

Unaudited Financial Statements And Dividend Announcement for the second quarter and six months ended 31 December 2017

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

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

	Note			Second Quarter Ended			Six Months Ended		
	31 Dec 2017 RM'000	31 Dec 2016 RM'000	+/- %	31 Dec 2017 RM'000	31 Dec 2016 RM'000	+/- %			
Turnover	115,987	106,903	8	233,041	216,364	8			
Cost of services	(73,205)	(72,207)	1	(149,631)	(143,839)	4			
Gross profit	42,782	34,696	23	83,410	72,525	15			
Interest income	420	498	(16)	692	917	(25)			
Other gains/ (losses) – net	857	317	170	(197)	887	NM			
Distribution and marketing costs	(847)	(856)	(1)	(1,958)	(1,537)	27			
Administrative costs	(18,100)	(17,003)	6	(35,245)	(34,849)	1			
Finance costs	(3,237)	(481)	NM	(5,309)	(999)	NM			
Share of results of associates	(1)	355	NM	(1)	831	NM			
Profit before tax	21,874	17,526	25	41,392	37,775	10			
Tax	(6,152)	(5,110)	20	(11,885)	(10,849)	10			
Profit after tax	15,722	12,416	27	29,507	26,926	10			
Other comprehensive income									
Item that may be reclassified subsequently to profit or loss:									
Currency translation difference arising from consolidation									
– (Losses)/ Gains	(4,206)	1,378	NM	1,910	2,783	(31)			
– Reclassification	-	-	NM	1,764	-	100			
Total comprehensive income	11,516	13,794	(17)	33,181	29,709	12			
Profit/ (loss) attributable to:									
Equity holders of the Company	15,724	5,332	195	29,510	11,502	157			
Non-controlling interests	(2)	7,084	NM	(3)	15,424	NM			
	15,722	12,416	27	29,507	26,926	10			
Total comprehensive income attributable to:									
Equity holders of the Company	11,517	6,708	72	33,184	14,281	132			
Non-controlling interests	(1)	7,086	NM	(3)	15,428	NM			
Total comprehensive income	11,516	13,794	(17)	33,181	29,709	12			

NM - Not Meaningful

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

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

Note	Second Quarter Ended			Six Months Ended		
	31 Dec 2017 RM'000	31 Dec 2016 RM'000	+/- %	31 Dec 2017 RM'000	31 Dec 2016 RM'000	+/- %
Share-based payment expenses	274	-	NM	274	1,238	(78)
Depreciation	5,193	4,960	5	10,484	9,792	7
Allowance for impairment of trade and other receivables - net	384	17	NM	380	6	NM
Foreign exchange (gain)/ loss						
- realised	(391)	196	NM	1,828	631	190
- unrealised	341	728	(53)	209	1,437	(85)
Fair value (gain) on financial derivatives:						
- realised	(460)	-	100	(577)	(14)	NM
Loss/ (Gain) on disposal and write-off of property, plant and equipment	16	(10)	NM	19	(3)	NM
Professional fees incurred in relations to the proposed acquisition of non-controlling interests ¹	-	943	(100)	-	943	(100)

