



Health
Management
International

ANNUAL REPORT 2017



**ADVANCING HEALTHCARE,
CHANGING LIVES**

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Advancing Healthcare, Changing Lives

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 340 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 16 patient referral centres across the region. The Group also owns and operates the HMI Institute of Health Sciences in Singapore.



Vision

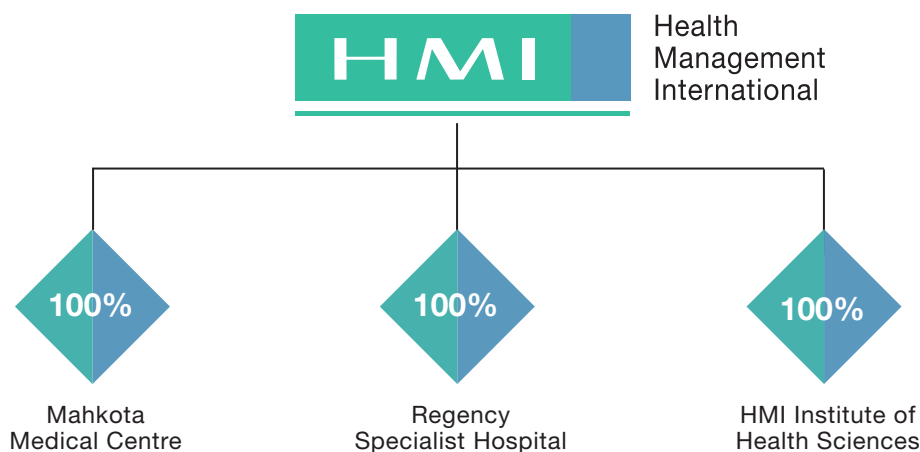
Improving lives through quality healthcare

Mission

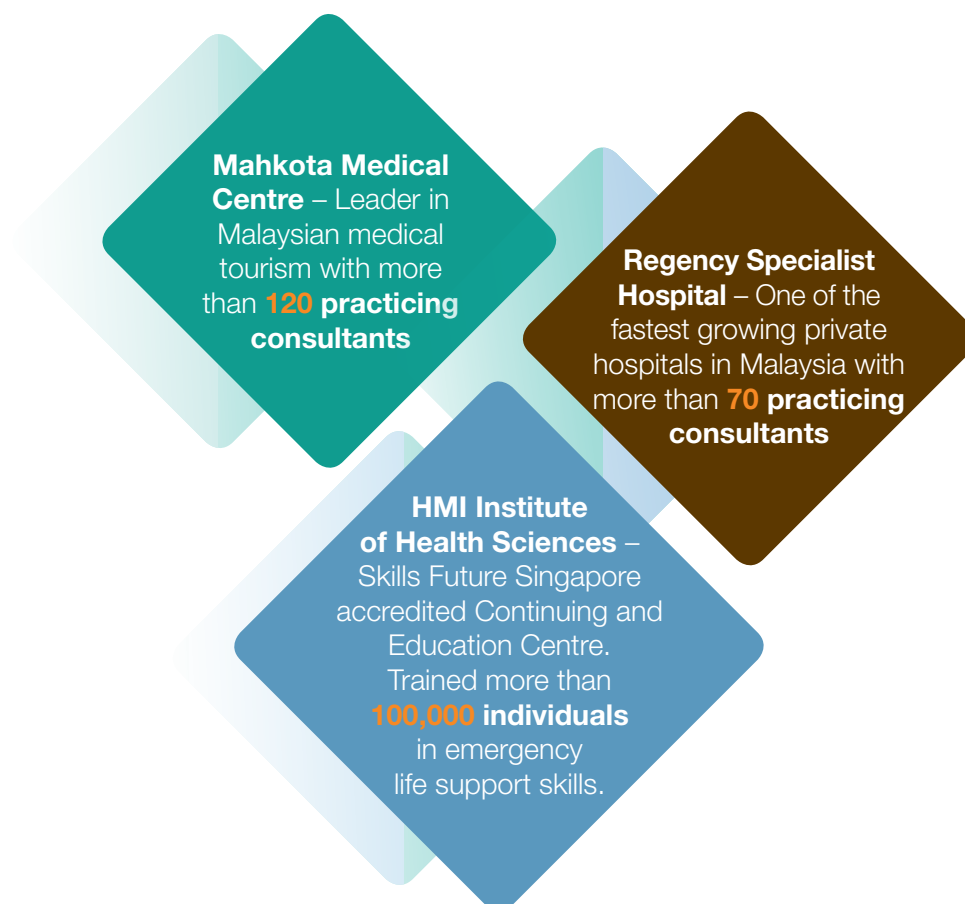
To be a leading regional healthcare company committed to the delivery of quality services with care and compassion, that:

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

CORPORATE STRUCTURE

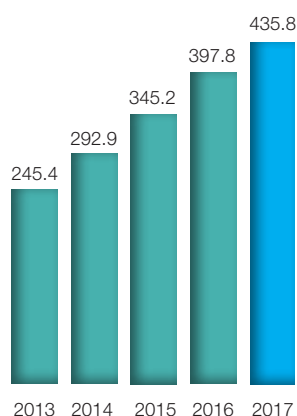


HIGHLIGHTS OF OUR BUSINESSES

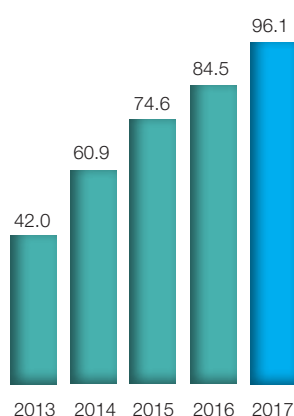


5-YEAR FINANCIAL HIGHLIGHTS

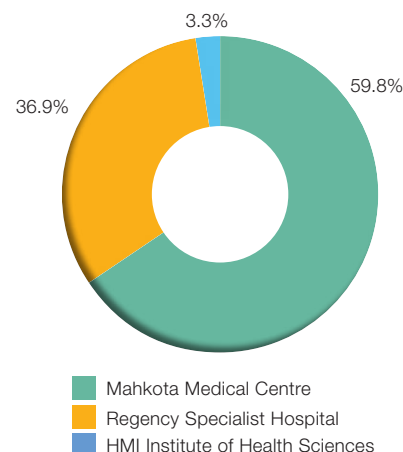
Group Revenue in RMm



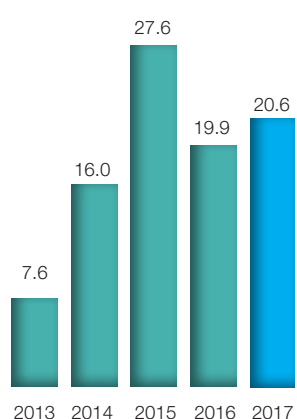
Group EBITDA^(a) in RMm



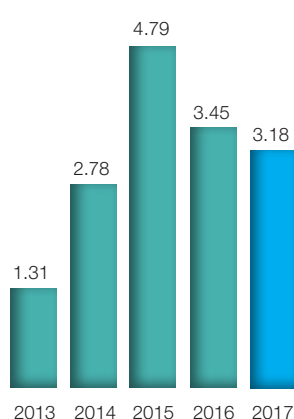
Revenue Contribution



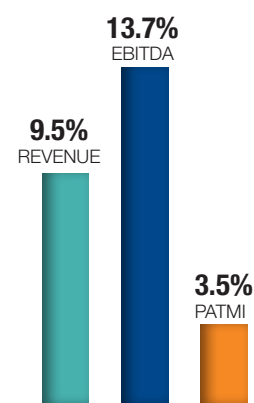
Group PATMI in RMm



Group Basic EPS in RM cents



Growth Rates



	Units	FY2013	FY2014	FY2015	FY2016	FY2017
Revenue	RM'000	245,415	292,912	345,224	397,810	435,765
Revenue Growth	%		19.4%	17.9%	15.2%	9.5%
Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA") ^(a)	RM'000	41,998	60,896	74,567	84,531	96,111
EBITDA Margin	%	17.1%	20.8%	21.6%	21.2%	22.1%
Net Profit After Tax ("NPAT")	RM'000	19,171	36,042	53,357	45,451	42,213
Net Profit Attributable to Equity Holders ("PATMI")	RM'000	7,574	16,027	27,643	19,899	20,590
Basic Earnings per Share	RM cents	1.31	2.78	4.79	3.45	3.18
Total Debt	RM'000	63,648	55,378	40,576	41,857	163,748
Net Debt/(Net Cash)	RM'000	53,949	29,401	1,500	(37,071)	86,994
Net Debt/EBITDA	x	1.3x	0.5x	0.0x	(0.4x)	0.9x

^(a) EBITDA is adjusted for effects of asset restructuring exercise undertaken in FY2015; net currency gains or losses; share of profit of associated corporations; and professional fees relating to the consolidation in the ownership of Mahkota and Regency which was completed on 27th March 2017.

CHAIRMAN'S MESSAGE

In view of the Group's financial performance and strong balance sheet, the Board is pleased to propose a final ordinary dividend of RM 1.0 cents per share to reward shareholders for their strong support.



DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present our annual report for the financial year ended 30 June 2017 ("FY2017").

In Malaysia, subdued economic growth continued to weigh on the economy while the weak Malaysian Ringgit contributed to rising costs and a dampening of consumer sentiment. In Indonesia, Southeast Asia's largest economy and our most important overseas market, the resource-rich country has been impacted by a drop in commodity prices leading to subdued growth and declining household consumption.

Despite the macroeconomic headwinds, the Group's resilient business model translated to sustained growth at our two hospitals as revenue increased 9.5% year-on-year ("yoy") to RM 435.8 million for FY2017. This growth in revenue was achieved in spite of two Hari Raya holidays falling within our financial year, a rare occurrence. Similarly, the Group's profit after tax attributable to shareholders improved 3.5% yoy to RM 20.6 million. Backed by robust operations, the Group's core net profit attributable to shareholders increased 40.3% yoy to RM 32.1 million. In view of the Group's financial performance and strong balance sheet, the Board is pleased to propose a final ordinary dividend of RM 1.0 cents per share to reward shareholders for their strong support.

Consolidating in Pursuit of our Regional Healthcare Strategy

On 11 November 2016, we announced the agreement to consolidate the ownership of our two hospitals in Malaysia, the previously 48.9%-owned Mahkota Medical Centre ("Mahkota") and the 60.8%-owned Regency Specialist Hospital ("Regency") to 100% each, for an aggregate purchase price of RM 556.5 million (S\$183.2 million¹). This was funded by a combination of cash and 199.8 million new HMI shares issued to the non-controlling shareholders of Mahkota and Regency. The cash component was funded by a senior secured five-year term loan of S\$53.0 million, a renounceable rights issue of new HMI shares of S\$18.5 million and internal cash resources.

With your support at our extraordinary general meeting on 10 February 2017, the rights issue was launched on 23 February 2017. A total of 32.4 million rights shares were offered at S\$0.57 per share, on the basis of 11 rights shares for every 200 existing shares held. When the offer closed on 9 March 2017, we received applications for a total of 47.2 million rights shares, representing approximately 1.5 times of the number of rights shares offered. Upon its conclusion, we were successful in raising our target of S\$18.5 million towards funding of the consolidation.

¹ S\$1.00:RM 3.0380

In line with our strategy of enhancing long-term shareholder value, the consolidation exercise provided a positive financial impact to shareholders with an immediate accretion to earnings per share and net profit attributable to shareholders. Following the conclusion of the consolidation of ownership on 27 March 2017, our 4Q2017 results announcement represented the first quarter in which we reported a fully consolidated set of financial results. Accordingly, the Group's net profit attributable to shareholders increased 118.8% yoy to RM 10.7 million for 4Q2017. Going forward, HMI shareholders will continue to benefit from a clearer ownership structure with 100% of Mahkota's and Regency's earnings being attributable to shareholders.

In the years ahead, our enlarged listed healthcare platform will provide us with the foundation to execute our regional growth strategies with greater operational flexibility and options for funding.

Delivering Healthcare Excellence with Care and Compassion

During the course of the year, our hospitals saw more than 445,000 patients, a record achievement for the Group. Both Mahkota and Regency continue to go from strength to strength as leading tertiary hospitals serving the local communities in Malacca and Johor, as well as patients from across the region. With close to 200 practicing specialists, our one-stop multi-disciplinary hospitals offer a comprehensive range of medical and surgical disciplines at a competitive price for both local and overseas patients.

While we continue to leverage on our brand equity with a track record in healthcare that spans over 25 years, it is our belief that we must continuously improve the quality of life in the local communities we operate in. In this light, we adopt a proactive approach to engage local communities through numerous outreach activities and initiatives geared towards helping the less fortunate and the community at large. As we continue to reach new milestones, we strive to be an agent for change in improving the quality of life and raising the level of healthcare awareness amongst the community.

To further enhance our suite of services, we focus on the continuous recruitment of specialists with a particular emphasis on building sub-specialty expertise. For example,

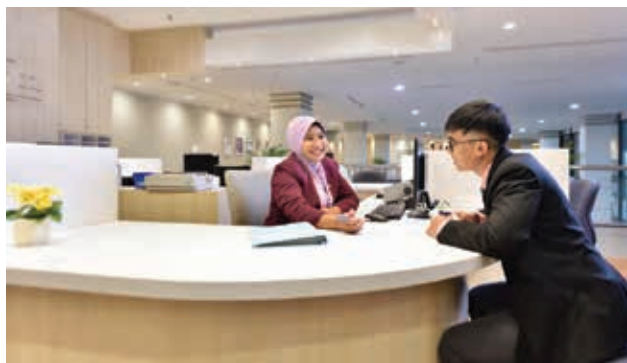


at Mahkota we have built one of the most comprehensive cancer centres south of Kuala Lumpur with fully equipped suites for treatment and diagnostic facilities. Our PET scanner is the first and only one available in Malacca and complements our Center of Excellence ("COE") in cancer. Similarly, at Regency, we have built the first and only Emergency Specialist Centre in Malaysia with round-the-clock coverage by emergency specialists capable of handling critical accident and emergency cases.

While expanding our specialist offerings, we pride ourselves on the ability to provide the highest level of patient care and experience. Enhancing service delivery is at the top of our agenda as we continuously upgrade existing infrastructure and improve patient services. As a result, our surveys have shown increasing levels of patient satisfaction – a testament to our patient-centred approach to delivering the highest quality of healthcare.

Favourable Tailwinds to Spur Medical Tourism

In the last decade, medical tourism has been on the rise as affordable air travel has driven globalisation to new heights. Coupled with government initiatives and support from the Malaysia Healthcare Travel Council ("MHTC"), Malaysia was awarded the medical tourist destination of the year by the International Medical Travel Journal ("IMTJ") in 2015 and 2016. Medical tourists continue to seek treatment in Malaysia due to favourable exchange rates, international-standards healthcare facilities and an ecosystem that facilitates convenient access to affordable healthcare. According to MHTC, the medical tourism industry in Malaysia is expected to achieve its targeted revenue of RM 1.3 billion in 2017, representing 30% yoy growth². Additionally, MHTC expects one million medical tourists in 2017, up from the estimated 900,000 in 2016. In the mid term, medical tourism is expected to generate RM 2.8 billion in revenue by 2020.



² IMTJ, A Million Medical Tourists for Malaysia in 2017, 28 April 2017

Situated in the historic state of Malacca, Mahkota is a pioneer and leader of medical tourism in Malaysia. With its 340 bed capacity, Mahkota is also the largest private tertiary hospital in South Malaysia³ serving approximately 10% of Malaysia's medical tourists having cultivated its strong brand since 1999 as one of the first movers in Indonesia. In the near-term, AirAsia is expected to commence direct flights to Guangzhou, Vietnam and Jakarta from Malacca which may boost medical tourism growth in Malacca.

A fifteen minute drive from the Singapore-Woodlands checkpoint and the Johor Bahru city centre is where Regency is steadily becoming a fully comprehensive care hospital for both local and overseas patients. Regency is the first private hospital in Johor Bahru to be approved under the Ministry of Health in Singapore, allowing the use of Medisave for approved hospitalisation and day surgeries. With average bill sizes that are one third the cost of private healthcare costs in Singapore, Regency is gaining traction amongst foreign patients. Looking ahead, we will leverage on our extensive referral network that spans 16 patient referral offices across Indonesia, Malaysia and Singapore to increase our market share in a burgeoning medical tourism landscape.

Capturing Growth Opportunities through Expansion

Structural factors such as rising affluence, an ageing population and wider insurance coverage have led to higher healthcare awareness across the region. To cater to rising healthcare demand, we have embarked on expansion plans at both of our hospitals. While we continue to focus on the development of our COEs at Mahkota, we will be increasing operational bed capacity from 266 beds to 300 beds in FY2018. Further plans are also in place to progressively add capacity to a target of 340 beds in the future.

At Regency, our goal is to further develop Regency's specialist and sub-specialist capabilities to strengthen its position as a fully comprehensive tertiary hospital. As Regency continues its growth trajectory, operational bed capacity will be increased from 166 beds to 200 beds in FY2018. To further fuel organic growth and to capitalise on the increasing patient



load, Regency will commence the construction of a new hospital extension block adjacent to its existing hospital block in FY2018, pending necessary approvals. The new block will add more inpatient beds, clinical services, operating theatres, as well as clinic suites for sale or rental to doctors. Upon its completion, Regency will become a 380-bed tertiary hospital with capacity to expand to an eventual 500-bed hospital. Internally, we have targeted to commission the new extension block in FY2021.

On the inorganic front, we continue to scan the healthcare landscape for partnerships and synergistic acquisitions that may enlarge our geographical footprint. Strategic collaborations that could potentially enhance our clinical excellence will also be explored, in line with our relentless pursuit of providing the highest quality of care at our hospitals.

In Appreciation

On behalf of the Board, I would like to extend my sincere appreciation to our shareholders who have been instrumental in our success over the years. Your enduring support and belief in our vision has given us the confidence to press on with our growth strategies as we strive to enhance long-term shareholder value.

I would also like to thank all of our customers, business partners and stakeholders for another year of support. Our appreciation also goes out to the Ministry of Health, government agencies and community organisations in Singapore and Malaysia for their continued support of our initiatives.

More than anything else, a successful healthcare organisation is about its people and their passion for improving the quality of human life. As such, my deepest gratitude goes out to all of our doctors and employees for their dedication and commitment to providing our patients with the best possible care. Together, I look forward to charting new milestones in the year ahead.

Dr Gan See Khem

Executive Chairman and Managing Director
Health Management International Ltd



³ Refers to Johor, Malacca and Negeri Sembilan

GROUP CEO'S MESSAGE REVIEW OF OPERATIONS



While charting steady growth across our hospitals, we remain committed to not only attracting the right talent, but nurturing and retaining them as we grow.

DEAR SHAREHOLDERS,

The Group continued to achieve strong financial and operational performance for the financial year ended 30 June 2017 ("FY2017"). Both of our hospitals, Mahkota Medical Centre ("Mahkota") and Regency Specialist Hospital ("Regency") delivered another set of strong results with growth in terms of the number of practicing specialists, patient loads and revenue intensity. Overall, the Group achieved a new record as it received more than 445,000 patients for FY2017. In line with marketing initiatives geared towards capturing a bigger medical tourism market share, the growth in foreign patient load has outpaced the growth in local patient load. During the year, approximately 21.4% of the Group's patient load came from overseas.

