLOW STATEMENT

First Quarter

Net cash generated from operating activities for the quarter was RM 22.2 million, RM 8.9 million higher than the previous period. This was mainly due to better business performance and cash management by the Group.

Net cash used in investing activities for the current period was RM 1.9 million, RM 3.9 million lower than the corresponding period in the previous year. The decrease is mainly due to RM 3.4 million lesser acquisition of medical equipment by the hospitals.

Net cash used in financing activities, when compared to corresponding period in the prior year, was RM 1.4 million higher at RM 8.5 million. It was mainly due to RM 4.7 million higher repayment of borrowings and lease liabilities, offset by RM 3.3 million lower dividends paid to non-controlling interests by a subsidiary during the current period.

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

Not applicable.

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

The Group's hospitals continue to do well with both hospitals in Malaysia registering year-on-year increases in revenue and patient volume. MMCSB remains a well-regarded brand for healthcare in the region and was conferred the "Malaysia Medical Tourism Hospital of the Year" award in 2015 & 2016 by Frost & Sullivan. Into its 7th year of operations, RSHSB continues its fast growth and looks to further expand its range of specialist healthcare offerings, improve customer experience and strengthen connections with the local community.

To cope with the growing number of patients at the Group's hospitals, both MMCSB and RSHSB continue to progress on their respective upgrading and expansion plans. At MMCSB, the hospital has added a new day surgery centre and is set to begin its nuclear medicine service with the installation of a Positron Emission Tomography ("PET") scanner. This is in line with the hospital's aim to become a comprehensive "one-stop" medical centre for its local and overseas patients. MMCSB is also planning to increase inpatient bed capacity in 2017.

At RSHSB, due to the strong patient demand, the management has re-designed an initially planned Medical Block (with mainly clinic suites) to become a Hospital Extension Block. The proposed hospital extension project will more than double existing capacity and add more inpatient beds, clinical services, operating theatre capacity, as well as clinic suites for sale or rental to doctors. Construction is expected to begin in 2017 and is expected to take two and a half years to complete.

In Malaysia, a healthy rising trend in domestic insurance penetration, an aging population and increasing regional connectivity are expected to further contribute to the growth of private healthcare services with BMI Research forecasting health expenditure to grow 7.9% p.a. from 2016 to 2020. In addition, Malaysia is an attractive destination for medical tourists due to availability of medical personnel, quality medical treatment, advanced healthcare infrastructure 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.

However, the healthcare landscape in Malaysia will remain competitive. In Malacca and Johor where our hospitals operate, new hospitals have opened which have led to increased competition for patients, doctors and other skilled manpower. In addition, economic uncertainties might also potentially reduce healthcare expenditure by self-funded patients.

Based on the current economic outlook and barring unforeseen circumstances, the Directors expect the Group to continue to grow in FY2017.

11. If a decision regarding dividend has been made –

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

None.

(b) (i) Amount per share.

Not applicable.

(ii) Previous corresponding period.

Not applicable.

11. If a decision regarding dividend has been made – (Continued)

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

Not applicable.

- (d) The date the dividend is payable.**

Not applicable.

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

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect.

No dividend has been declared/ recommended.

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

The Group has not obtained an IPT mandate from shareholders. It does not have any IPT (excluding transaction less than S\$100,000) for the three months ended 30 September 2016 that is disclosable under Rule 920(1)(a) (ii) of the SGX-ST Listing Manual.

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

The Board has confirmed that to the best of its knowledge, nothing has come to its attention which may render the unaudited financial statements of the Company or the unaudited consolidated financial statements of the Group for the three months ended 30 September 2016 to be false or misleading in any material aspect.

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

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

BY ORDER OF THE BOARD

Dr Gan See Khem
Executive Chairman and Managing Director
10 November 2016