NM - Not Meaningful

¹ Refer to announcement made on SGXNet on 11 November 2016

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

	Group		Company	
	As at 31 Dec 2017 RM'000	As at 30 Jun 2017 RM'000	As at 31 Dec 2017 RM'000	As at 30 Jun 2017 RM'000
ASSETS				
Current assets				
Cash and cash equivalents	69,930	76,754	29,616	12,075
Trade and other receivables	40,663	39,776	25,226	41,695
Tax recoverable	2	1	-	-
Inventories	13,980	13,551	-	-
Other current assets	6,772	8,375	175	100
	131,347	138,457	55,017	53,870
Non-current Assets				
Trade and other receivables	-	-	396	137
Other non-current assets	508	460	179	121
Investments in associated corporations	16	32	34	35
Investments in subsidiaries	-	-	650,127	677,829
Property, plant and equipment	285,784	278,551	813	874
	286,308	279,043	651,549	678,996
Total Assets	417,655	417,500	706,566	732,866
LIABILITIES				
Current Liabilities				
Trade and other payables	63,551	67,746	2,274	3,868
Derivative financial instrument	-	582	-	582
Current income tax liabilities	9,576	4,937	-	-
Borrowings	27,424	74,074	17,901	63,707
Deferred income	1,625	2,508	-	-
	102,176	149,847	20,175	68,157
Non-Current Liabilities				
Borrowings	78,619	89,674	65,118	73,557
Deferred income tax liabilities	9,202	9,332	-	-
	87,821	99,006	65,118	73,557
Total Liabilities	189,997	248,853	85,293	141,714
NET ASSETS	227,658	168,647	621,273	591,152
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	590,885	557,270	590,885	557,270
Treasury shares	(994)	(1,022)	(994)	(1,022)
Currency translation reserve	21,519	17,845	3,463	22,002
Other reserves	(482,844)	(483,118)	290	16
Retained earnings	99,084	77,661	27,629	12,886
	227,650	168,636	621,273	591,152
Non-controlling interests	8	11	-	-
TOTAL EQUITY	227,658	168,647	621,273	591,152

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

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

As at 31 Dec 2017		As at 30 Jun 2017	
Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000
21,978	5,446	56,291	17,783

(b) Amount repayable after one year; and

As at 31 Dec 2017		As at 30 Jun 2017	
Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000
78,619	-	89,674	-

(c) Details of any collaterals.

The Group

A memorandum of charge and assignment over the Company's shares in certain subsidiaries incorporated in Malaysia and charge on the lands and buildings of certain subsidiaries in Malaysia.

The Group's borrowings include finance lease liabilities of approximately RM 11.7 million (FY2017: RM 12.7 million), which are effectively secured as the rights to the hire purchase asset will revert to the hiree in the event of default.

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

	Note	Second Quarter Ended		Six Months Ended	
		31 Dec	31 Dec	31 Dec	31 Dec
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Cash Flows from Operating Activities					
Profit after tax		15,722	12,416	29,507	26,926
Adjustments for:					
Income tax expense		6,152	5,110	11,885	10,849
Depreciation		5,193	4,960	10,484	9,792
Allowance for impairment of trade and other receivables - net		384	17	380	6
Interest expense		3,236	481	5,309	999
Share-based payment expenses		274	-	274	1,238
Interest income		(420)	(498)	(692)	(917)
Loss/ (Gain) on disposal and write-off of property, plant and equipment		16	(10)	19	(3)
Share of (profit)/ loss of associated corporations		1	(355)	1	(831)
Currency translation differences		(4,593)	794	620	1,200
Operating cash flow before working capital changes		25,965	22,915	57,787	49,259
Changes in operating assets and liabilities:					
Inventories		(194)	235	(429)	1,066
Trade and other receivables		(2,937)	4,076	(1,424)	651
Other current and non-current assets		(1,233)	359	1,514	801
Trade and other payables		(6,781)	(7,164)	(8,364)	(3,386)
Derivative financial instruments		(461)	-	(582)	-
Deferred income		(474)	(105)	(825)	(389)
Cash provided by operations		13,885	20,316	47,677	48,002
Interest paid		(2,448)	(481)	(3,967)	(999)
Tax paid		(1,168)	(285)	(3,071)	(5,294)
Net cash provided by operating activities		10,269	19,550	40,639	41,709
Cash Flows from Investing Activities					
Additions to property, plant and equipment		(5,573)	(2,321)	(15,990)	(4,684)
Proceeds from disposal of property, plant and equipment		126	63	126	64
Interest received		420	498	692	917
Net cash used in investing activities		(5,027)	(1,760)	(15,172)	(3,703)
Cash Flows from Financing Activities					
Drawdown of borrowings		-	3,650	-	3,650
Repayment of borrowings		(36,368)	(4,041)	(53,953)	(6,437)
Repayment of lease liabilities		(2,026)	(1,662)	(2,829)	(4,383)
Dividends paid to non-controlling interests by a subsidiary		-	(6,892)	-	(10,210)
Increase in restricted cash		-	-	(765)	-
Proceeds from issuance of ordinary shares		33,615	3,267	33,615	3,267
Share issue expenses		(29)	-	(29)	-
Dividends paid to equity holders of the Company		(8,087)	(4,482)	(8,087)	(4,482)
Net cash used in financing activities		(12,895)	(10,160)	(32,048)	(18,595)
Net (decrease)/ increase in cash and cash equivalents		(7,653)	7,630	(6,581)	19,411
Cash and cash equivalents at beginning of financial period		76,798	86,477	76,041	74,326
Effect of exchange rate changes on cash and cash equivalents		(697)	381	(1,012)	751
Cash and cash equivalents at end of financial period		68,448	94,488	68,448	94,488
Cash and equivalents comprise:					
Cash and bank balances		69,930	94,488	69,930	94,488
Restricted cash		(1,477)	-	(1,477)	-
Bank overdraft		(5)	-	(5)	-
		68,448	94,488	68,448	94,488