RESILIENT FINANCIAL PERFORMANCE

The Group's revenue increased 9.5% year-on-year ("yoy") to a record RM 435.8 million for FY2017, despite the rare occurrence where two Hari Raya holiday seasons fell within the financial year under review. This was primarily driven by higher patient loads and average bill sizes at the Group's two hospitals, as well as higher student enrolment at the Group's training institute. Along with the growth in revenue, gross profit increased 10.8% yoy to RM 143.8 million. Backed by effective cost controls, the Group's EBITDA increased 13.7% yoy to RM 96.1 million while EBITDA margin remained stable at 22.1%.

On 27 March 2017, the Group completed the consolidation of ownership of its two hospitals, the previously 48.9%-owned Mahkota and the 60.8%-owned Regency, to 100% each. Stemming from this consolidation exercise, the Group recorded RM 8.2 million in one-off costs related to professional fees and other costs during FY2017. This contributed to the bulk of the 20.2% yoy increase in administrative costs to RM 78.3 million. Excluding the impact arising from the one-off professional fees, as well as the non-operational foreign exchange losses during the year, the Group's core net profit attributable to shareholders ("PATMI") increased 40.3% yoy to RM 32.1 million for FY2017.

Our robust core business operations continued to generate strong positive operating cash flows amounting to RM 74.5 million for FY2017. This contributed to balance sheet strength as cash and cash equivalents remained stable at RM 76.8 million, after paying down RM 41.2 million of debt resulting from the consolidation exercise. Our resilient balance sheet and healthy cash flow generation will enable us to comfortably fund our organic expansion plans while providing the impetus to explore inorganic growth opportunities in the healthcare sector.

MAHKOTA MEDICAL CENTRE

Solidifying its position as a market leader in Malaysian healthcare

Strategically located within the historical city centre of Malacca, Mahkota is an award-winning multidisciplinary tertiary care hospital with 340 bed capacity that serves around 300,000 patients a year. Established in 1994, it is the largest private tertiary hospital in South Malaysia¹ with more than 120 specialists across a comprehensive range of medical and surgical specialties and sub-specialties. As a pioneer in medical tourism and being a first mover amongst Malaysian hospitals in the Indonesian market since 1999, Mahkota has continued to build upon its strong brand recognition and holds approximately 10% market share of Malaysia's medical tourists, seeing more than 85,000 foreign patients a year.

During the year, Mahkota continued to receive accolades, winning the Fertility Service Provider of the Year award at the Global Health and Travel Awards 2017. The hospital retained its Malaysian Society for Quality in Health ("MSQH") 4-year accreditation along with the renewal of its MS ISO 15189 accreditation as Mahkota continued to adhere to the highest standards of competence and quality at its medical laboratory.

Mahkota continued its growth trajectory as revenue increased by 4.8%, from RM 248.0 million to RM 260.0 million driven by higher inpatient and outpatient loads. EBITDA increased 10.1% yoy from RM 68.2 million to RM 75.1 million.

Elevating our COEs to Greater Heights

At Mahkota, our strategy to further develop our Centres of Excellence ("COEs") continues to gain traction. In this light, we focused our efforts on enhancing our overall service offerings through continuous investment into medical technology, training and initiatives geared towards increasing the comprehensiveness of our COEs.

At the Mahkota Cancer Centre, we introduced our Positron Emission Tomography-computed tomography ("PET-CT") scan service on 28 November 2016, establishing complementary nuclear medicine services to our existing range of cancer treatments available at the hospital. Our PET-CT service has bolstered our ability to provide comprehensive cancer care through earlier detection, more accurate diagnostics and more precise treatment. At present, we are the only Cancer Centre in Malacca to have a PET-CT scanner. We were honoured to have YB Datuk Seri Dr. S. Subramaniam, Malaysia's Minister of Health at our official launch on 20 July 2017.

At the Mahkota Woman and Child Centre, we have dedicated our attention to the medical needs of women and children. This COE is backed with eight resident obstetrics and gynaecology ("O&G") specialists and four paediatricians. During the year, we made continuous improvements by enhancing our designated maternity and paediatric ward and introduced new technologies for our In-Vitro Fertilisation ("IVF") laboratory. To further develop this COE, we launched a new paediatric rehabilitation service catering to special needs children who have developmental delay, cerebral palsy, and Down syndrome, amongst others.



As part of our efforts to champion greater understanding and knowledge of laparoscopic surgery, we hosted a seminar on 23 March 2017 to garner awareness amongst the public so they can make more informed choices on their surgical treatment options. In conjunction with the seminar, the Crown Princess of Pahang, who is also the Founder and Patron of the Tunku Azizah Fertility Foundation, launched the book, "Laparoscopic Surgery in Gynaecology and Common Diseases in Women – Surgery with Minimal Scars and Maximal Benefits". The book was



¹ Refers to Johor, Malacca, and Negeri Sembilan



written by our Consultant Obstetrics & Gynaecology and reproductive medicine, Dr. Sevellaraja Supermaniam. In addition, Mahkota conducted a joint workshop with Regency on advanced laparoscopic gynaecological surgery in August 2017.

To further complement our COEs, we brought six new doctors on board across various specialities. During the year, new sub-specialities that were introduced include neonatology, rheumatology, trauma and spine surgery as well as periodontology.

Enhancing Service Delivery

As we place patient satisfaction amongst the top of our priorities, several new initiatives were introduced to enhance service delivery at Mahkota. As a result, we have seen consistent improvements in our hospital's Net Promoter Score, an index that measures the willingness of customers to recommend a company's products or services to others.

As communicated in our previous annual report, the Group undertook a Lean Six Sigma project to improve business processes and reduce patient waiting times. At Mahkota,



we focused on the following key business operations areas such as registration and payment, insurance admission and discharge, and bed management. This exercise resulted in significant improvements to our business operations as our staff streamlined processes to drive operational efficiency. For example, the time taken for insurance admission was reduced significantly by two-thirds. Further, we also made continuous investments in technology and leveraged on data analytics to help us enhance our quality healthcare offerings.

To enhance the experience for our patients and visitors, renovation of public areas and upgrading of satellite cable television in all of our ward rooms were undertaken during the first half of the year. New retail outlets were also opened including MyOrtho Foot Care Shop and the Eyestudio Optometry Outlet to complement the clinical services provided at Mahkota Diabetes Centre.

Increasing Capacity to Better Serve our Patients

In light of structural factors such as an ageing population, the increasing prevalence of chronic diseases and rising affluence, Mahkota will be expanding bed capacity to cope with the increasing patient load. In FY2018, we will increase operational bed capacity from 266 beds to 300 beds. We have also formalised plans to grow Mahkota's eventual capacity to 340 beds in the future.

Looking ahead, strengthening Mahkota's market position as a leading one-stop comprehensive care hospital remains our key strategy. We will do this through the expansion of our core specialties, attracting new specialists, furthering the development of our COEs and maximising the utilisation of existing facilities. As we grow, we want our staff to grow with us. This will be done by further developing our pool of skilled healthcare professionals and support staff.

REGENCY SPECIALIST HOSPITAL

Established in 2009, Regency is one of the fastest growing private hospitals in Malaysia with 218 bed capacity, serving in excess of 145,000 patients a year. A fifteen minute drive from the Singapore-Woodlands checkpoint and the Johor Bahru city centre, Regency houses more than 70 specialists across a wide range of medical and surgical disciplines. Located in close proximity to the Pasir Gudang industrial area and the RM 60 billion Petronas oil refinery-petrochemicals complex, Regency is the only private hospital in Malaysia to have a 24-hour Emergency Specialist Centre operated by emergency specialists. Having received the ISO 9001:2008 accreditation in FY2016, Regency was further validated with 4-year MSQH accreditation in FY2017 in view of its continuous adherence to deliver quality healthcare.

With an aim to become a fully comprehensive care hospital for both local and overseas patients, Regency continued its growth trajectory with strong financial performance. Driven by rising patient loads, revenue increased 13.5% yoy to RM 160.9 million while EBITDA rose 9.6% yoy to RM 30.7 million for FY2017. Regency's patient load increased to approximately 145,000 patients, a 27.2% yoy increase from the 114,000 patients seen in FY2016 as marketing initiatives and the recruitment of new specialists drove growth. Leveraging on synergies derived from Mahkota's extensive regional outreach, and supported

by the Group's 16 patient representative offices across Indonesia, Malaysia and Singapore, Regency saw an increase in its overseas patient load.

Enhancing Patient Experience

Improving service delivery at Regency was the focal point of our operations during the year. Amid an increasingly competitive landscape, we embarked on targeted initiatives catered towards elevating the levels of customer service.

Similar to Mahkota, the adoption of the Group's Lean Six Sigma project led to the continual improvement in processes and workflows, boosting the overall efficiency of Regency's operations. Since its inception, Regency has reduced patient waiting times and improved turnaround in areas such as registration and payment and bed management.

To enhance patient experience, Regency refurbished four out of its existing five wards. Additionally, renovation and upgrading works were conducted at various locations including the radiology department, registration lobby counters and the hospital's café which serves an array of local and western dishes. We have also received positive feedback from the introduction of the new Violet Lounge which provides a comfortable environment for patients as they await final discharge and pick up by their families.



Artist impression of the new Regency hospital extension block



Increasing Capacity and Building Capabilities to Cater to Growing Demand

At Regency, we intend to increase operational bed capacity from 166 beds to 200 beds in FY2018. As patient load continues to rise driven by an increase in demand for private healthcare, Regency will commence construction of a new hospital extension block adjacent to its existing hospital block in FY2018, pending necessary approvals. The new block will add more inpatient beds, clinical services, operating theatres, as well as clinic suites for sale or rental to doctors.

We estimate that the construction costs for the extension block will amount to RM 160 million. This will be funded by a combination of debt and internal cash resources, backed by our strong balance sheet and cash flow generation. Upon the completion of the extension block which is targeted to be commissioned in FY2021, Regency will become a 380-bed tertiary hospital with capacity to expand to an eventual 500-bed hospital.

Into its eighth year of operations, we added a new Regency aesthetic service which focuses on skin health and wellness, meeting the needs of our clients who want to stay healthy and beautiful at the same time. To further strengthen our service offering, we introduced Resident Medical Officers (“RMOs”) to bolster our critical care capabilities round the clock. Our RMOs are stationed in the intensive care unit, high dependency unit and step down unit to provide medical care and support to critical care patients through the night.



Positioning for the Future

As Iskandar Malaysia continues its rapid development with the entry of new hospitals, we remain vigilant of the competition which is set to intensify in the coming years. In light of an increasingly competitive landscape, we focus on what we can control; growing key disciplines, recruiting new specialists, launching new services, enhancing patient experience, developing our staff and expanding marketing initiatives in order to ensure sustainable growth.

Going forward, we will continue to focus on reaping Group synergies by leveraging on economies of scale to maintain cost effectiveness in areas such as procurement of equipment, medical supplies and pharmaceutical drugs.





NUTURING PEOPLE DEVELOPMENT

It is our strong belief that long-term success is dependent on the strength and depth of our talent pool. While charting steady growth across our hospitals, the Group remains committed to not only attracting the right talent, but nurturing and retaining them as we grow. All of our staff are exposed to learning and development opportunities, while the management team ensures that each individual is given the appropriate training to handle their daily tasks. During the year, more than 1,220 staff at both of our hospitals underwent training in a variety of areas spanning acute pain service to dealing with difficult customers.

In an ever-changing medical landscape, we focus on the continuous professional development of consultants and doctors through the support of industry-wide medical conferences, talks and workshops so that they are kept abreast of the latest developments in the medical field.

Similarly, we also support the professional development of our nurses and allied health professionals through talks and workshops as well as active participation in post-basic training programmes to provide the best patient experience for our patients.

HMI INSTITUTE OF HEALTH SCIENCES

HMI Institute of Health Sciences ("HMI Institute") is the first dedicated private provider of healthcare training and education in Singapore. It is one of only two SkillsFuture Singapore appointed Continuing Education and Training ("CET") Centres for the healthcare support sector in Singapore. Since its founding, HMI Institute has trained more than 3,500 healthcare graduates along with more than 100,000 individuals benefitting from emergency life support courses.

For FY2017, HMI Institute reported a 58.3% yoy increase in revenue to RM 15.2 million, driven by higher student enrolment at the Group's new training facility at the Devan Nair Institute for Employment and Employability in Jurong East. The purpose-built training centre models actual healthcare working environments such as an operating theatre, hospital wards, and physiotherapy areas. This allows students to be exposed to authentic and experiential learning.

HMI Institute is also focused on developing and incorporating e-learning capabilities to make healthcare knowledge and continuing professional education easily accessible to a larger pool of learners. This initiative is in tandem with the SkillsFuture Singapore initiative to promote life-long learning.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

At HMI, we remain committed to regularly assessing the environmental, social and governance risks of our operations. In this light, we place long-term sustainability at the core of our business. As we continue our growth trajectory, we are mindful of the need to minimise our impact on the environment and reducing our overall carbon footprint. This includes optimising energy efficiency across our operations. Additionally, the Group continues to work towards creating positive social impact through numerous outreach activities to raise the level of healthcare awareness in the communities we operate in. We also regularly conduct independent reviews and audits on the Group's operations to evaluate the adequacy and effectiveness of internal controls including financial, operational, compliance, and information technology controls and risk management system.



INVESTOR RELATIONS

The Group remains committed to corporate transparency and effective corporate governance through maintaining open and continuous two-way dialogue with our shareholders, analysts and the 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 conducted results briefings every quarter with investment analysts from local and foreign brokerages. During these sessions, key management is present to keep the investment community informed of the Group's financial performance, growth strategy and industry outlook. These are efforts undertaken by the management to articulate its business model, performance and unique value propositions with the investment community.

The Group also participated in various institutional-initiated Non-Deal Roadshows in Singapore, Malaysia, Taiwan and Hong Kong as part of its investor outreach efforts. They include:

23 September 2016	SGX-DBS Healthcare Corporate Day
6 October 2016	UBS ASEAN Healthcare Day
13 January 2017	Credit Suisse ASEAN Conference
21 February 2017	SGX-UOB Taipei Investor Day
17 March 2017	Daiwa ASEAN Healthcare Day
13 June 2017	SGX-Credit Suisse Corporate Day



In addition, the Group hosted site visits for investment analysts and institutional investors at both of its hospitals during the financial year under review.

HMI was covered by UOB Kay Hian, Maybank Kim Eng, OCBC, CIMB, Philip Capital and KGI Securities during FY2017.

Acknowledgements

On behalf of the management team, I would first like to express my sincere appreciation to the Board of Directors. The Board's guidance and oversight during the consolidation of ownership of our two hospitals was paramount in helping us achieve the best possible outcome for all stakeholders.

My heartfelt appreciation also goes out to all of our doctors and staff. Your team work and perseverance has helped lay the foundation for the success we have achieved to date. I thank you for your dedication and passion which has allowed us to contribute to the wider community and make a positive difference through healthcare. With your commitment, we are certain to reach new heights in the year ahead.

Ms Chin Wei Jia

Group Chief Executive Officer and Executive Director
Health Management International Ltd



COMMUNITY ENGAGEMENT PROGRAMMES

HMI stays true to its mission of providing high standards of healthcare to improve the quality of human life, and is also committed to give back to the community it serves. The following are a list of programmes and activities conducted by its two hospitals and training institute.

MAHKOTA MEDICAL CENTRE

October 2016 – Mahkota Medical Centre (“Mahkota”) celebrated its 22nd Anniversary at Mahkota Parade to promote health awareness in a retail environment. Activities included a blood donation drive, coloring contest, free health screening and consultation. Mahkota’s bakery also sold freshly baked bread at the event. A total of RM 1,024 was collected over the 2 days and part of the proceeds were channeled to National Cancer Society Malaysia. This event was supported by the Melaka General Hospital blood bank, Befrienders Melaka and National Cancer Society Malaysia.



November 2016 – Mahkota celebrated World Diabetes Day on 5 November 2016 by organising various activities such as free health screenings, health talks on Diabetes and an exhibition at the hospital’s lobby. The event was graced by Melaka’s Health Director. Mahkota’s retail partner, MyOrtho, was also present as part of Mahkota’s continuous efforts to provide comprehensive foot care for our patients.

November 2016 – Mahkota’s Diabetes Centre organised the “Sugar Rush” charity run for the 3rd time, attracting a total of 1,500 runners. This round, Mahkota partnered with Affin Hwang Asset Management Bhd, Melaka Skyhawk Marathon Club and Lee Association’s “Lee Youth Caring Fund”. Mahkota raised RM 123,067.25 and these funds were channeled to the Lee Youth Caring Fund for the benefit of diabetic patients who are unable to afford treatment.



March 2017 – Mahkota constantly promotes health education. Together with one of its O & G consultants, Dr S. Selva, the hospital staged a talk and mini-exhibition on the benefits of laparoscopic surgery. Her Royal Highness, The Crown Princess of Pahang, Tunku Hajah Azizah Aminah Maimunah Iskandariah Binti Almarhum Almutawakkil Alallah Sultan Iskandar Al Haj who is also the founder and patron of Tunku Azizah Fertility Foundation, graced the event. Dr Selva also launched his book titled “Laparoscopic Surgery in Gynaecology and Common Diseases in Women – Surgery with Minimal Scars and Maximal Benefits”.



REGENCY SPECIALIST HOSPITAL

October 2016 – Four hundred cyclists gathered at Dataran MBBJ to pedal up their gears and cycle around the city of Johor Bahru as they competed to win the “Regency World Heart Day 2016 Pedal Quest 2.0”. Besides the cycling adventure, other healthy activities for the whole family included a colouring contest, zumba, blood donation drive, CPR demonstration, basic health screening and consultation for everyone. The Regency World Heart Day 2016 Pedal Quest 2.0 event was a result of successful collaboration between the Hospital, Majlis Bandaraya Johor Bahru and the Iskandar Regional Development Authority (IRDA) in conjunction with the program JB Wake Up! Car Free Day. This program was also supported by the Ministry of Health (“MOH”), Happy-Riders Connect, Contingent Police Headquarters Johor Bahru and Swiss Inn Hotel.



December 2016 – Regency brought 25 orphans from Care Haven Charity Centre to the Angry Bird Park in Johor Bahru to celebrate Christmas. Every year, Regency's management and staff share the joy of Christmas with Care Haven Charity Centre as part of its social outreach in the Seri Alam community. Five helpers and teachers of Care Haven Charity Centre accompanied the children during this event and had fun with Chuck, Santa Claus and Clowns at the Angry Bird Park.



March 2017 – Regency hosted the first-ever public event in Indonesia with overwhelming response from 500 participants! The event was launched by Regency's Managing Director, Ms Chin Wei Jia. This program was supported by Batam Government Pemko, Management of Car Free Day, local Batam associations and the media with various healthy activities such as zumba and a 3km fun run.

May 2017 – Regency celebrated World Health Day to promote a healthy lifestyle amongst the community together with Seri Alam Properties. Activities for the day included healthy cooking, fitness dancing, colouring competitions, free health screening and a blood donation drive.



June 2017 – Regency organised Jom Masak Bubur Lambuk during Ramadhan as part of its community engagement efforts to strengthen relationships with the local community. This year, Tuan Haji Lizwan bin Abdul Latiff – Representative of Yang Di Pertua Majlis Perbandaran Pasir Gudang and Ahli Majlis Seri Alam, UniKL MITEC, UiTM Johor, Seri Alam Police District Headquarters, Seri Alam Properties, Starbucks Seri Alam, Aussie Coffee, Johor Port, Syarikat Air Johor and Pru BSN Takaful joined in to share the fun of cooking Bubur Lambuk together while giving back to the community.

HMI INSTITUTE OF HEALTH SCIENCES

December 2016 – HMI Institute of Health Sciences (“HMI Institute”) students actively participated in social engagement activities and spent time to bring joy to the residents of Ren Ci Nursing Home.



January 2017 – HMI Institute was appointed by the Agency of Integrated Care (AIC) as the training provider for Certificate of Community Care courses, which are part of the Ministry of Health’s initiative to help unemployed locals be re-skilled and find jobs in the community care sector.

April 2017 – HMI Institute held its Graduation Ceremony for 403 WSQ graduates. The event was graced by Ms Amy Khor, Sr. Minister of State, Ministry of Environment and Water Resources & Ministry of Health. As part of this event, HMI institute organized a Student Job Fair together with 10 employers from the healthcare and community care sectors to facilitate job placement for students and graduates.



BOARD OF DIRECTORS



From Left to Right

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

**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 2017):

18 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 2017):

2 years 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: **24 October 2016**

Length of service as a Director (as at 30 June 2017):

1 year 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.

Mr Chin started out his career as an investment banker at Credit Suisse in 2007. 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 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: **24 October 2016**

Length of service as a Director (as at 30 June 2017):

1 year 4 months

Professor Koh is the Lead Independent Director of HMI. She is Chairman of the Audit and Risk Management Committee and a member of the Nominating Committee and Remuneration Committee. She is Vice President for the Office of Business Development, Singapore Management University, a Finance Professor (Practice), and Academic Director for two university level institutes – the Business Families Institute and International Trading Institute.

In addition, Professor Koh is a member of the World Economic Forum Global Future Council on Regional Governance and a board member of Family Firm Institute, Inc.

Professor Koh is a notable conference speaker, panel moderator and commentator, she chairs the finance and investment committee of the GovTech Singapore Board, and the Asian Bond Fund 2 Supervisory Committee of the Monetary Authority of Singapore. She was appointed as a board member of Singapore's Central Provident Fund since 2012 and serves on the SkillsFuture HR Sectoral Tripartite Committee, HR Certification Taskforce. She is an independent director of K1 Ventures Ltd and advises a number of startup firms such as JEDTrade, Stashaway and Staff-on-Demand.

Professor Koh holds a PhD in International Finance from the Stern School of Business, New York University. She was awarded the Singapore Public Administration Medal, Bronze (2010) and Silver (2016), for her contributions to the education and public sectors.

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 2017):

17 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:

24 October 2016

Length of service as a Director (as at 30 June 2017):

17 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 and Cotecons Construction Stock Company (Vietnam).

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

SENIOR MANAGEMENT

Ms Chin Wei Jia

Group Chief Executive Officer
Managing Director of
Mahkota Medical Centre &
Regency Specialist Hospital

Mr Chin Wei Yao

Group Chief Financial Officer

Mr Stanley Lam

Chief Executive Officer
Mahkota Medical Centre

Dr Tan Cheng Hock

Medical Director
Mahkota Medical Centre

Ms May Tan Mei Yen

Chief Financial Officer
Mahkota Medical Centre

Ms Sally Tan

General Manager, Patient Services
Mahkota Medical Centre

Mr Gan Boon San

Director of Technology &
Strategic Development, HMI Ltd
Chief Executive Officer
Regency Specialist Hospital

Dr Teh Peng Hooi

Medical Director
Regency Specialist Hospital

Mr Lim Horng Yuh

Financial Controller, HMI Ltd

Mr Tee Soo Kong

General Manager,
HMI Institute of Health Sciences



MR STANLEY LAM

Chief Executive Officer,
Mahkota Medical Centre

Joined: 2013

Mr Lam provides overall leadership and management direction to drive the hospital to achieve its missions and objectives. He works closely with the management team to establish all operational processes, systems and people culture. He also provide strong support on talent management initiatives and enable leadership pipeline to ensure succession planning as well as people development process to grow and sustain the business.

Mr Lam started his healthcare career with the Pantai Group of Hospitals in 2003 as an accountant in Pantai Cheras. Within 5 years, he rose to the position of CEO of Pantai Hospital Klang. In 2012, he was appointed their Deputy CEO of Pantai Hospital Kuala Lumpur.

Education/Qualification:

Holds an ACCA certification and a member of the Institute of Chartered Secretaries and Administrators "ICSA". Also a member of Malaysia Institute of Accountant.



DR TAN CHENG HOCK

Medical Director,
Mahkota Medical Centre

Joined: 2006

Dr Tan oversees the doctors and all clinical divisions, serving as an advisor on clinical issues to the Management. He develops and recommends clinical standards and protocols. Dr Tan also ensures observance of all provisions of the Private Healthcare Facilities and Services Act and its regulations to deliver quality and safe healthcare services to all patients.

Dr Tan began his career as a lecturer in University Malaya before starting his private practice as a consultant in Obstetrics & Gynaecology in 1980. In 1997, the Malaysia's first intrauterine fetal transfusion was performed by Dr Tan. Since 2000, he has been lecturing (part time) in Melaka Manipal Medical College and was a member of the Board of Directors in Southern Hospital, Malaysia until 2007.

Education/Qualification:

Bachelor of Medicine and Bachelor of Surgery "MBBS" from the University of Sydney, Australia. He is also a Fellow of Royal College of Obstetrics & Gynaecology, London, UK and a life member of the Malaysian Medical Association.


MS MAY TAN MEI YEN

Chief Financial Officer,
Mahkota Medical Centre

Joined: 2010

Ms Tan is responsible for MMC's financial and management accounting functions.

Prior to joining MMC, she worked in the assurance industry in UK and Malaysia. Her last position before MMC was a Director of Ernst and Young.

Education/Qualification:

Bachelor of Commerce from the University of Melbourne, Australia. Also a member of the Institute of Chartered Accountants of Scotland and the Malaysian Institute of Accountants.


MS SALLY TAN

General Manager, Patient Services,
Mahkota Medical Centre

Joined: 1994

Ms Tan is responsible for a broad range of hospital's services including Nursing, Medical Records, Medical Affairs, Haemodialysis, Diagnostic Day Procedures, Diabetic Care, Specialist Outpatient Clinics, Clinical Nursing Education, Infection Control, Hospital Occupational Safety & Health services, recruitment of Doctors and Quality Assurance activity.

Ms Tan started in Mahkota Medical Centre as the Head Nurse in Critical Care Unit. She played a vital role and led the setting up of new patient services eg in-house factory clinic, diabetes care, renal transplant etc. Prior to joining MMC, she was a clinical instructor at the Nursing College, Melaka and a State Registered Nurse at Melaka General Hospital, Malaysia. She is also a MSQH (Malaysian Society for Quality in Health) surveyor since 2008.

She is a Secretary of the APHM Nursing Chapter and a Hospital Representative for the Board of Visitors.

Education/Qualification:

Masters of Business Administration from Edith Cowan University, Perth, Australia. Holds a Diploma in Nursing from Nursing College Melaka and obtained the Post Basic course in Critical Care and Midwifery. Also holds a Graduate Diploma in Occupational Health and Safety from Queensland University of Technology, Australia.


MR GAN BOON SAN

Director of Technology &
Strategic Development, HMI Ltd &
Chief Executive Officer,
Regency Specialist Hospital

Joined: 2016

Mr Gan is responsible to the Managing Director and the Board for the planning, organization and performance of the hospital including the delivery of quality healthcare services. Mr Gan provides overall leadership and management direction to drive the hospital to achieve business objectives.

As Director of Technology & Strategic Development, he is responsible to lead in the strategy and adoption of Information technology to support the HMI group's goals and to differentiate its services offered by the group.

Mr Gan has more than 20 years of working experience in the public and private sectors in the Asia Pacific region. He was President of Sun Microsystems South Asia; Vice President of Oracle APAC System Channels and General Manager of Microsoft APAC Public Sector. Also held several Board positions including member of Board of Governors for Singapore Polytechnic.

Education/Qualification:

Bachelor of Science and Master's degree in Computer Engineering from University of Wisconsin, Madison, USA.


DR TEH PENG HOOI

Medical Director,
Regency Specialist Hospital

Joined: 2009

Dr Teh oversees the running of the hospital, ensuring doctors, nurses and other healthcare personnel deliver quality and safe healthcare services to all our patients. He also ensures the hospital complies with all requirements stipulated under the Private Healthcare Facilities and Services Act.

Dr Teh is a practicing consultant orthopaedic surgeon in private practice in Singapore and Malaysia at Regency Specialist Hospital. Also an honorary visiting consultant orthopaedic surgeon at Hospital Sultanah Aminah in Johor Baru, Malaysia. Currently Chairman of National St John Council of Singapore and Prior of the Priory of Singapore, The Order of St John.

Education/Qualification:

Bachelor of Medicine and Bachelor of Surgery "MBBS" from the University of Singapore, Singapore. He is also a Fellow of Royal College of Surgeons, Edinburgh, UK and a Fellow of the Academy of Medicine, Singapore.


MR LIM HORNG YUH

Financial Controller, HMI Ltd

Joined: 2014

Mr. Lim is responsible for overseeing the finance functions of the HMI Group (the Company and its subsidiaries), including accounting, taxation, risk compliance and reporting functions in accordance with the Singapore laws and regulations.

Mr Lim has more than 13 years of experience in the areas of financial and management accounting, taxation, and audit. Prior to joining HMI, he was the Assistant Finance Manager of Keppel Corporation Limited and Group Finance Manager of Sindicatum Sustainable Resources Group, a private equity fund managing clean energy investments. He also spent 7 years as an Audit Manager with PricewaterhouseCoopers LLP Singapore.

Education/Qualification:

Bachelor in Accountancy Degree (First Class Honours) from Nanyang Technological University of Singapore. Also a member of Chartered Accountants in Australia and New Zealand.


MR TEE SOO KONG

General Manager,
HMI Institute of Health Sciences

Joined: 2010

Mr Tee manages and provides strategic leadership for the Institute with the aim to develop the Institute to become a prominent healthcare vocational education provider in Singapore and the region.

Mr Tee has some 25 years experience in the healthcare vocational training industry. It spans across organisations such as the Singapore Armed Forces to voluntary welfare groups as well as private healthcare education service providers.

Education/Qualification:

Degree in education and training from the University of Melbourne, Australia.

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 a genuine commitment to 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 following describes the Group’s corporate governance practices with specific reference to the Code.

PRINCIPLE 1 THE BOARD’S CONDUCT OF AFFAIRS

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) Oversee the business and affairs of the Company and the Group, establish with management the strategies and financial objectives to be implemented by the management and monitor the performance of management;
- 6) Setting the Group’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

The Group has established a policy setting out financial authorisation and approval limits for operating and capital expenditure, the procurement of goods and services, and the acquisition and disposal of investments. The Board approves transactions exceeding certain threshold limits and nature, while delegating the authority for transactions below those threshold limits to the respective Boards of the entities and management, with a view of optimising operational efficiency at the entities’ level.

Material 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) Corporate or financial structuring;
- 3) Share issuances, dividend policy and payout;
- 4) Underlying principles of long-term incentive schemes for employees;
- 5) Matters which require Board’s approval pursuant to the constitution of the Company and the Listing Manual of SGX-ST;
- 6) Any major investments and capital expenditures exceeding certain material threshold limits; and
- 7) The Group’s risk appetite and risk tolerance for different categories of risk, as well as risk strategy and the policies for management of material risks.

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.

CODE OF CORPORATE GOVERNANCE REPORT

Board Orientation and Training

A formal letter of appointment is provided for every new Director to explain his/her duties, responsibilities and disclosure obligations. All newly appointed Directors undergo a comprehensive orientation programme to ensure that they understand their fiduciary duties and statutory obligations as Directors and how to discharge such duties and obligations. 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.

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 expenses.

During the financial year ended 30 June 2017, the development/training programmes provided for Directors included the following:

- The Board was briefed on regulatory changes, such as changes to the Companies Act and SGX-ST Listing Manual on a timely basis;
- The Board members attended forums and dialogues organised by experts and senior business leaders on issues faced by the Boards;
- Briefings were provided by the Group's external auditors to ARMC Committee members and the Executive Directors on new accounting standards, ARMC members also separately attended relevant seminars such as those organised by the Singapore Institute of Directors in order to keep themselves abreast of the latest developments relevant to the ARMC's role.

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 and business issues.

The attendances of the Directors at meetings of the Board and Board Committees, as well as the frequency of such meetings during the financial year ended 30 June 2017, 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	6	6	5	5	2	2	2	2
Ms Chin Wei Jia	6	6	5	5	2	2	2	2
Mr Chin Wei Yao	6	6	5	5	2	2	2	2
Dr Cheah Way Mun	6	6	5	5	2	1	2	1
Professor Annie Koh	6	6	7*	7*	2	2	2	2
Professor Tan Chin Tiong	6	6	7*	7*	2	2	2	2

Note:

- * Two ARMC meetings were additionally held and attended by ARMC members who were independent from transactions tabled for ARMC's deliberation.

CODE OF CORPORATE GOVERNANCE REPORT

PRINCIPLE 2 BOARD COMPOSITION AND GUIDANCE

Board Composition, Size and Diversity

As at 30 June 2017, 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, network, and vast experiences in strategic planning and corporate development.

The Board is committed to pursuing gender diversity in relation to the composition of the Board. Female candidates are 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 that should be considered 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 2017, 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 2017. 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 19 to 21 of this Annual Report.

Board Independence

The Board, by taking into account of the views of the 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 three Non-Executive Directors, namely Professor Annie Koh, 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 and/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 and the disclosures made to SGX-ST.

CODE OF CORPORATE GOVERNANCE REPORT

Professor Annie Koh is the Lead Independent Director, 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 NC and RC; and a member of the ARMC. Dr Cheah Way Mun is a member of the ARMC, NC and RC.

As at 30 June 2017, 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 a 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 or her own viewpoints as well as seeking clarification from Management on issues he or she 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 a couple of them had 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 Annie Koh, 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 set aside time at each scheduled quarterly meeting to meet without the presence of Executive Directors and the Management to discuss matters such as board processes, corporate governance initiatives, leadership development, performance management and remuneration matters. Such meetings may also be scheduled on a need-be basis.

PRINCIPLE 3 CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the financial year ended 30 June 2017, 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 2017, 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.

CODE OF CORPORATE GOVERNANCE REPORT

Lead Independent Director

The Board re-designated Professor Annie Koh as the Lead Independent Director of the Company on 1 September 2016.

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 Executive Directors and Management, if required, on a need-be basis, and provide feedback collected 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 are encouraged to approach any Independent Non-Executive Director of the Company to raise their concerns or issues directly.

PRINCIPLE 4 BOARD MEMBERSHIP

Nominating Committee

The NC meets regularly and as warranted to carry out the duties and responsibilities in accordance with its 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 include:

- 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;
- 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 abstains 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.

CODE OF CORPORATE GOVERNANCE REPORT

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, have discharged their duties adequately for the financial year ended 30 June 2017.

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.

Further, 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 2017:

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 Ltd	–
Ms Chin Wei Jia	Health Management International Ltd	–
Mr Chin Wei Yao	Health Management International Ltd	–
Dr Cheah Way Mun	Health Management International Ltd	–
Professor Annie Koh	Health Management International Ltd K1 Ventures Limited	–
Professor Tan Chin Tiong	Health Management International Ltd MYP Ltd Coteccons Construction Joint Stock Company (Vietnam)	Imperium Crown 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 and core competencies that meets the needs of the Group and complement the skills and competencies of the existing directors on the Board, ability to commit time and effort to carry out duties and responsibilities effectively, 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.

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.

CODE OF CORPORATE GOVERNANCE REPORT

Regulation 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. Regulation 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 Ms Chin Wei Jia and Dr Cheah Way Mun. The NC has considered the performance of retiring Directors and accordingly, recommended the nomination of the two 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 Ms Chin Wei Jia and Dr Cheah Way Mun, for re-election as Directors at the forthcoming AGM of the Company.

Ms Chin Wei Jia will, upon re-election as a Director of the Company, remain as an Executive Director of the Company. She is also the Group CEO of the Company. 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 CFO of the Company. Ms Chin Wei Jia has a direct interest in 10,320,432 ordinary shares, representing less than 10% in the capital of the Company. Ms Chin Wei Jia has no indirect interest in the ordinary shares of the Company as at 30 June 2017.

Dr Cheah Way Mun will, upon re-election as a Director of the Company, remain as a member of the NC and RC. There is no relationship (including immediate family relationships) between Dr Cheah Way Mun and the other Directors of the Company or the Company's 10% shareholders. Dr Cheah Way Mun has direct interest in 28,207,688 ordinary shares and an indirect interest in 648,628 ordinary shares of the Company. The total of 28,856,316 ordinary shares represents less than 10% in the capital of the Company as at 30 June 2017.

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 or her familiarity with the Company's affairs and whether he or she qualifies as an Independent Director if he or 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 2017, no Alternate Director was appointed or proposed to be appointed by any Director of the Company.

PRINCIPLE 5 BOARD PERFORMANCE

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.

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.

CODE OF CORPORATE GOVERNANCE REPORT

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 2017.

PRINCIPLE 6 ACCESS TO INFORMATION

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, board papers and other information relevant to matters on the agenda for the Board and Board Committee meetings are required to be distributed to the Board so that the members may better understand the matters prior to the meeting so as to facilitate effective discussion. The board 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 discussed during the 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 financial and operational information from the Management about the Group on a regular and timely manner. The Directors of the Company can request for 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.

During the financial year ended 30 June 2017, 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

PRINCIPLE 7 PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

PRINCIPLE 8 LEVEL AND MIX OF REMUNERATION

PRINCIPLE 9 DISCLOSURE ON REMUNERATION

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 of the Company and Key Management Personnel within the Group.

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 include:

- 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 limiting 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 2017, the Company, with the recommendation of the RC, had engaged Mercer (Singapore) Pte Ltd ("Mercer"), a global human resource consulting firm specialising in remuneration, to undertake a review of employee remuneration and benefits for the Group. With the assistance of Mercer, the Company has put forward the proposed adoption of HMI Performance Share Plan 2017 for shareholders' approval at the forthcoming AGM of the Company. HMI Performance Share Plan 2017 is designed to reward, attract and retain Group employees whose services are vital to the well-being and success of the Group. The Share Plan will form an integral and important component of the Group's remuneration system. Mercer is an external professional firm with no relationship with the Company and hence, its independence and objectivity in the engagement has been maintained.

CODE OF CORPORATE GOVERNANCE REPORT

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.

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. The Directors' fee structure is set out below:

Type	Chairman (SGD)	Member (SGD)
Basic fees (per annum)		
Board	–	44,220
Additional fees for membership in Board Committees (per annum)		
Audit and Risk Management Committee	22,146	11,110
Nominating Committee	11,802	5,932
Remuneration Committee	4,473	2,237

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 Group, decided that the remuneration of executive employees of the Group including Directors of the Company should be disclosed on a band-wide manner.