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

The Group

	Attributable to equity holders of the Company						Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Currency		Retained Earnings RM'000	Non- controlling Interests RM'000	
			Translation Reserve RM'000	Other Reserves RM'000			
Balance as at 1 Jul 2016	90,564	(1,022)	12,417	7,130	61,553	61,622	232,264
Exchange translation difference	-	-	1,403	-	-	2	1,405
Net profit for the period	-	-	-	-	6,170	8,340	14,510
Total comprehensive income for the financial period	-	-	1,403	-	6,170	8,342	15,915
Share-based payment	-	-	-	1,238	-	-	1,238
Issue of new shares	7,200	-	-	(7,200)	-	-	-
Balance as at 30 Sep 2016	97,764	(1,022)	13,820	1,168	67,723	69,964	249,417
Exchange translation difference	-	-	1,376	-	-	2	1,378
Net profit for the period	-	-	-	-	5,332	7,084	12,416
Total comprehensive income for the financial period	-	-	1,376	-	5,332	7,086	13,794
Issue of new shares	4,367	-	-	(1,100)	-	-	3,267
Dividend relating to 2016 paid	-	-	-	-	(4,482)	-	(4,482)
Balance as at 31 Dec 2016	102,131	(1,022)	15,196	68	68,573	77,050	261,996
Balance as at 1 Jul 2017	557,270	(1,022)	17,845	(483,118)	77,661	11	168,647
Exchange translation difference	-	-	7,881	-	-	(1)	7,880
Net profit/ (loss) for the period	-	-	-	-	13,786	(1)	13,785
Total comprehensive income for the financial period	-	-	7,881	-	13,786	(2)	21,665
Balance as at 30 Sep 2017	557,270	(1,022)	25,726	(483,118)	91,447	9	190,312
Exchange translation difference	-	-	(4,207)	-	-	1	(4,206)
Net profit/ (loss) for the period	-	-	-	-	15,724	(2)	15,722
Total comprehensive income for the financial period	-	-	(4,207)	-	15,724	(1)	11,516
Share-based payment	-	28	-	274	-	-	302
Issue of new shares	33,615	-	-	-	-	-	33,615
Dividend relating to 2017 paid	-	-	-	-	(8,087)	-	(8,087)
Balance as at 31 Dec 2017	590,885	(994)	21,519	(482,844)	99,084	8	227,658