The total remuneration of the Executive Directors and Non-Executive Directors of the Company received from the Group for the financial year ended 30 June 2017 in bands of SGD 250,000 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
SGD 1,000,000 to below SGD 1,250,000						
Dr Gan See Khem	63%	16%	14%	3%	4%	100%
Ms Chin Wei Jia	61%	15%	15%	6%	3%	100%
SGD 500,000 to below SGD 750,000						
Mr Chin Wei Yao ⁽¹⁾	77%	14%	0%	4%	5%	100%
Below SGD 250,000						
Dr Cheah Way Mun	0%	0%	0%	0%	100%	100%
Professor Annie Koh	0%	0%	0%	0%	100%	100%
Professor Tan Chin Tiong	0%	0%	0%	3%	97%	100%
Mr Gan Lai Chiang, Andy ⁽²⁾	0%	0%	0%	0%	100%	100%

Notes:

(1) Mr Chin Wei Yao was appointed Group CFO on 1 October 2016.

(2) Mr Gan Lai Chiang, Andy, ceased as an Independent Director of the Company with effect from 1 March 2016. The Director's fee for FY2016 was paid in November 2016.

CODE OF CORPORATE GOVERNANCE REPORT

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. Those share options granted in November 2014 were also exercised by Dr Gan See Khem, Dr Chin Koy Nam and Ms Chin Wei Jia respectively in December 2016. Accordingly, the Company allotted and issued an aggregate of 3,780,000 new ordinary shares in capital of the Company.

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 to 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 2017 is set out below:–

Remuneration Band	Number of Key Management Personnel
Band A: SGD 250,000 to below SGD 500,000	1
Band B: Below SGD 250,000	4

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 2017 is SGD 1,247,000.

Remuneration of Employees related to Directors

During the financial period commencing from 1 July 2016 to the date preceding to the retirement of Dr Chin Koy Nam as Group Medical Director of the Company on 30 September 2016, 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, 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 package for Dr Chin Koy Nam is consistent with the basis of determining the remuneration of the other unrelated employees. The remuneration paid to Dr Chin Koy Nam for the financial year ended 30 June 2017 exceeded SGD 50,000 and is set out below:

Name	Base/Fixed salary	Variable or performance-related income/bonuses	Share options/share-based awards	Benefits in kind	Directors' fee	Total
Below SGD 250,000						
Dr Chin Koy Nam	22%	20%	56%	2%	0%	100%

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 SGD 50,000 during the financial year ended 30 June 2017.

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.

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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 47 and 48 of the Annual Report. The current Employee Share Option Scheme and the HMI Performance Share Plan will be terminated following the adoption of HMI Performance Share Plan 2017, subject to shareholders' approval at the forthcoming AGM of the Company. Information of HMI Performance Share Plan 2017 is set out in greater details in the circular.

Even though there are no contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors of the Company or Key Management Personnel of the Group 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.

PRINCIPLE 10 ACCOUNTABILITY

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 shareholder. Hence, Board members receive quarterly financial and business reports from Management. Such reports compare the Group's actual performance against the budget, and highlight key business drivers/indicators and any major issues that are relevant to the Group's performance, position and prospects.

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.

PRINCIPLE 11 RISK MANAGEMENT AND INTERNAL CONTROLS

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.

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The Group has 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 2017.

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.

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 2017.

PRINCIPLE 12 AUDIT COMMITTEE

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.

CODE OF CORPORATE GOVERNANCE REPORT

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 2017, 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 approval;
- 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;
- 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, rules 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 2017.

CODE OF CORPORATE GOVERNANCE REPORT

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, provided by the external auditor during the financial year ended 30 June 2017.

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. The ARMC and the Board are also satisfied with the appointment of auditing firm other than Messrs PricewaterhouseCoopers LLP for one of its Singapore-incorporated subsidiaries will not compromise the standard and effectiveness of the audit of the Company. Accordingly, the ARMC is satisfied that Rule 712 and Rule 716 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 annual general meeting of the Company.

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 2017 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 2017 are as set out in page 73 of this Annual Report.

Significant financial reporting matters

The ARMC considered and discussed the significant financial reporting matters, which have also been included in the independent auditor's report, with management and the external auditors. The ARMC's assessment and conclusions are detailed below:

1. Accounting for the acquisition of non-controlling interests and remaining interests in associated companies (the "Acquisition")

The ARMC reviewed all sale and purchase agreements and presentations made by the management and financial advisors in order to concur on the accounting treatment of the Acquisition on the financial statements of the Group. The ARMC also reviewed the basis of the calculations prepared by the management which resulted in the charge to the capital reserve of the Group upon the completion of the Acquisition. With regard to the acquisition of the land and building of the hospital operated by Regency Specialist Hospital Sdn. Bhd., the ARMC reviewed the valuation performed by management as of the date of acquisition, which was determined based on the most recent independent external valuation. The ARMC also considered the work performed by the external auditors and concluded that the accounting treatment and computation were reasonable.

2. Assessment of allowance for impairment of trade receivables

The ARMC reviewed and assessed the historical payment patterns and track records of the customers for objective evidence of impairment. The ARMC also reviewed management's process and methodology over the assessment of the level of impairment made as at 30 June 2017 and also held discussions with the external auditors to ascertain the reasonableness of the basis of impairment allowance. The ARMC was satisfied that the allowance of impairment of trade receivables in respect of the year under review was adequate and reasonable.

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.

CODE OF CORPORATE GOVERNANCE REPORT

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 is committed to a high standard of ethical conduct and adopts a zero tolerance approach to fraud and corruption. 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. Identities of the whistle-blower(s), participants of the investigation and subject(s) being investigated will be kept confidential to the extent possible.

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.

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 2017.

PRINCIPLE 13 INTERNAL AUDIT

During the financial year ended 30 June 2017, 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.

CODE OF CORPORATE GOVERNANCE REPORT

PRINCIPLE 14 SHAREHOLDER RIGHTS

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.

PRINCIPLE 15 COMMUNICATION WITH SHAREHOLDERS

Proactive Engagement with Shareholders

The Group remains committed to corporate transparency and effective corporate governance through maintaining open and continuous two-way dialogue with our shareholders, analysts and the 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 SGX-ST via SGXNET and the HMI corporate website (www.hmi.com.sg).

During the financial year, the Group conducted results briefings every quarter with investment analysts from foreign and local brokerages. During these sessions, key management is present to keep the investment community informed of the Group's financial performance, growth strategy and industry outlook. These are efforts undertaken by the management to articulate its business model, performance and unique value propositions with the investment community.

The Group also participated in various institutional-initiated Non-Deal Roadshows in Singapore, Malaysia and Hong Kong and Taiwan as part of its investor outreach efforts.

23 September 2016	SGX-DBS Healthcare Corporate Day
6 October 2016	UBS ASEAN Healthcare Day
13 January 2017	Credit Suisse ASEAN Conference
21 February 2017	SGX-UOB Taipei Investor Day
17 March 2017	Daiwa ASEAN Healthcare Day
13 June 2017	SGX-Credit Suisse Corporate Day

In addition, the Group hosted site visits for investment analysts and institutional investors at both of its hospitals during the financial year under review. HMI was covered by UOB Kay Hian, Maybank Kim Eng, OCBC, CIMB, Philip Capital and KGI Securities during the financial year ended 30 June 2017.

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.

CODE OF CORPORATE GOVERNANCE REPORT

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 2017, 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 1.0 cents per ordinary share for the financial year ended 30 June 2017 for shareholders’ approval at the forthcoming annual general meeting of the Company scheduled for 30 October 2017. Payment of the final one-tier tax-exempt cash dividend, upon receipt of shareholders’ approval, will be paid to the eligible shareholders on 17 November 2017. The full details are set out in page 92 of this Annual Report.

CODE OF CORPORATE GOVERNANCE REPORT

PRINCIPLE 16 CONDUCT OF SHAREHOLDER MEETINGS

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.

Where possible, all directors will attend shareholders' meetings. The Executive Directors and the Chairmen 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 Group's full year financial statements. The prohibition ends on the release of the announcement of the Group'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.

The Directors and CEO are required to report their dealings in the Company's securities within two business days from the date of transaction.

CODE OF CORPORATE GOVERNANCE REPORT

Interested Person Transactions

The Company does not have interested person transactions (“IPT”) general mandate from shareholders of the Company pursuant to Rule 920 of the SGX-ST Listing Manual. However, the Group has adopted internal policies, involving review and approval procedures for any IPT entered into by the Group. On a quarterly basis, management reported all IPTs, if any, to the ARMC during the ARMC meetings for review and approval. Under SGX-ST listing rules, where any IPT requires shareholders’ approval, the interested person will abstain from voting and the decision will be made by the independent shareholders of the Company.

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920)
Dr Fong Chiu Yan, the spouse of Dr Cheah Way Mun (Independent Non-Executive Director)	<p>In connection with the acquisition of non-controlling interests in the Group’s two hospitals (the “Acquisition”) tabled at the Company’s Extraordinary General Meeting held on 10 February 2017, the Company also acquired 500 ordinary shares in the capital of 2M Medical Consultants Pte Ltd (“2M”) (or 8.3% of the total issued share capital of 2M) from Dr Fong Chiu Yan, the spouse of Dr Cheah Way Mun, an Independent Non-Executive Director of the Company, and accepted an assignment of non interest-bearing shareholder’s loans amounting to SGD 277,611.06 owing to her from 2M (or 8.3% of the total outstanding non interest-bearing shareholders’ loans of approximately SGD 3,331,334.74 from the shareholders of 2M).</p> <p>The aggregate consideration for the Acquisition was SGD 739,436, being the SGD equivalent of RM 2,246,406, which was satisfied by a combination of cash amounting to SGD 369,718 and 648,628 Consideration Shares issued at an issue price of SGD 0.57 per Consideration Share.</p>

Save for the above, there were no IPTs entered into by the Company or its subsidiaries with any of its interested persons, that when aggregated, exceeded SGD 100,000 during the financial year ended 30 June 2017.

Use of Proceeds from Rights issue

During the financial year ended 30 June 2017, the Group has undertaken a renounceable non-underwritten rights issue of up to 32,376,443 new ordinary shares in the capital of the Company at an issue price of SGD 0.57 for each rights share, on the basis of 11 rights shares for every 200 existing ordinary shares in the capital of the Company held by the entitled shareholders as at the books closure date, fractional entitlements to be disregarded (the “Rights Issue”). The net proceeds from the Rights Issue of approximately SGD 17.9 million (after deducting estimated cost and expenses incurred in connection with the Rights Issue of approximately SGD 0.6 million) have been fully disbursed and utilised to partially pay the cash purchase price of the Acquisition. The use of proceeds is in accordance with the Group’s stated use and in accordance with the percentage of the gross proceeds of the Rights Issue allocated to such use as illustrated in Offer Information Statement dated 21 February 2017.

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 of the Company or controlling shareholder of the Company has interests in during the financial year ended 30 June 2017.

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DIRECTORS' STATEMENT

For the financial year ended 30 June 2017

The directors present their statement to the shareholders together with the audited financial statements of the Group for the financial year ended 30 June 2017 and the balance sheet of the Company as at 30 June 2017.

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 55 to 106 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 2017 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 statement are as follows:

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

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 statement.

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 30.6.2017	At 1.7.2016 or date of appointment, if later	At 30.6.2017	At 1.7.2016 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	–	–

DIRECTORS' STATEMENT

For the financial year ended 30 June 2017

Directors' interests in shares or debentures (continued)

	Holdings registered in name of director or nominee		Holdings in which a director is deemed to have an interest	
	At 30.6.2017	At 1.7.2016 or date of appointment, if later	At 30.6.2017	At 1.7.2016 or date of appointment, if later
<u>Health Management International Ltd</u>				
– Ordinary Shares				
Dr Gan See Khem	10,765,853	5,164,600	314,787,728	290,597,495
Dr Cheah Way Mun	28,207,688	16,422,602	648,628	–
Professor Tan Chin Tiong	2,411,336	2,285,627	–	–
Ms Chin Wei Jia	10,320,432	4,742,400	–	–
Mr Chin Wei Yao	2,265,718	2,147,600	–	–
– Share Options				
Dr Gan See Khem	–	1,512,000	–	2,268,000
Ms Chin Wei Jia	–	1,512,000	–	–
– Share Awards				
Dr Gan See Khem	–	3,528,000	–	5,292,000
Ms Chin Wei Jia	–	3,528,000	–	–

The directors' interests in the ordinary shares and convertible securities of the Company as at 21 July 2017 were the same as those as at 30 June 2017.

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.

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.

On 28 December 2016, the Company has allotted and issued an aggregate of 3,780,000 new ordinary shares in the capital of the Company to the option holders following the exercise of options granted under HMI Employee Share Option Scheme.

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.

As at 30 June 2017, all options were fully vested and exercised.

DIRECTORS' STATEMENT

For the financial year ended 30 June 2017

Share options and share awards (continued)

HMI Employee Share Option Scheme (continued)

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 2017	Aggregate granted since commencement of scheme to 30 June 2017	Aggregate exercised since commencement of scheme	Aggregate outstanding as at 30 June 2017
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 (Resigned on 30 September 2016)	–	756,000	756,000	–
	–	3,780,000	3,780,000	–

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.

On 26 August 2016, the Company has allotted and issued an aggregate of 8,820,000 new ordinary shares in the capital of the Company at S\$0.28 per award to the eligible participants pursuant to the awards granted under the HMI Performance Share Plan following the achievement of the prescribed 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.

As at 30 June 2017, all awards were fully vested.

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 2017	Aggregate granted since commencement of scheme to 30 June 2017	Aggregate released since commencement of scheme	Aggregate not released as at 30 June 2017
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 (Resigned on 30 September 2016)	–	1,764,000	1,764,000	–
	–	8,820,000	8,820,000	–

DIRECTORS' STATEMENT

For the financial year ended 30 June 2017

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)
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 2017 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

3 October 2017

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Health Management International Ltd

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Health Management International Ltd ("the Company") and its subsidiaries ("the Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated statement of comprehensive income of the Group for the financial year ended 30 June 2017;
- the balance sheets of the Group and of the Company as at 30 June 2017;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 30 June 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Health Management International Ltd

Our Audit Approach (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Accounting for the acquisition of non-controlling interests and remaining interests in associated corporations</p> <p>As disclosed in Note 3.1 and Note 32 to the financial statements, on 27 March 2017, the Group completed the acquisition of substantially all of the non-controlling interests in subsidiaries and remaining interests in associated corporations (the "Acquisition") for a total consideration of RM 618,043,000.</p> <p>The total consideration for the Acquisition was paid by way of a combination of cash of RM 219,329,000 and the allotment and issuance of 199,822,890 shares in the Company amounting to RM 398,714,000 (Note 32).</p> <p>The more significant impacts of the Acquisition on the financial statements of the Group are set out below.</p> <p>(i) The derecognition of the carrying amount of substantially all of the non-controlling interests on the date of the Acquisition amounting to RM 82,250,000 and a charge to the capital reserve of the Group amounting to RM 483,186,000 (Note 24(b)(i)); and</p> <p>(ii) The increase in the property, plant and equipment of the Group amounting to RM 101,000,000 (Note 32(c)) as the Group now owns the land and building of the hospital operated by Regency Specialist Hospital Sdn. Bhd. (the "RSH hospital") as a result of the acquisition of the remaining interests in certain associated corporations which was accounted for as an acquisition of an asset and not a business as there were no elements of a business that were acquired as part of the acquisition of the remaining interests in the related associated corporations. The RSH hospital was measured and recognised on the balance sheet of the Group at its fair value on the date of acquisition, which was determined by management based on the most recent independent external valuation (the "valuation").</p>	<p>We held discussions with management to understand the details of the Acquisition and their accounting assessment and decisions.</p> <p>We read the related sale and purchase agreements and announcements made by the Company in order to independently assess the accounting implications of the Acquisition on the financial statements of the Group.</p> <p>With the assistance of our internal accounting specialists, we assessed the appropriateness of the accounting treatment of the Acquisition adopted by management with reference to the relevant Financial Reporting Standards in Singapore.</p> <p>We reviewed the basis of the calculations prepared by management which resulted in the charge to the capital reserve of the Group during the financial year.</p> <p>In assessing the fair valuation of the asset, in the form of the RSH hospital acquired and recorded in the financial statements, our audit procedures included the following:</p> <ul style="list-style-type: none"> – We evaluated the competence, capability and objectivity of the external valuer. – We also obtained an understanding of the valuation technique and corroborated the valuation to recently listed prices of properties located in the vicinity of the RSH hospital. <p>Based on the work performed, we found the external valuer to be a member of a recognised body for professional valuers, that the valuation technique used was appropriate in the context of the RSH hospital, and that the valuation was within the range of recently listed prices of properties located in the vicinity of the RSH hospital.</p> <p>We also found the accounting treatment adopted and conclusions made by management in relation to the Acquisition to be appropriate, and its related disclosures in the financial statements to be adequate.</p>

We have identified the accounting for the Acquisition as a key audit matter because of its complexity as well as financial significance to the financial statements of the Group.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Health Management International Ltd

Our Audit Approach (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Assessment of allowance for impairment of trade receivables</p> <p>At 30 June 2017, the net carrying value of trade receivables of the Group amounted to RM 37,195,000 (net of allowance), comprising a gross amount of RM 49,815,000 and allowance for impairment of RM 12,620,000.</p> <p>We focused on the assessment of the recoverability of trade receivables because of the significant management estimation involved in the determination of the impairment allowance due to the specific risks associated with each debtor, as disclosed in Note 3.2(a) to the financial statements.</p>	<p>We held discussions with management to understand their assessment and decisions.</p> <p>Our procedures to evaluate the appropriateness of the impairment allowance recorded by management included the following:</p> <ul style="list-style-type: none"> • Tracing settlements received from debtors subsequent to the year-end. • Analysing the past payment histories of the customers. • Considering ongoing business relationships and any known disputes or financial difficulties relating to the debtors. • Corroborating the rationale provided by management over the adequacy of the level of impairment made as at 30 June 2017 to underlying supporting documentation. <p>Based on the work performed, we found the basis for the impairment allowance to be reasonable.</p>

Other Information

Management is responsible for the other information. The other information comprises all the sections of the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors 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 Act and FRSs, 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.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Health Management International Ltd

Responsibilities of Management and Directors for the Financial Statements (continued)

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Health Management International Ltd

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

The engagement partner on the audit resulting in this independent auditor's report is Daniel Khoo.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 3 October 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2017

	Note	Group	
		2017 RM'000	2016 RM'000
Revenue	4	435,765	397,810
Cost of services	7	(292,011)	(268,033)
Gross profit		143,754	129,777
Other income	4	7,474	6,111
Other losses	5	(3,522)	(3,055)
Expenses			
– Distribution and marketing	7	(3,011)	(2,703)
– Administrative	7	(78,348)	(65,162)
– Finance	6	(5,641)	(3,637)
Share of profit of associated corporations	14	1,348	2,051
Profit before income tax		62,054	63,382
Income tax expense	8	(19,841)	(17,931)
Profit after tax		42,213	45,451
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
– Gains		5,434	3,307
Total comprehensive income		47,647	48,758
Profit attributable to:			
Equity holders of the Company		20,590	19,899
Non-controlling interests		21,623	25,552
		42,213	45,451
Total comprehensive income attributable to:			
Equity holders of the Company		26,018	23,202
Non-controlling interests		21,629	25,556
		47,647	48,758
Earnings per share for profit attributable to equity holders of the Company (expressed in RM cents per share)	9		
– Basic		3.18	3.45
– Diluted		3.17	3.38

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

BALANCE SHEETS

As at 30 June 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
ASSETS					
Current assets					
Cash and cash equivalents	10	76,754	78,928	12,075	16,314
Trade and other receivables	11	39,776	57,384	41,695	42,091
Derivative financial instruments	18	–	16	–	16
Tax recoverable	8	1	6	–	–
Inventories	12	13,551	14,050	–	–
Other current assets	13	8,375	4,167	100	67
		138,457	154,551	53,870	58,488
Non-current assets					
Trade and other receivables	11	–	121	137	121
Other non-current assets	13	460	436	121	114
Investments in associated corporations	14	32	46,355	35	19,945
Investments in subsidiaries	15	–	–	677,829	57,942
Property, plant and equipment	16	278,551	177,867	874	975
Deferred income tax assets	22	–	3,555	–	–
		279,043	228,334	678,996	79,097
Total assets		417,500	382,885	732,866	137,585
LIABILITIES					
Current liabilities					
Trade and other payables	17	67,746	79,299	3,868	2,953
Derivative financial instruments	18	582	–	582	–
Current income tax liabilities	8	4,937	3,673	–	–
Borrowings	19	74,074	27,495	63,707	13,408
Deferred income	21	2,508	2,062	–	–
		149,847	112,529	68,157	16,361
Non-current liabilities					
Trade and other payables	17	–	18,251	–	–
Borrowings	19	89,674	14,362	73,557	3,655
Deferred income tax liabilities	22	9,332	5,479	–	–
		99,006	38,092	73,557	3,655
Total liabilities		248,853	150,621	141,714	20,016
NET ASSETS		168,647	232,264	591,152	117,569
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	23	557,270	90,564	557,270	90,564
Treasury shares	23	(1,022)	(1,022)	(1,022)	(1,022)
Currency translation reserve	24(a)	17,845	12,417	22,002	21,926
Other reserves	24(b)	(483,118)	7,130	16	7,078
Retained earnings/(accumulated losses)	24(c)	77,661	61,553	12,886	(977)
		168,636	170,642	591,152	117,569
Non-controlling interests		11	61,622	–	–
TOTAL EQUITY		168,647	232,264	591,152	117,569

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2017

		← Attributable to equity holders of the Company →							
	Note	Share capital RM'000	Treasury shares RM'000	Currency translation reserve RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000	Non-controlling Interests RM'000	Total equity RM'000
2017									
Beginning of financial year		90,564	(1,022)	12,417	7,130	61,553	170,642	61,622	232,264
Profit after tax		–	–	–	–	20,590	20,590	21,623	42,213
Other comprehensive income		–	–	5,428	–	–	5,428	6	5,434
Total comprehensive income		–	–	5,428	–	20,590	26,018	21,629	47,647
Dividend declared to non-controlling interests by subsidiaries		–	–	–	–	–	–	(990)	(990)
Acquisition of non-controlling interests and remaining interests in associated corporations	24(b)	–	–	–	(483,186)	–	(483,186)	(82,250)	(565,436)
Issue of new shares	23 & 24(b)	468,428	–	–	(8,300)	–	460,128	–	460,128
Share issue expenses	23	(1,722)	–	–	–	–	(1,722)	–	(1,722)
Dividend relating to 2016 paid	25	–	–	–	–	(4,482)	(4,482)	–	(4,482)
Share-based payment	24(b)	–	–	–	1,238	–	1,238	–	1,238
End of financial year		557,270	(1,022)	17,845	(483,118)	77,661	168,636	11	168,647
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	24(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

An analysis of the movements in each category within "Currency translation reserve" and "Other reserves" are presented in Note 24(a) and 24(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 2017

	Note	2017 RM'000	2016 RM'000
Cash flows from operating activities			
Profit after tax		42,213	45,451
Adjustments for:			
– Income tax		19,841	17,931
– Share-based payment expenses		1,238	4,036
– Reversal of allowance for impairment of trade receivables		(18)	(109)
– Allowance for impairment of trade and other receivables		1,961	3,683
– Trade and other receivables written off		127	6
– Depreciation of property, plant and equipment		20,104	18,306
– Loss on disposal and write-off of property, plant and equipment		244	95
– Interest income		(1,816)	(1,703)
– Interest expense		5,641	3,637
– Share of profit of associated corporations		(1,348)	(2,051)
– Currency translation differences		7,494	845
Operating cash flow before working capital changes		95,681	90,127
Change in operating assets and liabilities			
– Inventories		499	(1,240)
– Trade and other receivables		16,852	372
– Other current and non-current assets		(4,183)	(148)
– Trade and other payables		(15,497)	4,390
– Derivative financial instruments		598	–
– Deferred income		331	757
Cash provided by operations		94,281	94,258
Interest paid		(4,239)	(3,637)
Income tax paid		(15,527)	(9,048)
Net cash provided by operating activities		74,515	81,573
Cash flows from investing activities			
Repayment of loans from associated corporations		–	(7,840)
Additions to property, plant and equipment		(10,620)	(11,244)
Proceeds from disposal of property, plant and equipment		53	175
Acquisition of non-controlling interests and remaining interests in associated corporations	32	(217,037)	–
Capital injection in an associated corporation	14	(986)	(5,269)
Interest received		1,816	1,703
Net cash used in investing activities		(226,774)	(22,475)
Cash flows from financing activities			
Drawdown of borrowings		171,409	1,772
Repayment of borrowings		(51,040)	(5,553)
Payment of borrowing related costs		(5,603)	–
Repayment of lease liabilities		(6,475)	(4,291)
Dividends paid to non-controlling interests by a subsidiary		(11,200)	(14,294)
Increase in restricted cash	10	(713)	–
Proceeds from issuance of ordinary shares	23	61,414	–
Dividends paid to equity holders of the Company	25	(4,482)	–
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 provided by/(used in) financing activities		153,310	(24,517)
Net increase in cash and cash equivalents		1,051	34,581
Cash and cash equivalents at beginning of financial year		74,326	38,835
Effects of currency translation on cash and cash equivalents		664	910
Cash and cash equivalents at end of financial year	10	76,041	74,326

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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 34 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 judgement in 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, as well as significant transactions during the financial year are disclosed in Note 3.

As at 30 June 2017, the Group’s and Company’s net current liabilities exceeded its current assets by RM 11,390,000 and RM 14,287,000 respectively. However, the financial statements have been prepared on a going concern basis as the future operating profit and cash flow of the Group is expected to be sufficient to allow the Group to meet its contractual commitments.

Interpretations and amendments to published standards effective in 2017

On 1 July 2016, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Revenue recognition (continued)

(b) *Interest income*

Interest income is recognised using the effective interest method.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(a) Subsidiaries (continued)

(ii) Acquisition (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(b) Depreciation

Freehold land is not depreciated. 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:

	Useful lives
Leasehold land	Over the lease term of 99 years commencing from 2002
Hospital buildings	43 – 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial assets (continued)

Loans and receivables (continued)

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.

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 Derivative financial instruments

A derivative financial instruments for which no hedge accounting is applied is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. Changes in its fair value are recognised in profit or loss. The Company does not apply hedge accounting for its derivative financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 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.

2.13 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.

2.14 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.

2.15 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Income taxes (continued)

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.

2.16 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. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 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.

2.18 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 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.

2.20 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.

2.21 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/received in advance 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.

2.22 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.

2.23 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 2017

3. SIGNIFICANT TRANSACTIONS DURING THE FINANCIAL YEAR AND CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

3.1 Significant transactions during the financial year

Accounting for the acquisition of non-controlling interests and remaining interests in associated corporations

On 27 March 2017, the Group acquired:

- (i) All the shares of MIL Mentari Sdn. Bhd., Senipuri Emas Sdn. Bhd. and 2M Medical Consultants Pte. Ltd.; and
- (ii) The remaining shares in two subsidiaries, Mahkota Medical Centre Sdn. Bhd. and Mahkota Medical Group Sdn. Bhd. and an associated corporation, Mahkota Commercial Sdn. Bhd.,

(collectively, the "Acquisition").

The Acquisition had the effect of increasing the Group's effective equity interest in certain subsidiaries and associated corporations as disclosed in Note 32 to the financial statements and the total consideration paid in relation to the Acquisition amounted to RM 618,043,000 (Note 32).

The total consideration for the Acquisition was paid by way of a combination of cash of RM 219,329,000 and the allotment and issuance of 199,822,890 shares in the Company amounting to RM 398,714,000 (Note 32).

The more significant impacts of the Acquisition on the financial statements of the Group related to:

- (i) The derecognition of the carrying amount of substantially all of the non-controlling interests on the date of the Acquisition amounting to RM 82,250,000 and a charge to the capital reserve of the Group amounting to RM 483,186,000 (Note 24(b)(i)); and
- (ii) The increase in the property, plant and equipment of the Group amounting to RM 101,000,000 (Note 32(c)) as the Group now owns the land and building of the hospital operated by Regency Specialist Hospital Sdn. Bhd. (the "RSH hospital") as a result of the acquisition of the remaining interests in certain associated corporations which was accounted for as an acquisition of an asset and not a business as there were no elements of a business that were acquired as part of the acquisition of the remaining interests in the related associated corporations. The RSH hospital was measured and recognised on the balance sheet of the Group at its fair value on the date of acquisition, which was determined by management based on the most recent independent external valuation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

3. SIGNIFICANT TRANSACTIONS DURING THE FINANCIAL YEAR AND CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

3.2 Critical accounting estimates and assumptions

(a) Allowance for impairment of trade receivables

As at 30 June 2017, as disclosed in Note 11 to the financial statements, the net carrying value of trade receivables of the Group amounted to RM 37,195,000 (net of allowance), comprising a gross amount of RM 49,815,000 and allowance for impairment of RM 12,620,000.

Management reviews its trade receivables for objective evidence of impairment on a regular basis and by each debtor due to the specific risks associated with each debtor. The impairment loss is determined based on a review of the current status of the existing trade receivables which includes a review of payments received after the balance sheet date, the aging of trade receivables, customer disputes, litigation and any known deterioration in the credit worthiness of the debtors. The total allowance for impairment of trade receivables amounted to RM 12,620,000 as at 30 June 2017. The allowance for impairment is adjusted periodically to reflect the actual and anticipated recovery based on the information available.

If the net present values of estimated cash flows had been higher/lower by 5% from management's estimates, the Group's allowance for impairment would have been lower/higher by RM 1,860,000.

(b) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

4. REVENUE AND OTHER INCOME

	Group	
	2017 RM'000	2016 RM'000
<u>Revenue</u>		
Revenue from hospital and other healthcare services	420,559	388,188
Healthcare education and training	15,206	9,622
Total revenue	435,765	397,810
<u>Other income</u>		
Car park income	809	597
Rental income	666	757
Grant income	868	1,074
Income from clinical trials	788	–
Gain on sales of medical suites	831	–
Interest income		
– bank deposits	1,794	922
– loans to associated corporations	22	781
	1,816	1,703
Sponsorship income	516	775
Others	1,180	1,205
Total other income	7,474	6,111

5. OTHER LOSSES

	Group	
	2017 RM'000	2016 RM'000
Currency exchange losses	3,278	2,960
Loss on disposal and write-off of property, plant and equipment	244	95
	3,522	3,055

6. FINANCE EXPENSES

	Group	
	2017 RM'000	2016 RM'000
Interest expense:		
– bank borrowings	3,496	1,418
– finance lease liabilities	635	495
– amortisation of capitalised transaction costs in relation to borrowings	1,402	–
– loan from holding company	77	214
– amounts due to associated corporations	31	1,510
	5,641	3,637

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

7. EXPENSES BY NATURE

	Group	
	2017 RM'000	2016 RM'000
Depreciation of property, plant and equipment (Note 16)	20,104	18,306
Fees for audit services paid/payable to:		
– Auditor of the Company	468	443
– Other auditors*	226	176
Fees for non-audit services paid/payable to:		
– Other auditors*	71	325
Directors' fee:		
– Directors of the Company	1,030	966
– Directors of subsidiaries	262	269
Staff costs:		
(i) Directors' remuneration other than fees		
(a) Directors of the Company		
– Salaries and other related expenses	6,264	5,652
– Contribution to defined contribution plans	226	164
– Share-based payment expenses	992	3,229
(b) Directors of subsidiaries		
– Salaries and other related expenses	269	388
– Contribution to defined contribution plans	28	43
(ii) Other than directors:		
– Salaries and other related expenses	74,531	62,340
– Contribution to defined contribution plans	7,975	6,851
– Share-based payment expenses	246	807
Included in cost of services:		
– Medical materials costs	78,575	70,983
– Medical consultants' fees	126,243	113,908
– Educators' fees	2,024	1,619
Rental and other operating leases	8,417	10,159
Advertising expenses	2,423	2,574
Levies payable	839	1,339
Utilities	6,958	6,896
Repairs and maintenance	6,814	5,719
Allowance for impairment of trade and other receivables	1,961	3,683
Reversal of allowance for impairment of trade receivables	(18)	(109)
Trade and other receivables written off	127	6
Professional fees	11,674	4,010
Others	14,641	15,152
Total cost of services, distribution and marketing expenses and administrative expenses	373,370	335,898

* 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 2017

8. INCOME TAXES

(a) Income tax expense

	Group	
	2017 RM'000	2016 RM'000
Tax expense attributable to profit is made up of:		
Current income tax		
– Singapore	238	107
– Foreign	16,547	11,846
Deferred income tax (Note 22)	3,045	6,228
	19,830	18,181
Under/(over) provision in preceding financial years		
– current income tax (b)	11	(250)
	11	(250)
	19,841	17,931

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	
	2017 RM'000	2016 RM'000
Profit before tax	62,054	63,382
Share of profit of associated corporations	(1,348)	(2,051)
	60,706	61,331
Tax calculated at a tax rate of 17% (2016: 17%)	10,320	10,426
Effects of:		
– Different tax rates in other countries	5,163	4,917
– Expenses not deductible for tax purposes	5,001	4,409
– Income not subject to tax	(15)	(140)
– Utilisation of deferred tax assets previously unrecognised	(139)	–
– Deferred tax assets not recognised	4	–
– Tax incentives	(504)	(1,431)
– Under/(over) provision of tax	11	(250)
Tax charge	19,841	17,931

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

8. INCOME TAXES (continued)

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Beginning of financial year	3,667	1,012	–	–
Income tax paid	(15,527)	(9,048)	(238)	(106)
Tax payable on profit for the current financial year	16,785	11,953	238	106
Under/(over) provision in preceding financial years	11	(250)	–	–
End of financial year	4,936	3,667	–	–
Composition:				
Tax recoverable	(1)	(6)	–	–
Current income tax liabilities	4,937	3,673	–	–
End of financial year	4,936	3,667	–	–

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	
	2017	2016
Net profit attributable to equity holders of the Company (RM'000)	20,590	19,899
Weighted average number of ordinary shares outstanding for basic earnings per share	647,105,358	576,840,061
Basic earnings per share (RM cents per share)	3.18	3.45

(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	
	2017	2016
Net profit attributable to equity holders of the Company (RM'000)	20,590	19,899
Weighted average number of ordinary shares adjusted for the effects of dilutive potential ordinary shares	650,331,512	589,440,061
Basic earnings per share (RM cents per share)	3.17	3.38

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash at bank and on hand	76,754	78,928	12,075	16,314
Less: Restricted cash (a)	(713)	–	(713)	–
Less: Bank overdrafts (Note 19)	–	(4,602)	–	–
Cash and cash equivalents per consolidated statement of cash flows	76,041	74,326	11,362	16,314

- (a) Included in cash and cash equivalents are cash held in an interest reserve account amounting to RM 713,000 (2016: Nil) which is pledged by way of a charge over the account in favour of a financial institution as security granted for a long term borrowing drawn down for the purpose of the Acquisition. The cash held in the account are restricted for use by the Group. The effects of the Acquisition on the cash flows of the Group during the financial year are disclosed in Note 32.

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<u>Current</u>				
Trade receivables – third parties	48,621	50,790	1,093	–
Less: Allowance for impairment of receivables	(11,426)	(8,837)	–	–
Trade receivables – net	37,195	41,953	1,093	–
Other receivables	3,351	4,430	509	10,635
Less: Allowance for impairment of receivables	(915)	(919)	–	–
Other receivables – net	2,436	3,511	509	10,635
Amount due from subsidiaries – trade	–	–	12,013	3,188
Amount due from subsidiaries – non-trade (a)	–	–	27,957	17,499
Amount due from associated corporations – non-trade (d)	–	12,431	–	10,405
Less: Allowance for impairment of receivables	–	(875)	–	–
Amount due from associated corporations – non-trade – net (b),(d)	–	11,556	–	10,405
Amount due from related parties	145	364	123	364
	39,776	57,384	41,695	42,091
<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 (d)	3,540	3,479	3,540	3,479
Less: Allowance for impairment of receivables	(3,540)	(3,358)	(3,540)	(3,358)
Amount due from associated corporations – non-trade – net (c),(d)	–	121	–	121
Amount due from subsidiaries – non-trade (c)	–	–	137	–
	–	121	137	121

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

11. TRADE AND OTHER RECEIVABLES (continued)

- (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.
- (c) A net amount of RM 137,000 has been loaned to a subsidiary (2016: RM 121,000 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% (2016: 6.95%) per annum.
- (d) The associated corporations in the previous financial year have become subsidiaries of the Company as at 30 June 2017 following the completion of the Acquisition during the financial year (Note 32).

12. INVENTORIES

	Group	
	2017 RM'000	2016 RM'000
Pharmaceutical and surgical medicine	4,438	4,327
Medical supplies	3,716	3,941
Medical suites held for sale	5,397	5,782
	13,551	14,050

The cost of inventories recognised as an expense and included in cost of services amounted to RM 78,575,000 (2016: RM 70,983,000).

13. OTHER ASSETS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<u>Current</u>				
Deposits	3,315	1,338	–	–
Prepayments	4,634	1,963	100	67
Down payment for purchase of plant and equipment	426	866	–	–
	8,375	4,167	100	67
<u>Non-Current</u>				
Deposits	460	436	121	114

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

14. INVESTMENTS IN ASSOCIATED CORPORATIONS

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<i>Cost</i>				
Beginning of financial year			24,141	17,743
Capital injection in an associated corporation (c)			986	5,269
Transfer from associated corporations to subsidiaries (d)			(19,528)	–
Translation difference			(2,384)	1,129
End of financial year			3,215	24,141
<i>Accumulated impairment losses</i>				
Beginning of financial year			(4,196)	(3,929)
Impairment loss made			(843)	(47)
Transfer from associated corporations to subsidiaries (d)			1,809	–
Translation difference			50	(220)
End of financial year (a)			(3,180)	(4,196)
Net carrying value			35	19,945
Beginning of financial year	46,355	37,990		
Capital injection in associated corporations (c)	986	5,269		
Share of profit of associated corporations	1,348	2,051		
Derecognition of associated corporations (d)	(49,218)	–		
Currency translation differences	561	1,045		
End of financial year	32	46,355		

Details of associated corporations are provided in Note 34.