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The Company

	<u>Share Capital</u> RM'000	<u>Treasury Reserves</u> RM'000	<u>Other Reserves</u> RM'000	<u>Retained Earnings/ (Accumulated Losses)</u> RM'000	<u>Currency Translation Reserves</u> RM'000	<u>Total Equity</u> RM'000
Balance as at 1 Jul 2016	90,564	(1,022)	7,078	(977)	21,926	117,569
Net loss for the period	-	-	-	(6,031)	-	(6,031)
Exchange translation difference	-	-	-	-	2,706	2,706
Share-based payment	-	-	1,238	-	-	1,238
Issuance of new shares	7,200	-	(7,200)	-	-	-
Balance as at 30 Sep 2016	97,764	(1,022)	1,116	(7,008)	24,632	115,482
Net loss for the period	-	-	-	(3,428)	-	(3,428)
Exchange translation difference	-	-	-	-	2,720	2,720
Issuance of new shares	4,367	-	(1,100)	-	-	3,267
Dividend relating to 2016 paid	-	-	-	(4,482)	-	(4,482)
Balance as at 31 Dec 2016	102,131	(1,022)	16	(14,918)	27,352	113,559
Balance as at 1 Jul 2017	557,270	(1,022)	16	12,886	22,002	591,152
Net profit for the period	-	-	-	7,134	-	7,134
Exchange translation difference	-	-	-	-	(5,086)	(5,086)
Balance as at 30 Sep 2017	557,270	(1,022)	16	20,020	16,916	593,200
Net profit for the period	-	-	-	15,696	-	15,696
Exchange translation difference	-	-	-	-	(13,453)	(13,453)
Share-based payment	-	28	274	-	-	302
Issuance of new shares	33,615	-	-	-	-	33,615
Dividend relating to 2017 paid	-	-	-	(8,087)	-	(8,087)
Balance as at 31 Dec 2017	590,885	(994)	290	27,629	3,463	621,273

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

The Company has on 24 November 2017 allotted and issued an aggregate of 16,909,272 new ordinary shares in the capital of the Company (the "Placement Shares"), at S\$0.65 per ordinary share in connection with the Placement to a fund managed by Heliconia Capital Management Pte Ltd.

Following the above allotment and issuance of the Placement Shares, the total number of issued ordinary shares in the share capital of the Company has increased from 822,071,608 (which includes 1,209,600 treasury shares) to 838,980,880 (which includes 1,209,600 treasury shares) as at 24 November 2017.

Following the partial vesting of a time-based award comprising of 33,333 shares under HMI Performance Share Plan 2017 on 1 December 2017, where the award was fulfilled via transfer from treasury shares, total number of issued ordinary shares in the share capital of the Company remains unchanged at 838,980,880 (which includes 1,176,267 treasury shares) as at 1 December 2017.

HMI Performance Share Plan 2017

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

	<u>Total number of shares that may be issued on conversion</u>
<u>Addition:</u>	
Three tranches of awards comprising up to 3,600,000 shares as at 24 November 2017	3,600,000
Six tranches of awards comprising up to 1,200,000 shares as at 1 December 2017	1,200,000
One tranche of time-based awards comprising of 100,000 shares as at 1 December 2017	100,000
<u>Deduction:</u>	
Partial vesting of time-based award comprising 33,333 shares as at 1 December 2017	(33,333)
31 December 2017	4,866,667

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

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

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

The rest of the one tranche of time-based awards granted as at 1 December 2017, 33,333 shares and 33,334 shares will be vested on 30 September 2018 and 30 September 2019 respectively.

As at 31 December 2017, the number of shares that may be issued upon vesting of awards are 4,866,667 shares (31 December 2016: Nil).

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

The Company's total number of issued shares excluding treasury shares is 837,804,613 (30 June 2017: 820,862,008) as at the end of the current financial period. Total number of treasury shares is 1,176,267 and 1,209,600 as at 31 December 2017 and 30 June 2017 respectively.

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

Following the partial vesting of a time-based award under HMI Performance Share Plan 2017 on 1 December 2017, 33,333 treasury shares were transferred to an employee during the three months ended 31 December 2017.

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

The financial statements for the six months ended 31 December 2017 have not been audited nor reviewed by the independent auditor.

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the financial statements of the current reporting year compared with those of the audited financial statements as at 30 June 2017.