- (a) The Company has accumulated impairment losses of RM 3,180,000 (2016: RM 4,196,000) for impairment of its investments in certain associated corporations which have been dormant for the current and past financial years.
- (b) During the financial year, the Group has not recognised its share of loss of certain associated corporations amounting to RM 1,000 (2016: RM 145,000) 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 1,151,000 (2016: RM 2,091,000) at the balance sheet date.
- (c) During the financial year, capital injection of RM 986,000 (2016: RM 5,269,000) in associated corporations was made by way of cash.
- (d) Upon the completion of the Acquisition during the financial year (Note 32), these associated corporations became subsidiaries of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

14. INVESTMENTS IN ASSOCIATED CORPORATIONS (continued)

Set out below are the associated corporations of the Group as at 30 June 2017, which, in the opinion of the directors, are immaterial to the Group.

Name of entity	Place of business/country of incorporation	% of ownership interest
Nathill Track (M) Sdn. Bhd.	Malaysia	30.00
Silver Uptown Sdn. Bhd.	Malaysia	48.95

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

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
Equity investments at cost		
Beginning of financial year	105,389	101,326
Addition during the financial year (a)	609,148	4,350
Redemption of redeemable convertible preference shares in a subsidiary (b)	(4,350)	(5,220)
Write-off (d)	(3,900)	–
Transfer from associated corporations to subsidiaries	19,528	–
Translation differences	(1,248)	4,933
End of financial year	724,567	105,389
Less: Impairment losses		
Beginning of financial year	(47,447)	(44,908)
Write-off (d)	3,900	–
Transfer from associated corporations to subsidiaries	(1,809)	–
Translation differences	(1,382)	(2,539)
End of financial year	(46,738)	(47,447)
	677,829	57,942

Details of subsidiaries are included in Note 34.

- (a) During the financial year, additions of RM 609,148,000 in subsidiaries was made by way of cash of RM 220,985,000 and issuance of shares of RM 398,714,000 and offset by a loan assignment of RM 10,551,000.

In previous 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, 43,500 (2016: 52,200) redeemable convertible preference shares amounting to RM 4,350,000 (2016: RM 5,220,000) of a subsidiary was redeemed.
- (c) During the financial year, investments in subsidiaries of RM 677,829,000 (2016: RM Nil) have been pledged as security for bank borrowings of the Company.
- (d) During the financial year, a write-off of an investment in a subsidiary amounting to RM 3,900,000 was made as it is in the process of liquidation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

15. INVESTMENTS IN SUBSIDIARIES (continued)

- (e) On 27 March 2017, the Company acquired substantially the remaining shares in its subsidiaries that was held by non-controlling interests (Note 32).
- (f) Carrying value of non-controlling interests

	2017 RM'000	2016 RM'000
Mahkota Medical Centre Sdn. Bhd. ("MMCSB")	–	70,355
Regency Specialist Hospital Sdn. Bhd. ("RSHSB")	–	(3,587)
Other subsidiaries with immaterial non-controlling interest	11	(5,146)
Total	11	61,622

Summarised financial information of subsidiaries with material non-controlling interests in 2016

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

Summarised balance sheets

	MMCSB As at 30 June 2016 RM'000	RSHSB As at 30 June 2016 RM'000
Current		
Assets	70,843	56,937
Liabilities	68,040	33,379
Current net assets	2,803	23,558
Non-current		
Assets	148,004	23,364
Liabilities	13,292	1,511
Non-current net assets	134,712	21,853
Net assets	137,515	45,411

Summarised income statements

	MMCSB As at 30 June 2016 RM'000	RSHSB As at 30 June 2016 RM'000
Revenue	248,016	141,659
Profit before income tax	50,670	23,614
Income tax expense	(12,035)	(5,486)
Profit after tax and total comprehensive income	38,635	18,128
Dividends paid to non-controlling interests	24,504	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Leasehold land RM'000	Hospital 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								
2017								
<i>Cost</i>								
Beginning of financial year	–	19,038	102,036	35,779	115,452	3,023	35,562	310,890
Currency translation differences	–	–	–	–	–	52	292	344
Additions	47,000	–	54,289	1,974	14,135	–	3,474	120,872
Disposals/Write-offs	–	–	–	(7)	(1,130)	(240)	(416)	(1,793)
End of financial year	47,000	19,038	156,325	37,746	128,457	2,835	38,912	430,313
<i>Accumulated depreciation</i>								
Beginning of financial year	–	1,871	17,246	25,396	68,118	1,778	18,614	133,023
Currency translation differences	–	–	–	–	–	22	109	131
Depreciation charge	–	189	2,943	1,052	10,433	316	5,171	20,104
Disposals/Write-offs	–	–	–	(4)	(973)	(232)	(287)	(1,496)
End of financial year	–	2,060	20,189	26,444	77,578	1,884	23,607	151,762
Net book value at end of financial year	47,000	16,978	136,136	11,302	50,879	951	15,305	278,551
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 2017

16. PROPERTY, PLANT AND EQUIPMENT (continued)

	Furniture and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Company			
2017			
<i>Cost</i>			
Beginning of financial year	523	782	1,305
Currency translation differences	29	42	71
Additions	25	–	25
End of financial year	577	824	1,401
<i>Accumulated depreciation</i>			
Beginning of financial year	109	221	330
Currency translation differences	7	13	20
Depreciation charge	96	81	177
End of financial year	212	315	527
Net book value			
End of financial year	365	509	874
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
Net book value			
End of financial year	414	561	975

- (a) During the financial year, included within the additions in the consolidated financial statements are the freehold land and hospital buildings acquired at a fair value of RM 101,000,000 (2016: RM Nil) as a result of the Acquisition (Note 32).
- (b) The net carrying amount of motor vehicles, furniture, office equipment and housekeeping equipment and medical equipment of the Group and Company held under finance leases are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Motor vehicles	715	1,109	508	561
Furniture, office equipment and housekeeping equipment	29	67	–	–
Medical equipment	29,129	14,521	–	–
	29,873	15,697	508	561

During the financial year, motor vehicles and medical equipment of the Group amounting to RM 9,252,000 (2016: RM 4,076,000) were acquired under finance leases (Note 20).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

16. PROPERTY, PLANT AND EQUIPMENT (continued)

- (c) Property, plant and equipment of certain subsidiaries with a net carrying amount of RM 200,114,000 (2016: RM 14,329,000) have been pledged to financial institutions for credit facilities granted to the Group (Note 19(a)).

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<u>Current</u>				
Trade payables – third parties	29,063	27,993	–	39
Deposits received	258	1,484	–	–
Directors' fee payable	654	591	654	591
Accrued employee compensation expense	14,289	11,164	1,955	892
Accrued rental expense (a)	–	5,376	–	–
Other payables and accruals	23,402	22,348	1,259	1,350
Dividend payable to non-controlling interests of a subsidiary	–	10,210	–	–
Amount due to associated corporations (non-trade) (c)	–	52	–	–
Amount due to related parties (non-trade) (b)	80	81	–	81
	67,746	79,299	3,868	2,953
<u>Non-current</u>				
Amount due to non-controlling interests of a subsidiary (non-trade) (d)	–	18,251	–	–
	–	18,251	–	–

- (a) In the previous financial year, included in “trade and other payables” were lease expenses accrued on a straight-line basis for a non-cancellable operating lease with an associated corporation of RM 5,376,000. During the financial year following the completion of the Acquisition on 27 March 2017, the associated corporation has become a subsidiary of the Company (Note 32).
- (b) The current amounts due to related parties are unsecured, interest-free and are repayable on demand.
- (c) In the previous financial year, included in amounts due to associated corporations, are balances relating to associated corporations which have become subsidiaries of the Company following the Acquisition during the financial year (Note 32).
- (d) During the financial year, following the completion of the Acquisition (Note 32), the amount due to the non-controlling interests of a subsidiary has been assigned to the Group.

18. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments as at 30 June 2017 comprises of fair value losses (2016: gains) of the Malaysian Ringgit/Singapore Dollar currency forwards used to manage the exposure from committed conversion of funds denominated in Malaysian Ringgit into Singapore Dollar on a specified date. The contracted notional principal amount of the derivative outstanding at balance sheet date is RM 13,000,000 (2016: RM 2,500,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

19. BORROWINGS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Overdraft (Note 10) – secured	–	4,602	–	–
Short-term bank loans				
– secured	–	4,262	–	–
– unsecured	17,783	13,319	17,783	13,319
Current portion of long-term bank loans				
– secured	50,884	559	45,842	–
Finance lease liabilities – secured (Note 20)	5,407	4,753	82	89
	74,074	27,495	63,707	13,408
Non-current				
Long-term bank loans				
– secured	82,406	5,664	73,530	–
Loan from holding company				
– unsecured	–	3,552	–	3,552
Finance lease liabilities – secured (Note 20)	7,268	5,146	27	103
	89,674	14,362	73,557	3,655
Total borrowings	163,748	41,857	137,264	17,063

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Less than one year	74,074	27,495	63,707	13,408
Between one and five years	88,420	12,255	73,557	3,655
Later than five years	1,254	2,107	–	–
	163,748	41,857	137,264	17,063

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

	Group		Company	
	2017 %	2016 %	2017 %	2016 %
Overdraft	–	5.82	–	–
Short-term bank loans	3.57	4.17	3.57	3.81
Long-term bank loans	5.12	6.81	4.92	–
Loan from holding company	–	6.00	–	6.00
Finance lease liabilities	5.03	5.78	5.07	5.07

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

19. 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 and first fixed charge and assignment over certain issued and paid-up shares of subsidiaries in Malaysia, a first fixed charge over parcels under strata titles and charge over funds held in an interest reserve account.
- (ii) *The Group* – In addition to paragraph (i) above, a first assignment on freehold land, leasehold land and hospital buildings (Note 16(c)) and assignment of rental proceeds of certain subsidiaries in Malaysia.

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

(b) Maturity of borrowings

The non-current borrowings (excluding finance lease liabilities (Note 20)) has the following maturity:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Between one and five years	81,152	7,109	73,530	3,552
Later than five years	1,254	2,107	–	–
	82,406	9,216	73,530	3,552

(c) Fair value of non-current borrowings

The carrying values of non-current borrowings approximates their fair values as they consist mainly of floating rate instruments that are re-priced to market interest rates on or near the balance sheet dates.

(d) Undrawn borrowing facilities

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
– Expiring not later than one year	45,847	34,700	2,496	1,184
– Expiring later than one year	3,000	2,975	–	–
	48,847	37,675	2,496	1,184

The borrowing facilities expiring within one year are facilities subject to annual reviews in 2017. The borrowing facilities were arranged to finance the Group's working capital requirements, whenever required.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

20. 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Minimum lease payments due:				
– Not later than one year	5,937	5,155	104	99
– Between two and five years	7,668	5,394	17	115
	13,605	10,549	121	214
Less: Future finance charges	(930)	(650)	(12)	(22)
Present value of finance lease liabilities	12,675	9,899	109	192

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Not later than one year (Note 19)	5,407	4,753	82	89
Later than one year (Note 19):				
– Between two and five years	7,268	5,146	27	103
	12,675	9,899	109	192

21. DEFERRED INCOME

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

	Group	
	2017 RM'000	2016 RM'000
Beginning of financial year	2,062	1,236
Additions during the financial year	12,092	7,443
Amount credited to profit or loss	(11,761)	(6,686)
Currency translation differences	115	69
End of financial year	2,508	2,062

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

22. 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	
	2017	2016
	RM'000	RM'000
Deferred income tax assets:		
– to be recovered after one year	–	(3,555)
Deferred income tax liabilities:		
– to be settled after one year	9,332	5,479

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

	Group	
	2017	2016
	RM'000	RM'000
Beginning of financial year	1,924	(4,304)
Acquisition of non-controlling interests and remaining interests in associated corporation (Note 32)	4,363	–
Tax charged to profit or loss (Note 8)	3,045	6,228
End of financial year	9,332	1,924

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
2017	
Beginning of financial year	9,268
Acquisition of non-controlling interests and remaining interests in associated corporations (Note 32)	4,363
Credited to profit or loss	(568)
End of financial year	13,063
2016	
Beginning of financial year	8,534
Charged to profit or loss	734
End of financial year	9,268

The Company has no deferred tax liabilities or assets as at 30 June 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

22. DEFERRED INCOME TAXES (continued)

Group

Deferred income tax assets

	Provisions RM'000	Unutilised tax losses RM'000	Total RM'000
2017			
Beginning of financial year	(3,110)	(4,234)	(7,344)
(Credited)/charged to profit or loss	(621)	4,234	3,613
End of financial year	(3,731)	–	(3,731)
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)

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 28,060,000 (2016: RM 26,757,000) and capital allowances of RM 9,585,000 (2016: RM 11,310,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation.

23. SHARE CAPITAL

	No. of ordinary shares		Amount	
	Issued share capital	Treasury shares	Issued share capital RM'000	Treasury shares RM'000
2017				
Beginning of financial year	577,272,286	(1,209,600)	90,564	(1,022)
Shares issued (a)	244,799,322	–	468,428	–
Share issue expenses (b)	–	–	(1,722)	–
End of financial year	822,071,608	(1,209,600)	557,270	(1,022)
2016				
Beginning of financial year	577,272,286	(201,000)	90,564	(47)
Treasury shares purchased (c)	–	(1,008,600)	–	(975)
End of financial year	577,272,286	(1,209,600)	90,564	(1,022)

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

23. SHARE CAPITAL (continued)

- (a) On 26 August 2016, the Company allotted and issued an aggregate of 8,820,000 new ordinary shares in the capital of the Company at S\$0.28 per share 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 (Note 23(e)).

On 28 December 2016, the Company allotted and issued an aggregate of 3,780,000 new ordinary shares in the Company for a total cash consideration of RM 3,267,000 following the exercise of options granted under HMI Employee Share Option Scheme (Note 23(d)) by the option holders.

On 15 March 2017, the Company allotted and issued an aggregate of 32,376,432 ordinary shares for a total cash consideration of RM 58,147,000 (the "Rights Shares") pursuant to the renounceable underwritten rights issue of up to 32,376,432 ordinary shares at an issue price of S\$0.57 for each Rights Share on the basis of 11 Rights Shares for 200 existing ordinary shares held.

On 27 March 2017, the Company allotted and issued 199,822,890 ordinary shares in relation to the Acquisition (Note 32) (the "Consideration Shares") to the Sellers. The closing share price on the completion date 27 March 2017, was S\$0.63 per share.

All of the newly issued shares rank *pari passu* in all respects with the previously issued shares.

- (b) Incremental costs directly attributable to the issuance of the Consideration Shares amounting to RM 1,722,000 (2016: RM Nil) are deducted against the share capital.
- (c) Treasury shares

The Company acquired no (2016: 1,008,600) shares in the Company in the open market during the financial year. The total amount paid to acquire the shares was RM Nil (2016: RM 975,000) and this is presented as a component within shareholders' equity.

- (d) 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 was 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 was 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 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 2017

23. SHARE CAPITAL (continued)

(d) 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:

	Beginning of financial year	No. of ordinary shares under HMI ESOS			End of financial year	Exercise price	Exercise period
		Granted during financial year	Forfeited during financial year	Exercised during financial year			
Group and Company 2017							
Options	3,780,000	–	–	3,780,000	–	S\$0.28	14.11.2015 – 13.11.2024
	3,780,000	–	–	3,780,000	–		
2016							
Options	3,780,000	–	–	–	3,780,000	S\$0.28	14.11.2015 – 13.11.2024
	3,780,000	–	–	–	3,780,000		

On 28 December 2016, the Company allotted and issued an aggregate of 3,780,000 new ordinary shares in the capital of the Company to the option holders following the exercise of options granted under HMI Employee Share Option Scheme.

As at 30 June 2017, all options were fully vested and exercised.

(e) HMI Performance Share Plan

On 14 November 2014, 8,820,000 awards, comprising of 8,820,000 shares, were granted to certain directors and 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 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 under the HMI PSP are as follows:

	Group and Company	
	2017	2016
Beginning of financial year	8,820,000	8,820,000
Vested	(8,820,000)	–
End of financial year	–	8,820,000

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

As at 30 June 2017, all awards were fully vested.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

24. OTHER RESERVES

(a) Currency translation reserve

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Beginning of financial year	12,417	9,114	21,926	16,296
Net currency translation differences of the Company and Singapore subsidiaries (Note 32)	5,434	3,307	76	5,630
Less: Non-controlling interests	(6)	(4)	–	–
	5,428	3,303	76	5,630
End of financial year	17,845	12,417	22,002	21,926

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Composition:				
Capital reserve	(483,118)	68	16	16
Share-based payment reserve	–	7,062	–	7,062
	(483,118)	7,130	16	7,078
Movements:				
(i) Capital reserve				
Beginning of financial year	68	68	16	16
Acquisition of non-controlling interests and remaining interests in associated corporations (Note 32)	(483,186)	–	–	–
End of financial year	(483,118)	68	16	16
(ii) Share-based payment reserve				
Beginning of financial year	7,062	3,026	7,062	3,026
Share-based payment reserve	1,238	4,036	1,238	4,036
Share options and awards vested and exercised	(8,300)	–	(8,300)	–
End of financial year	–	7,062	–	7,062

Other reserves are non-distributable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

24. OTHER RESERVES (continued)

(c) Retained earnings/(accumulated losses)

- (i) Retained earnings of the Group include the accumulated share of (losses)/profits of associated corporations amounting to RM (2,481,000) (2016: RM 28,729,000). During the financial year, the Group acquired a controlling stake in substantially all of the entities which were associated corporations of the Group in the previous financial year (Note 32).
- (ii) Movement in retained earnings/(accumulated losses) for the Company is as follows:

	Company	
	2017 RM'000	2016 RM'000
Beginning of financial year	(977)	(10,066)
Net profit	18,345	9,089
Dividends paid (Note 25)	(4,482)	–
End of financial year	12,886	(977)

25. DIVIDENDS

	Company	
	2017 RM'000	2016 RM'000

Ordinary dividends

Final dividend paid in respect of the previous financial year
of 0.75 RM cents (2016: Nil RM cents) per share (Note 24(c))

4,482 –

At the Annual General Meeting on 30 October 2017, a final one-tier tax-exempt cash dividend of 1.00 RM cents per ordinary share of the Company in respect of the financial year ended 30 June 2017 amounting to a total of RM 8,208,620 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 30 June 2018.

26. 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Property, plant and equipment	4,867	7,959	–	–
Intangible asset	367	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

26. COMMITMENTS (continued)

(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.

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	
	2017	2016
	RM'000	RM'000
Not later than one year	1,710	7,177
Between two and five years	19	23,781
Later than five years	–	131,337
	1,729	162,295
Less: Accrual for operating lease expenses recognised on a straight-line basis (Note 17(a))	–	(5,376)
Operating lease commitments not recognised as liabilities at balance sheet date (i)	1,729	156,919

- (i) In the previous financial year, included in non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities are leases related to an associated corporation which has become a subsidiary of the Company following the completion of the Acquisition during the financial year (Note 32).