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

The new or amended Financial Reporting Standards (“FRS”) and Interpretations to FRS (“INT FRS”) that are mandatory for the financial year beginning on or after 1 July 2017 have been adopted by the Group. The adoption of these new or amended FRS and INT FRS has no material impact on the financial statements of the Group.

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

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

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

	Group			
	3 Months Ended 31 December		6 Months Ended 31 December	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Net profit attributable to equity holders of the Company (RM'000)	15,724	5,332	29,510	11,502
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	827,858	585,047	824,286	582,246
(i) Basic earnings per share (RM cents per share)	1.90	0.91	3.58	1.98
Weighted average number of ordinary shares adjusted for the effects of dilutive potential ordinary shares ('000)	829,771	588,663	825,222	588,663
(ii) Diluted earnings per share (RM cents per share)	1.89	0.91	3.58	1.95

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

	As at 31 Dec 2017	As at 30 Jun 2017
The Group		
Net asset value attributable to ordinary shareholders (RM'000)	227,650	168,636
Total number of issued shares excluding treasury shares ('000)	837,805	820,862
Net asset value per share (RM cents per share)	27.17	20.54
The Company		
Net asset value attributable to ordinary shareholders (RM'000)	621,273	591,152
Total number of issued shares excluding treasury shares ('000)	837,805	820,862
Net asset value per share (RM cents per share)	74.15	72.02

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

(i) INCOME STATEMENT

Second Quarter

For the three months ended 31 December 2017 ("Q22018"), the Group's turnover increased by 8.5% from RM 106.9 million to RM 116.0 million, when compared with the previous corresponding period ("Q22017"). Turnover from the Group's healthcare business accounted for approximately RM 8.7 million of the increase mainly due to higher patient load and average bill sizes in its two hospitals i.e. Mahkota Medical Centre Sdn. Bhd. ("MMCSB") and Regency Specialist Hospital Sdn. Bhd. ("RSHSB"). The Group's education business registered a RM 2.9 million increase in revenue due to higher student headcount.

Gross profit margin improved to 36.9% from 32.5% in Q22018 as a result of higher revenue intensity in both hospitals and better cost management. Other gains of RM 0.9 million was RM 0.5 million higher than the corresponding period in the prior year. This was mainly due to the strengthening of the Malaysian ringgit during the quarter which resulted in foreign exchange gains of RM 0.1 million whilst foreign exchanges losses of RM 0.9 million were recorded in Q22017.

(i) INCOME STATEMENT (Continued)

Second Quarter (Continued)

Distribution & marketing expenses in Q22018 were comparable to Q22017. Administrative expenses increased by RM 1.1 million as compared to the previous financial period mainly due to incurrence of RM 0.4 million provision for doubtful debts, RM 0.3 million of share-based payment expenses and higher general operating costs in the Group entities. Finance costs increased by RM 2.8 million due to drawdown of SGD 53.0 million from the term loan facility for the purposes of the acquisition of non-controlling interests in MMCSB and RSHSB (the "Acquisition"), announced via SGXNet on 11 November 2016 and completed on 27 March 2017.

As a result of the above, the Group registered a 24.8% increase in profit before tax of RM 21.9 million in Q22018, as compared to RM 17.5 million in Q22017. The profit attributable to shareholders was RM 15.7 million and RM 5.3 million in Q22018 and Q22017 respectively, whereas loss attributable to non-controlling interests was negligible in Q22018 whereas profit attributable to non-controlling interests was RM 7.1 million in Q22017.

Six Months

For the six months ended 31 December 2017 ("H12018"), the Group's turnover increased by RM 16.7 million and 7.7% from RM 216.4 million to RM 233.0 million, when compared with the previous corresponding period ("H12017"). Turnover from the Group's healthcare business accounted for approximately RM 15.9 million of the increase mainly due to higher patient load and average bill sizes in its two hospitals i.e. MMCSB and RSHSB. The Group's education business registered a RM 0.8 million increase in revenue due to higher student headcount.