27. CONTINGENT LIABILITIES

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These bank borrowings amount to RM 13,918,000 (2016: RM 7,213,000) at the balance sheet date.

28. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

28. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

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 Nil (2016: RM 10,405,000) and amount due from subsidiaries of RM 38,082,000 (2016: RM 18,275,000) as the Company's functional currency is SGD.

As at 30 June 2017, if the RM has strengthened/weakened by 1% (2016: 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 313,000 (2016: RM 238,000) 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 87% (2016: 68%) and 100% (2016: 78%) of the total borrowings respectively. If the interest rate during the financial year had been higher/lower by 0.5% (2016: 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 593,000 (2016: RM 118,000) and RM 74,000 (2016: RM 55,000) respectively as a result of higher/lower interest expense on variable rate borrowings.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

28. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The Group's dominant operations are in Malaysia, and the Group's trade receivables located in Malaysia represents 79% (2016: 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% (2016: 79%) and 21% (2016: 21%) 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 (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	
	2017 RM'000	2016 RM'000
Past due 0 to 1 months	9,602	3,256
Past due 1 to 3 months	7,273	1,641
Past due over 3 months	1,768	7,300
	18,643	12,197

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 2017

28. 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	
	2017	2016
	RM'000	RM'000
Gross amount	12,619	10,031
Less: Allowance for impairment	(12,619)	(10,031)
	–	–
Beginning of financial year	10,031	7,248
Allowance made	2,774	3,515
Allowance written back	(14)	(69)
Allowance utilised	(172)	(663)
End of financial year	12,619	10,031

The impaired trade receivables arise mainly from corporate and individual customers, and the 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
Group			
2017			
Trade and other payables	67,746	–	–
Borrowings	78,334	93,636	1,317
	146,080	93,636	1,317
2016			
Trade and other payables	79,303	18,251	–
Borrowings	28,800	13,739	2,340
	108,103	31,990	2,340

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

28. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

	Less than 1 year RM'000	Between 2 and 5 years RM'000
<u>Company</u>		
2017		
Trade and other payables	3,868	–
Borrowings	66,534	77,172
	70,402	77,172
Financial guarantee	13,918	–
	84,320	77,172
2016		
Trade and other payables	2,953	–
Borrowings	13,916	3,869
	16,869	3,869
Financial guarantee	7,213	–
	24,082	3,869

(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 2017 and 2016.

(e) Financial instruments by category

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

	2017 RM'000	2016 RM'000
<u>Group</u>		
Loans and receivables	119,592	138,207
Financial liabilities at amortised cost	231,494	139,407
<u>Company</u>		
Loans and receivables	53,315	58,640
Financial liabilities at amortised cost	141,132	20,016

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

29. IMMEDIATE AND ULTIMATE HOLDING COMPANY

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

30. 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(i) Interest income from associated corporations	(22)	(781)	(9)	(8)
(ii) Payments on behalf of an associated corporation	2	421	–	–
(iii) Agency fee paid to a related party [#]	130	129	130	129
(iv) Agency fee recharged to subsidiaries	–	–	(130)	(129)
(v) Management fee income from subsidiaries	–	–	(4,451)	(1,836)
(vi) Salaries recharged to subsidiaries	–	–	–	(427)
(vii) Service fee income from subsidiaries	–	–	(31)	(31)
(viii) Interest expense charged by holding company	77	214	78	214
(ix) Interest expense charged by associated corporations	31	1,510	–	–
(x) Healthcare training cost charged by a subsidiary	–	–	2,970	1,439

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

30. RELATED PARTY TRANSACTIONS (continued)

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2017 RM'000	2016 RM'000
Wages and salaries	11,397	9,051
Employer's contribution to defined contribution plans, including Central Provident Fund	551	371
Share-based payment expenses	1,238	4,036
Benefits in kind	178	224
	13,364	13,682

31. 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.

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
2017				
Revenue:				
Total segment revenue	427,101	18,176	75,920	521,197
Inter-segment revenue	(6,542)	(2,970)	(75,920)	(85,432)
Revenue to external parties	420,559	15,206	–	435,765
Adjusted EBIT	82,799	2,335	(20,603)	64,531
Interest expense – net	116	(46)	(3,895)	(3,825)
Share of profit of associated corporations	1,348	–	–	1,348
Profit before income tax	84,263	2,289	(24,498)	62,054
Depreciation expense	19,289	638	177	20,104
Segment assets	381,212	10,910	25,378	417,500
Segment assets includes:				
Investment in associated corporations	32	–	–	32
Additions to:				
– property, plant and equipment	120,693	154	25	120,872
Segment liabilities	102,289	5,621	140,943	248,853

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

31. 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
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	29,293	382,885
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

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

(a) Reconciliations

(i) Segment profits

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

	Group 2017 RM'000	2016 RM'000
Adjusted EBIT for reportable segments	64,531	63,265
Finance expense	(5,641)	(3,637)
Interest income	1,816	1,703
Unallocated:		
Share of profit of associated corporations	1,348	2,051
Profit before tax	62,054	63,382

(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 2017 RM'000	2016 RM'000
Segment liabilities for reportable segments	248,853	150,621

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

31. SEGMENT INFORMATION (continued)

(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	
	2017	2016
	RM'000	RM'000
Hospital and other healthcare services	420,559	388,188
Healthcare education and training	15,206	9,622
	435,765	397,810

(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	
	2017	2016
	RM'000	RM'000
Singapore	15,222	9,639
Malaysia	420,543	388,171
	435,765	397,810

	Total non-current assets	
	2017	2016
	RM'000	RM'000
Singapore	15,891	50,984
Malaysia	263,152	177,350
	279,043	228,334

32. ACQUISITION OF NON-CONTROLLING INTERESTS AND REMAINING INTERESTS IN ASSOCIATED CORPORATIONS

On 27 March 2017, the Group acquired:

- (i) All the shares of MIL Mentari Sdn. Bhd., Senipuri Emas Sdn. Bhd. and 2M Medical Consultants Pte. Ltd.; and
- (ii) The remaining shares in two subsidiaries, Mahkota Medical Centre Sdn. Bhd. and Mahkota Medical Group Sdn. Bhd. and an associated corporation, Mahkota Commercial Sdn. Bhd.,

(collectively, the "Acquisition").

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

32. ACQUISITION OF NON-CONTROLLING INTERESTS AND REMAINING INTERESTS IN ASSOCIATED CORPORATIONS (continued)

The Acquisition had the effect of increasing the Group's effective equity interest in certain subsidiaries and associated corporations as follows:

Name of companies	Principal activities	Country of business/ incorporation	Effective equity interest held by the Group	
			2017 %	2016 %
Newly acquired entities during the financial year ended 30 June 2017				
MIL Mentari Sdn. Bhd.	Investment holding	Malaysia	100	–
Senipuri Emas Sdn. Bhd.	Investment holding	Malaysia	100	–
2M Medical Consultants Pte. Ltd.	Investment holding	Singapore	100	–
Entities that were subsidiaries as at 30 June 2016				
Mahkota Medical Group Sdn. Bhd.	Investment holding	Malaysia	100	48.95 ⁽¹⁾
Mahkota Medical Centre Sdn. Bhd.	Hospital and healthcare services	Malaysia	100	48.95 ⁽²⁾
Regency Specialist Hospital Sdn. Bhd.	Hospital and healthcare services	Malaysia	100	60.82
Regency Specialist Hospital (S) Pte. Ltd.	Hospital management and consulting services	Singapore	100	60.82
PT. Mahkota Healthcare Services	Hospital management and consulting services	Indonesia	100	46.50 ⁽³⁾
Mahkota Land Sdn. Bhd.	Property investment	Malaysia	100	48.95 ⁽³⁾
Mahkota Realty Sdn. Bhd.	Dormant	Malaysia	100	48.95 ⁽³⁾
Entities that were associated corporations of the Group as at 30 June 2016				
Mahkota Commercial Sdn. Bhd.	Holding company of investment properties	Malaysia	100	48.95
Regency Medical Centre (Seri Alam) Sdn. Bhd.	Development and lease of a hospital building	Malaysia	100	60.82 ⁽⁴⁾
Regency Healthcare Sdn. Bhd.	Dormant	Malaysia	100	66.82 ⁽⁴⁾
Raspuri Sdn. Bhd.	Dormant	Malaysia	100	48.95
Pancastle Sdn. Bhd.	Dormant	Malaysia	100	48.95
Regency Medical Centre (Sungai Petani) Sdn. Bhd.	Dormant	Malaysia	85	56.79 ⁽⁴⁾
Panodahlia Sdn. Bhd.	Healthcare education and training	Malaysia	61.39	43.45

- (1) Although the Group held 48.95% equity interest in Mahkota Medical Group Sdn. Bhd. ("MMGSB") as at 30 June 2016, pursuant to an agreement signed by the shareholders of MMGSB on 22 October 2008, the Group 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.
- (2) Although the Group held 48.95% equity interest in Mahkota Medical Centre Sdn. Bhd. ("MMCSB") as at 30 June 2016, pursuant to an agreement signed by the shareholders of MMCSB on 19 September 2002, the Group 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.
- (3) Although the Group held less than 50% effective equity interest as at 30 June 2016, the Group considers these entities as subsidiaries as these entities are controlled by a subsidiary of the Company.
- (4) Although the Group held more than 50% effective equity interest as at 30 June 2016, the Group considers these entities as associates as the Group's direct interest is insufficient to provide the Group with control over these entities and the remaining interest in these entities are held through an associate of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

32. ACQUISITION OF NON-CONTROLLING INTERESTS AND REMAINING INTERESTS IN ASSOCIATED CORPORATIONS (continued)

Details of the consideration paid and the assets acquired and liabilities assumed and the effects on the cash flows of the Group, at the acquisition date, are as follows:

(a) Purchase consideration

	RM'000
Cash paid	219,329
Fair value of shares issued	398,714
Consideration transferred	618,043

(b) Effect on cash flows of the Group

	RM'000
Cash paid	219,329
Less: cash and cash equivalents acquired	(2,292)
Cash outflow on acquisition	217,037

(c) Identifiable assets acquired and liabilities assumed

	RM'000
Cash and cash equivalents	2,292
Property, plant and equipment	101,000
Other receivables	3,609
Total assets	106,901
Borrowings	(8,981)
Deferred income tax liabilities	(4,363)
Other payables	(3,690)
Total liabilities	(17,034)
Total identifiable net assets	89,867
Add:	
Excess of consideration paid (Note 24(b)(i))	483,186
Non-controlling interests acquired	82,250
Assignment of amounts due to non-controlling interests of a subsidiary (Note 17)	18,251
Less:	
Carrying amount of previously held interests in associated corporations and related amounts due from/to these entities	(55,511)
Total consideration transferred	618,043

(d) Acquisition-related costs

Acquisition-related costs amounting to RM 8,234,000 are included in "administrative expenses" in the consolidated statement of comprehensive income and in operating cash flows in the consolidated statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

33. 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 2017 and which the Group has not early adopted:

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

The complete version of FRS 109 replaces most of the guidance in FRS 39. FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designed at fair value through profit or loss.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is undertaking a detailed assessment of how the financial statements would be affected by the new accounting standards. However, based on management's preliminary assessment, management is of the view that the adoption of this new accounting standard will not result in a material impact to the financial statements.

- FRS 115 *Revenue from contracts with customers* (effective for annual periods beginning on or after 1 January 2018)

This is the converged standard on revenue recognition. It replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group is undertaking a detailed assessment of how the financial statements would be affected by the new accounting standards. However, based on management's preliminary assessment, management is of the view that the adoption of this new accounting standard will not result in a material impact to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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33. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

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

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RM 1,729,000 (Note 26(b)). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

34. LISTING OF COMPANIES IN THE GROUP

Name of companies	Direct interest %	2017 Indirect interest %	Equity holding*		2016 Indirect interest %	Total %	Country of business/ incorporation	Principal activities
			Total %	Direct interest %				
Subsidiaries (held by the Company)								
2M Medical Consultants Pte. Ltd. ^{(f), (h)}	100	–	100	–	–	–	Singapore	Investment holding
HMI Health Management (M) Sdn. Bhd. ^(g)	100	–	100	100	–	100	Malaysia	Hospital management services
HMI Institute of Health Sciences Pte. Ltd. ^(a)	100	–	100	100	–	100	Singapore	Healthcare education and training
Mahkota Commercial Sdn. Bhd. ^(d)	49.13	50.87	100	48.95	–	48.95	Malaysia	Holding company of investment properties
Mahkota Medical Centre Sdn. Bhd. ^(b)	49.13	50.87	100	48.95	–	48.95	Malaysia	Hospital and healthcare services
Mahkota Medical Group Sdn. Bhd. ^(b)	49.13	50.87	100	48.95	–	48.95	Malaysia	Investment holding
MIL Mentari Sdn. Bhd. ^{(d), (h)}	100	–	100	–	–	–	Malaysia	Investment holding
Panodahlia Sdn. Bhd. ^(b)	43.45	17.94	61.39	43.45	–	43.45	Malaysia	Healthcare education and training
Regency Healthcare Sdn. Bhd. ^(d)	35	65	100	35	31.82	66.82	Malaysia	Dormant
Regency Medical Centre (Seri Alam) Sdn. Bhd. ^(d)	29	71	100	29	31.82	60.82	Malaysia	Development and lease of a hospital building

NOTES TO THE FINANCIAL STATEMENTS

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34. LISTING OF COMPANIES IN THE GROUP (continued)

Name of companies	Direct interest %	2017 Indirect interest %	Equity holding*		2016 Indirect interest %	Total %	Country of business/ incorporation	Principal activities
			Total %	Direct interest %				
Subsidiaries (held by the Company) (continued)								
Regency Specialist Hospital Sdn. Bhd. ^(b)	29	71	100	29	31.82	60.82	Malaysia	Hospital and healthcare services
Senipuri Emas Sdn. Bhd. ^{(e), (h)}	100	–	100	–	–	–	Malaysia	Investment holding
Subsidiaries (held by subsidiaries)								
Mahkota Land Sdn. Bhd. ^(b)	–	100	100	–	100	100	Malaysia	Property investment
Mahkota Realty Sdn. Bhd. ^(b)	–	100	100	–	100	100	Malaysia	Dormant
Pancastle Sdn. Bhd. ^(d)	–	100	100	–	100	100	Malaysia	Dormant
PT. Mahkota Healthcare Services ^(b)	–	100	100	–	100	100	Indonesia	Hospital management and consulting services
Raspuri Sdn. Bhd. ^(d)	–	100	100	–	100	100	Malaysia	Dormant
Regency Medical Centre (Sungai Petani) Sdn. Bhd. ^(d)	–	85	85	–	85	85	Malaysia	Dormant
Regency Specialist Hospital (S) Pte. Ltd. ^(a)	–	100	100	–	100	100	Singapore	Hospital management and consulting services
Associated corporations (held by the Company)								
Nathill Track (M) Sdn. Bhd. ^(c)	30	–	30	30	–	30	Malaysia	Dormant
Silver Uptown Sdn. Bhd. ^(g)	48.95	–	48.95	48.95	–	48.95	Malaysia	Investment holding

(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) Audited by Moore Stephens Associates & Co., Malaysia.

(f) Audited by Tay Tong & Company, Singapore.

(g) Not required to be audited under the laws of country of incorporation. The Company is in the process of liquidation.

(h) Acquired on 27 March 2017.

(i) In accordance to Rule 716 of The Singapore Exchange Securities Trading Limited – Listing Rules, the Audit & Risk Management Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries and associated companies would not compromise the standard and effectiveness of the audit of the Company.

* Equity holding refers to the equity holding by the respective entity referred above.

35. 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 3 October 2017.

SUPPLEMENTARY INFORMATION

For the financial year ended 30 June 2017

(A) Freehold land, leasehold land and hospital 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, and 5th 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 6th, 7th and 8th floor of Mahkota Medical Centre	250,554	99 years commencing from 19 July 2002	100%
Lot 1349, Kawasan Bandar XLII, Melaka Tengah, Melaka ^(a)	Car park	46,812	95 years commencing from 16 November 2007	100%
Lot 1344, Kawasan Bandar XLII, Melaka Tengah, Melaka ^(a)	Car park	115,884	99 years commencing from 19 July 2002	100%
<u>Held by Regency Medical Centre (Seri Alam) Sdn. Bhd. ("RMCSA")</u>				
HS(D) 239043, PTD 111517, Mukim Plentong, Daerah Johor Bahru, Negeri Johor ^(b)	Hospital building and land	413,613	Freehold	100%

(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 20 September 2017

Class of shares	:	Ordinary shares
Voting rights	:	One vote for each ordinary share
Number of issued shares	:	822,071,608
Number of issued shares excluding treasury shares	:	820,862,008
Number of treasury shares held	:	1,209,600 (0.15%)
Number of subsidiary holdings held	:	–

Distribution of Shareholdings as at 20 September 2017

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	80	1.86	2,638	0.00
100 – 1,000	1,410	32.85	1,313,854	0.16
1,001 – 10,000	1,561	36.36	7,403,955	0.90
10,001 – 1,000,000	1,187	27.65	73,772,461	8.99
1,000,001 and above	55	1.28	738,369,100	89.95
Total	4,293	100.00	820,862,008	100.00

Twenty Largest Shareholders as at 20 September 2017

No.	Name of Shareholders	No. of Shares	%
1	Nam See Investment Pte Ltd	234,124,953	28.52
2	Raffles Nominees (Pte) Limited	130,689,671	15.92
3	Maju Medik (Malaysia) Sdn Bhd	82,086,201	10.00
4	Oversea-Chinese Bank Nominees Private Limited	48,228,571	5.88
5	Cheah Way Mun	28,207,688	3.44
6	DBS Nominees (Private) Limited	20,679,387	2.52
7	Citibank Nominees Singapore Pte Ltd	14,056,309	1.71
8	Sing Investments & Finance Nominees (Pte.) Ltd.	12,923,750	1.57
9	Gan See Khem	10,765,853	1.31
10	United Overseas Bank Nominees (Private) Limited	10,660,661	1.30
11	BPSS Nominees Singapore (Pte.) Ltd.	8,833,573	1.08
12	OCBC Securities Private Limited	7,864,828	0.96
13	Kaka Singh S/O Dalip Singh	7,858,846	0.96
14	Chua Ee Chek	7,495,527	0.91
15	HSBC (Singapore) Nominees Pte Ltd	7,254,221	0.88
16	Phillip Securities Pte Ltd	6,584,809	0.80
17	Allplus Holdings Pte Ltd	6,330,158	0.77
18	Ching Kwok Choy	5,718,628	0.70
19	Chew Kim Huat	5,348,987	0.65
20	Chin Wei Jia	5,317,200	0.65
Total		661,029,821	80.53

STATISTICS OF SHAREHOLDINGS

As at 20 September 2017

Direct Interest and Deemed Interest of Substantial Shareholders as at 20 September 2017

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.	296,899,283	—
Dr Gan See Khem	10,765,853	315,266,328 ^(a)
Dr Chin Koy Nam	4,266,420	321,765,761 ^(b)
Kabouter Management, LLC	—	49,658,900 ^(c)
Maju Medik (Malaysia) Sdn Bhd	154,203,259 ^(d)	—

Notes:

- (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.
- (d) Maju Medik (Malaysia) Sdn Bhd is a company incorporated in Malaysia and Datuk Fakhri Yassin bin Mahiaddin is deemed to have interest in the shares held by Maju Medik (Malaysia) Sdn Bhd.