Gross profit margin improved to 35.8% from 33.5% in H12018 as a result of higher revenue intensity in both hospitals and better cost management. Other losses of RM 0.2 million was recorded in H12018 compared to other gains of RM 0.9 million in H12017. The decrease was mainly due to one-off gains recorded from sale of medical suites recorded in the previous financial period.

Distribution & marketing expenses in H12018 were RM 0.4 million higher due to increased marketing efforts. Administrative expenses increased by RM 0.4 million as compared to the previous financial period mainly due to incurrence of RM 0.4 million provision for doubtful debts, RM 0.3 million of share-based payment expenses and higher general operating costs in the Group entities. Finance costs increased by RM 4.3 million mainly due to drawdown of SGD 53.0 million from the term loan facility for the purposes of the acquisition of non-controlling interests in MMCSB and RSHSB (the "Acquisition"), announced via SGXNet on 11 November 2016 and completed on 27 March 2017.

As a result of the above, the Group registered a profit before tax of RM 41.4 million in H12018, 9.6% higher as compared to RM 37.8 million in H12017. Tax expense increased by RM 1.0 million mainly due to higher profitability of both hospitals. The profit attributable to shareholders was RM 29.5 million and RM 11.5 million in H12018 and H12017 respectively, whereas loss attributable to non-controlling interests was negligible in H12018 whereas profit attributable to non-controlling interests was RM 15.4 million in H12017.

(ii) BALANCE SHEET

The cash and cash equivalents of the Group remained strong at RM 69.9 million as at 31 December 2017.

Trade and other receivables increased by RM 0.9 million, driven mainly by higher revenue during the six months ended 31 December 2017. Other current assets decreased by RM 1.6 million due to lower deposits and prepayments.

(ii) BALANCE SHEET (Continued)

The RM 7.2 million increase in property, plant and equipment was due to capital expenditure on leasehold improvements of the hospitals and acquisition of new medical equipment by the hospitals, offset by the depreciation expenses.

Trade and other payables decreased by RM 4.2 million mainly due to payment of vendors and staff bonuses during the period. Current income tax liabilities increased by RM 4.6 million when compared to 30 June 2017 due to higher profitability of both hospitals. Total borrowings during the period decreased by RM 57.7 million mainly due to repayment of the term loan facility for the purposes of the acquisition of non-controlling interests in MMCSB and RSHSB (the "Acquisition"), announced via SGXNet on 11 November 2016 and completed on 27 March 2017.

Share capital increased by RM 33.6 million due to allotment of 16,909,272 New Shares in the capital of the Company (the "Placement Shares"), at S\$0.65 per ordinary share in connection with the Placement to a fund managed by Heliconia Capital Management Pte Ltd.

(iii) CASH FLOW STATEMENT

Second Quarter

Net cash from operating activities for the quarter was RM 10.3 million, RM 9.3 million lower than the previous period, mainly due to working capital movements and higher interest and taxes paid during the period.

Net cash used in investing activities for the current period was RM 5.0 million, RM 3.3 million higher, compared to RM 1.8 million in the corresponding period in the previous year due to higher acquisition of medical equipment by the hospitals in the current quarter.

Net cash used in financing activities was RM 2.7 million higher at RM 12.9 million mainly due to RM 32.3 million higher net repayment of borrowings, mainly the term loan facility drawn down for the Acquisition and RM 3.6 million higher dividend paid to the equity holders of the Company during the current period. This is offset by RM 30.3 million higher receipt from issuance of new shares, mainly from the placement shares exercise to a fund managed by Heliconia Capital Management Pte Ltd and non-recurrence of the RM 6.9 million dividends made to non-controlling interest in Q22018.

Six months

Net cash generated from operating activities for the six months ended 31 December 2017 was RM 40.6 million, comparable to the RM 41.7 million generated in the corresponding period in the previous year.

Net cash used in investing activities was RM 11.5 million higher at RM 15.2 million, mainly due to RM 11.3 million higher purchase of new medical equipment by the hospitals during the six months ending 31 December 2017.