Percentage of Shareholdings held in the Public Hands as at 20 September 2017

Based on the information available to the Company as at 20 September 2017, there are approximately 30.94% 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 Nineteenth Annual General Meeting of Health Management International Ltd (the “**Company**”) will be held at Hall 1, Level 1, Devan Nair Institute for Employment and Employability, 80 Jurong East Street 21, Singapore 609607 on 30 October 2017 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 2017 together with the Auditor’s Report thereon. **[Resolution 1]**
2. To re-elect Ms Chin Wei Jia, retiring by rotation pursuant to Regulation 95 of the Constitution of the Company and who, being eligible, offers herself for re-election. **[Resolution 2]**
3. To re-elect Dr Cheah Way Mun (“**Dr Cheah**”), retiring by rotation pursuant to Regulation 95 of the Constitution of the Company and who, being eligible, offers himself for re-election.

If re-elected, Dr Cheah will remain as a member of the Audit and Risk Management Committee, Remuneration Committee and Nominating Committee of the Company. Dr Cheah is considered an Independent Non-Executive Director of the Company. **[Resolution 3]**
4. To approve the payment of Directors’ Fees of S\$209,638 to the Independent Non-Executive Directors of the Company for the financial year ended 30 June 2017 (2016: S\$199,655). **[Resolution 4]**
5. To approve the final one-tier tax-exempt cash dividend of 1.00 RM cents per ordinary share of the Company for the financial year ended 30 June 2017 (2016: 0.75 RM cents). **[Resolution 5]**
6. 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 6]**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **The proposed adoption of the performance share plan to be named “The HMI Performance Share Plan 2017” (the “HMI Performance Share Plan 2017”)** **[Resolution 7]**

That, approval be and is hereby given to the Company for the following actions:

- (a) The HMI Performance Share Plan 2017 be and is hereby approved and adopted.
- (b) The Directors of the Company be and are hereby authorised:
 - (i) to establish and administer the HMI Performance Share Plan 2017;
 - (ii) to modify and/or amend the HMI Performance Share Plan 2017 from time to time provided that such modifications and/or amendments are effected in accordance with the provisions of the HMI Performance Share Plan 2017 and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the HMI Performance Share Plan 2017;
 - (iii) to grant Award(s) in accordance with the rules of the HMI Performance Share Plan 2017 and to allot and issue from time to time such number of new shares (“**Shares**”) as may be required to be issued pursuant to the vesting of the Award(s) under the HMI Performance Share Plan 2017; and

NOTICE OF ANNUAL GENERAL MEETING

- (iv) to complete and do all such acts and things, and to approve, execute and deliver on behalf of the Company all such documents as they may consider necessary, desirable, expedient or appropriate for the purposes of or to give effect to this Resolution and the HMI Performance Share Plan 2017 as they think fit and in their absolute discretion.

8. **The proposed participation of Dr Gan See Khem, Executive Chairman, Managing Director and a Controlling Shareholder of the Company, in the HMI Performance Share Plan 2017 [Resolution 8]**

Subject to the passing of Resolution 7, that approval be and is hereby given to the Company for Dr Gan See Khem, Executive Chairman, Managing Director and a Controlling Shareholder of the Company, to participate in the HMI Performance Share Plan 2017.

9. **The proposed participation of Ms Chin Wei Jia, Executive Director, Group CEO and an Associate of a Controlling Shareholder of the Company, in the HMI Performance Share Plan 2017 [Resolution 9]**

Subject to the passing of Resolution 7, that approval be and is hereby given to the Company for Ms Chin Wei Jia, Executive Director, Group CEO and an Associate of a Controlling Shareholder of the Company, to participate in the HMI Performance Share Plan 2017.

10. **The proposed participation of Mr Chin Wei Yao, Executive Director, Group Chief Financial Officer and an Associate of a Controlling Shareholder of the Company, in the HMI Performance Share Plan 2017 [Resolution 10]**

Subject to the passing of Resolution 7, that approval be and is hereby given to the Company for Mr Chin Wei Yao, Executive Director, Group Chief Financial Officer and an Associate of a Controlling Shareholder of the Company, to participate in the HMI Performance Share Plan 2017.

11. **The proposed grant of an Award to Dr Gan See Khem, Executive Chairman, Managing Director and a Controlling Shareholder of the Company, under the HMI Performance Share Plan 2017 [Resolution 11]**

Subject to the passing of Resolutions 7, 8 and 16, that approval be and is hereby given to the Company that Dr Gan See Khem, Executive Chairman, Managing Director and a Controlling Shareholder of the Company, be granted an Award under the HMI Performance Share Plan 2017, as follows:

Date of Grant: Anytime within four (4) weeks from the date of the AGM.

Aggregate number of Shares granted under the Award: Up to 1,320,000 Shares (being approximately 0.16% of the total number of issued Shares and approximately 1.19% of the total number of new Shares available under the HMI Performance Share Plan 2017 as at the Latest Practicable Date).⁽¹⁾

Performance Condition(s): The Award will only be vested to Dr Gan See Khem, Executive Chairman, Managing Director and a Controlling Shareholder of the Company, upon the achievement of the Group EBIT threshold level and total shareholder return threshold level, and subject to any other terms and conditions set out in the Award letter.

Vesting date of the Award: Anytime within four (4) weeks from the Group's FY2020 AGM.

Note:

(1) The aggregate number of Shares to be awarded to Dr Gan See Khem will be based on the achievement of certain predetermined performance targets (including the achievement of a Group EBIT target and total shareholder return target) as determined by the Committee administering the HMI Performance Share Plan 2017 or otherwise in accordance with the rules of the HMI Performance Share Plan 2017.

NOTICE OF ANNUAL GENERAL MEETING

12. The proposed grant of an Award to Ms Chin Wei Jia, Executive Director, Group CEO and an Associate of a Controlling Shareholder of the Company, under the HMI Performance Share Plan 2017

[Resolution 12]

Subject to the passing of Resolutions 7, 9 and 16, that approval be and is hereby given to the Company that Ms Chin Wei Jia, Executive Director, Group CEO and an Associate of a Controlling Shareholder of the Company, be granted an Award under the HMI Performance Share Plan 2017, as follows:

Date of Grant: Anytime within four (4) weeks from the date of the AGM.

Aggregate number of Shares granted under the Award: Up to 1,440,000 Shares (being approximately 0.18% of the total number of issued Shares and approximately 1.30% of the total number of new Shares available under the HMI Performance Share Plan 2017 as at the Latest Practicable Date).⁽¹⁾

Performance Condition(s): The Award will only be vested to Ms Chin Wei Jia, Executive Director, Group CEO and an Associate of a Controlling Shareholder of the Company, upon the achievement of the Group EBIT threshold level and total shareholder return threshold level, and subject to any other terms and conditions set out in the Award letter.

Vesting date of the Award: Anytime within four (4) weeks from the Group's FY2020 AGM.

Note:

(1) The aggregate number of Shares to be awarded to Ms Chin Wei Jia will be based on the achievement of certain predetermined performance targets (including the achievement of a Group EBIT target and total shareholder return target) as determined by the Committee administering the HMI Performance Share Plan 2017 or otherwise in accordance with the rules of the HMI Performance Share Plan 2017.

13. The proposed grant of an Award to Mr Chin Wei Yao, Executive Director, Group Chief Financial Officer and an Associate of a Controlling Shareholder of the Company, under the HMI Performance Share Plan 2017

[Resolution 13]

Subject to the passing of Resolutions 7, 10 and 16, that approval be and is hereby given to the Company that Mr Chin Wei Yao, Executive Director, Group Chief Financial Officer and an Associate of a Controlling Shareholder of the Company, be granted an Award under the HMI Performance Share Plan 2017, as follows:

Date of Grant: Anytime within four (4) weeks from the date of the AGM.

Aggregate number of Shares granted under the Award: Up to 840,000 Shares (being approximately 0.10% of the total number of issued Shares and approximately 0.76% of the total number of new Shares available under the HMI Performance Share Plan 2017 as at the Latest Practicable Date).⁽¹⁾

Performance Condition(s): The Award will only be vested to Mr Chin Wei Yao, Executive Director, Group Chief Financial Officer and an Associate of a Controlling Shareholder of the Company, upon the achievement of the Group EBIT threshold level and total shareholder return threshold level, and subject to any other terms and conditions set out in the Award letter.⁽¹⁾

Vesting date of the Award: Anytime within four (4) weeks from the Group's FY2020 AGM.

Note:

(1) The aggregate number of Shares to be awarded to Mr Chin Wei Yao will be based on the achievement of certain predetermined performance targets (including the achievement of a Group EBIT target and total shareholder return target) as determined by the Committee administering the HMI Performance Share Plan 2017 or otherwise in accordance with the rules of the HMI Performance Share Plan 2017.

NOTICE OF ANNUAL GENERAL MEETING

14. **Termination of the HMI Performance Share Plan 2008** **[Resolution 14]**

Subject to the passing of Resolution 7, that approval be and is hereby given to the Company to terminate the HMI Performance Share Plan 2008.

15. **Termination of the HMI ESOS 2008** **[Resolution 15]**

Subject to the passing of Resolution 7, that approval be and is hereby given to the Company to terminate the HMI ESOS 2008.

16. **Authority to issue Shares under the HMI Performance Share Plan 2017** **[Resolution 16]**

Subject to the passing of Resolution 7, 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 Share Awards under the HMI Performance Share Plan 2017; 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 vesting of Share Awards under the HMI Performance Share Plan 2017, whether granted during the subsistence of this authority or otherwise, provided always that (a) the aggregate total number of issued Shares to be issued pursuant to the HMI Performance Share Plan 2017 and any other share schemes implemented or to be implemented by the Company, shall not exceed fifteen per cent (15%) of the total number of issued Shares in the capital of the Company excluding treasury shares and subsidiary holdings on the day preceding the date of grant of the Award; and (b) the Company will impose a vesting limit whereby not more than one percent (1%) of the number of issued Shares (excluding treasury shares and subsidiary holdings) may be granted nor vest each year, 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 (i)]

17. **Authority to issue shares under the HMI Performance Share Plan 2008 and the HMI ESOS 2008 in the event that Resolutions 14 and 15 are not passed** **[Resolution 17]**

In the event that Resolutions 14 and 15 are not passed, 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 and awards under the HMI Performance Share Plan 2008 and the HMI ESOS 2008 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 HMI ESOS 2008, and the vesting of share awards under the HMI Performance Share Plan 2008, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate total number of issued shares to be issued pursuant to the HMI Performance Share Plan 2008 and the HMI ESOS 2008 and any other share schemes implemented or to be implemented by the Company, shall not exceed fifteen per cent (15%) of the total number of issued shares in the capital of the Company excluding treasury shares and subsidiary holdings 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

18. Authority to issue shares in the capital of the Company

[Resolution 18]

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

- (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 and subsidiary holdings (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 and subsidiary holdings (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 and subsidiary holdings shall be based on the total number of issued Shares in the capital of the Company excluding treasury shares and subsidiary holdings 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 (iii)]

NOTICE OF ANNUAL GENERAL MEETING

19. The Proposed Renewal of the Share Buy Back Mandate

[Resolution 19]

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; or
 - (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 and subsidiary holdings as at that date); and

NOTICE OF ANNUAL GENERAL MEETING

“**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:

- (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 (iv)]

20. Authority to issue New Shares Ordinary Shares pursuant to the HMI Scrip Dividend Scheme [Resolution 20]

THAT pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be and are hereby authorised 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.

- 21. To transact any other business as may properly be transacted at the Annual General Meeting of the Company.

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 Nineteenth Annual General Meeting of the Company to be held on 30 October 2017:

1. A final one-tier tax-exempt cash dividend of 1.00 RM cents per ordinary share of the Company in respect of the financial year ended 30 June 2017 will be paid on 17 November 2017.
2. The Share Transfer Book and Register of Members of the Company will be closed on 9 November 2017 for the preparation of payment for the proposed final one-tier tax-exempt dividend (“**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 8 November 2017 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 8 November 2017 will be entitled to the Proposed Final Dividend.

By Order of the Board

Ms. Noraini Binte Noor Mohamed Abdul Latiff
Company Secretary
Singapore
13 October 2017

NOTICE OF ANNUAL GENERAL MEETING

- (i) The Resolution 16 in item 16 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 the vesting of share awards granted or to be granted under the Plan and any other share schemes implemented or to be implemented by the Company, up to a number not exceeding in total (for the entire duration of the Plan) fifteen (15%) per cent of the total number of issued shares in the capital of the Company excluding treasury shares and subsidiary holdings on the day preceding the date of grant of the award.
- (ii) The Resolution 17 in item 17 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 the vesting of share awards granted or to be granted under the HMI ESOS 2008, HMI Performance Share Plan 2008 and any other share schemes implemented or to be implemented by the Company, up to a number not exceeding in total (for the entire duration of the Plan) fifteen (15%) per cent of the total number of issued shares in the capital of the Company excluding treasury shares and subsidiary holdings from time to time.

In the event that Resolution 7 is passed in addition to Resolution 17 but Resolutions 14 and 15 are not passed, the Remuneration Committee shall terminate the HMI ESOS 2008 and HMI Performance Share Plan 2008.

- (iii) The Resolution 18 in item 18 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 and subsidiary holdings, 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 and subsidiary holdings.

For the purpose of determining the aggregate number of shares that may be issued, the total number of issued shares excluding treasury shares and subsidiary holdings shall be based on the total number of issued shares in the capital of the Company excluding treasury shares and subsidiary holdings at the time this Resolution 18 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 18 is passed; and (c) any subsequent bonus issue, consolidation or subdivision of shares.

- (iv) The Resolution 19 in item 19 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 buybacks 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 and subsidiary holdings at such price up to the Maximum Price (as defined above) as at the date of the passing of this Resolution 19. The details of the proposed renewal of the share buy-back mandate are set out in the circular accompanying this annual report.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. (a) A member of the Company (otherwise than a relevant intermediary) is entitled to appoint not more than two 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 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.

HEALTH MANAGEMENT INTERNATIONAL LTD

(Company Registration No.: 199805241E)
(Incorporated in the Republic of Singapore)

PROXY FORM
ANNUAL GENERAL MEETING
IMPORTANT:

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 of Singapore, may appoint more than 2 proxies to attend, speak and vote at the Annual General Meeting of the Company.
2. 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).
3. 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 13 October 2017.

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 Annual General Meeting of the Company to be held at Hall 1, Level 1, Devan Nair Institute for Employment and Employability, 80 Jurong East Street 21, Singapore 609607 on 30 October 2017 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 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 2017 and Directors' Statement together with Auditor's Report thereon.		
ORDINARY RESOLUTION 2: Re-election of Ms Chin Wei Jia, retiring pursuant to Regulation 95 of the Constitution of the Company, as a Director of the Company.		
ORDINARY RESOLUTION 3: Re-election of Dr Cheah Way Mun, retiring pursuant to Regulation 95 of the Constitution of the Company, as a Director of the Company.		
ORDINARY RESOLUTION 4: Payment of Directors' Fees of S\$209,638 to the Independent Non-Executive Directors of the Company for the financial year ended 30 June 2017.		
ORDINARY RESOLUTION 5: Approval of the final one-tier tax-exempt cash dividend of 1.00 RM cents per ordinary share of the Company for the financial year ended 30 June 2017.		
ORDINARY RESOLUTION 6: 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 7: The Proposed Adoption of the HMI Performance Share Plan 2017.		

Resolutions	Number of votes For*	Number of votes Against*
ORDINARY RESOLUTION 8: Subject to the passing of Resolution 7, the proposed participation of Dr Gan See Khem, Executive Chairman, Managing Director and a Controlling Shareholder of the Company, in the HMI Performance Share Plan 2017.		
ORDINARY RESOLUTION 9: Subject to the passing of Resolution 7, the proposed participation of Ms Chin Wei Jia, Executive Director, Group CEO and an Associate of a Controlling Shareholder of the Company, in the HMI Performance Share Plan 2017.		
ORDINARY RESOLUTION 10: Subject to the passing of Resolution 7, the proposed participation of Mr Chin Wei Yao, Executive Director, Group Chief Financial Officer and an Associate of a Controlling Shareholder of the Company, in the HMI Performance Share Plan 2017.		
ORDINARY RESOLUTION 11: Subject to the passing of Resolutions 7, 8 and 16, the proposed Award Grant to Dr Gan See Khem, Executive Chairman, Managing Director and a Controlling Shareholder of the Company, under the HMI Performance Share Plan 2017.		
ORDINARY RESOLUTION 12: Subject to the passing of Resolutions 7, 9 and 16, the proposed Award Grant to Ms Chin Wei Jia, Executive Director, Group CEO and an Associate of a Controlling Shareholder of the Company, under the HMI Performance Share Plan 2017.		
ORDINARY RESOLUTION 13: Subject to the passing of Resolutions 7, 10 and 16, the proposed Award Grant to Mr Chin Wei Yao, Executive Director, Group Chief Financial Officer and an Associate of a Controlling Shareholder of the Company, under the HMI Performance Share Plan 2017.		
ORDINARY RESOLUTION 14: Subject to the passing of Resolution 7, the proposed termination of the HMI Performance Share Plan 2008.		
ORDINARY RESOLUTION 15: Subject to the passing of Resolution 7, the proposed termination of the HMI ESOS 2008.		
ORDINARY RESOLUTION 16: Subject to the passing of Resolution 7, authority to issue shares under the HMI Performance Share Plan 2017.		
ORDINARY RESOLUTION 17: Authority to issue shares under the HMI Performance Share Plan 2008 and the HMI ESOS 2008 in the event that Resolutions 14 and 15 are not passed.		
ORDINARY RESOLUTION 18: Authority to issue shares in the capital of the Company.		
ORDINARY RESOLUTION 19: The Proposed Renewal of the Share Buy Back Mandate.		
ORDINARY RESOLUTION 20: Authority to issue new ordinary 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 _____ 2017.

Total Number of Shares Held

Signature of Member(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Please
affix
postage
stamp here

BOARDROOM CORPORATE & ADVISORY SERVICES PTE. LTD.

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

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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 form of proxy will 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 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 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.
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 Annual General Meeting of the Company. In the event that such CPF/SRS investors are unable to attend the Annual General Meeting of the Company but would like to vote, they should inform their CPF Approved Nominees to appoint the Chairman of the meeting to act as their proxy. This shall not preclude them from attending and voting in person.
4. A proxy need not be a member of the Company.
5. The instrument appointing a proxy or proxies must be deposited at the 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 Annual General Meeting of the Company.
6. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Annual General Meeting of the Company. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Annual General Meeting of the Company 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, to the Annual General Meeting of the Company.
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.
8. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer 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. 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). In addition, 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 Annual General Meeting of the Company, as certified by The Central Depository (Pte) Limited to 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) to the Company (or its agents or service providers), the member has obtained the prior consent of such 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.

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:
Mr Daniel Khoo
Effective from the financial year
ended 30 June 2017



HEALTH MANAGEMENT INTERNATIONAL LTD

(Company Registration No. 199805241E)

7 Temasek Boulevard #12-10 | Suntec Tower One | Singapore 038987

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