Net cash used in financing activities for the current period was RM 32.0 million, RM 13.5 million higher than the prior period. It was mainly due to RM 47.5 million higher net repayment of the borrowings, mainly the term loan facility drawn down for the Acquisition, RM 3.6 million higher dividend payment to equity holders of the Company, offset by RM 30.3 million higher receipt from issuance of new shares, mainly from the placement shares exercise to a fund managed by Heliconia Capital Management Pte Ltd and non-recurrence of the RM 10.2 million dividends made to non-controlling interest during the current period.

(iv) USE OF PROCEEDS

Further to the Group's announcement dated 24 November 2017 in relation to the completion of the Placement to a fund managed by Heliconia Capital Management Pte Ltd, the Group wishes to announce that the net proceeds from the Placement Shares of approximately SGD 11.0 million has not yet been utilised.

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

Not applicable.

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

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

At MMCSB, the hospital continues to focus on developing its Centres of Excellence and expanding and upgrading its facilities to cater to increasing patient loads. Coupled with more flights and the proposed upgrading of the Malacca International Airport, the hospital is well-positioned to increase its patient load and capture growth opportunities for medical tourism.

To cater to the growing number of patients, the 218-bed capacity RSHSB will be constructing a new hospital extension block adjacent to its existing hospital building. Construction is pending necessary approvals and is expected to commence in FY2018. With the new extension block, RSHSB will become a 380-bed tertiary hospital with capacity to expand to an eventual 500-bed hospital. The hospital extension block is targeted to be commissioned in FY2021.

In Malaysia, an increasing domestic insurance take-up rate, an aging population and increasing regional connectivity are expected to further contribute to the growth of private healthcare services with BMI Research forecasting health expenditure to grow 7.9% p.a. from 2016 to 2020. The recent budget has allocated RM30 million to boost Malaysia's healthcare travel industry. This is in line with its national economic blueprint where healthcare travel has been identified as one of the National Key Economic Areas set to drive the country towards a high-income nation by 2020. Malaysia plans to promote medical tourism with expanded medical tourism packages, special incentives and tax allowance for healthcare facilities promoting medical tourism.

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

Based on the current economic outlook and barring unforeseen circumstances, the Directors expect the Group to continue to grow in FY2018.

11. If a decision regarding dividend has been made –

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

Yes.

(b) (i) Amount per share.

The Directors are pleased to declare an interim one-tier tax-exempt cash dividend of 1.00 RM cents per ordinary share of the Company (2017: nil RM cents).

(ii) Previous corresponding period.

Nil

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

One-tier tax-exempt.

(d) The date the dividend is payable.

The interim one-tier tax-exempt cash dividend will be payable on 2 March 2018.

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

NOTICE IS HEREBY GIVEN that, the Share Transfer Books and Register of Members of the Company will be closed on 23 February 2018 for the preparation of payment for the interim one-tier tax-exempt cash dividend ("Interim Dividend"). Duly completed registrable transfers in respect of ordinary shares in the capital of the Company ("Shares") received by the Company's Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5:00 p.m. on 22 February 2018 will be registered to determine shareholders' entitlement to the Interim Dividend. Shareholders whose securities accounts maintained with The Central Depository (Pte) Limited (CDP) are credited with Shares at 5:00p.m. on 22 February 2018 will be entitled to the Interim Dividend.

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

Not applicable.

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

The Group has not obtained an IPT mandate from shareholders. It does not have any IPT (excluding transaction less than S\$100,000) for the six months ended 31 December 2017 that is disclosable under Rule 920(1)(a) (ii) of the SGX-ST Listing Manual.

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

The Board has confirmed that to the best of its knowledge, nothing has come to its attention which may render the unaudited financial statements of the Company or the unaudited consolidated financial statements of the Group for the six months ended 31 December 2017 to be false or misleading in any material aspect.

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

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

BY ORDER OF THE BOARD

Dr Gan See Khem
Executive Chairman and Managing Director
12 February 2018