Unaudited Financial Statements And Dividend Announcement for the second quarter and six months ended 31 December 2016

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

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

	Note	Second Quarter Ended			Six Months Ended		
		31 Dec 2016 RM'000	31 Dec 2015 RM'000	+/- %	**31 Dec 2016 RM'000**	31 Dec 2015 RM'000	+/- %
Turnover		106,903	96,622	11	216,364	190,701	13
Cost of services		(72,207)	(66,032)	9	(143,839)	(127,927)	12
Gross profit		34,696	30,590	13	72,525	62,774	16
Interest income		498	451	10	917	890	3
Other gains/ (losses) – net		317	1,675	(81)	887	(1,618)	*NM*
Distribution and marketing costs		(856)	(652)	31	(1,537)	(1,227)	25
Administrative costs		(17,003)	(14,930)	14	(34,849)	(30,411)	15
Finance costs		(481)	(1,110)	(57)	(999)	(2,296)	(56)
Share of results of associates		355	603	(41)	831	1,433	(42)
Profit before tax		17,526	16,627	5	37,775	29,545	28
Tax		(5,110)	(5,068)	1	(10,849)	(9,682)	12
Profit after tax		12,416	11,559	7	26,926	19,863	36
Other comprehensive income							
Item that may be reclassified subsequently to profit or loss:							
Currency translation differences arising from consolidation – gains/ (losses)		1,378	(920)	*NM*	2,783	4,110	(32)
Total comprehensive income		13,794	10,639	30	29,709	23,973	24
Profit attributable to:							
Equity holders of the Company		5,332	5,394	(1)	11,502	6,776	70
Non-controlling interests		7,084	6,165	15	15,424	13,087	18
		12,416	11,559	7	26,926	19,863	36
Total comprehensive income attributable to:							
Equity holders of the Company		6,708	4,475	50	14,281	10,879	31
Non-controlling interests		7,086	6,164	15	15,428	13,094	18
Total comprehensive income		13,794	10,639	30	29,709	23,973	24

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 2016 RM'000	31 Dec 2015 RM'000	+/- %	**31 Dec 2016 RM'000**	31 Dec 2015 RM'000	+/- %
Share-based payment expenses		-	1,016	(100)	1,238	2,268	(45)
Depreciation		4,960	4,816	3	9,792	9,324	5
Allowance for impairment of trade and other receivables - net		17	23	(26)	6	80	(93)
Foreign exchange loss/ (gain)							
- realised		196	(224)	*NM*	631	105	*NM*
- unrealised		728	(614)	*NM*	1,437	3,653	(61)
Fair value (gain) on financial derivatives:							
- realised		-	-	-	(14)	-	100
(Gain)/ Loss on disposal and write-off of property, plant and equipment		(10)	55	*NM*	(3)	56	*NM*
Professional fees expensed 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

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 2016 RM'000	As at 30 Jun 2016 RM'000	**As at 31 Dec 2016 RM'000**	As at 30 Jun 2016 RM'000
ASSETS				
Current assets				
Cash and cash equivalents	**94,488**	78,928	**15,715**	16,314
Trade and other receivables	**57,821**	57,400	**35,113**	42,107
Tax recoverable	**22**	6	**-**	-
Inventories	**12,984**	14,050	**-**	-
Other current assets	**3,386**	4,167	**98**	67
	168,701	154,551	**50,926**	58,488
Non-current Assets				
Trade and other receivables	**131**	121	**131**	121
Other non-current assets	**457**	436	**119**	114
Investments in associated corporations	**48,128**	46,355	**20,886**	19,945
Investments in subsidiaries	**-**	-	**60,677**	57,942
Property, plant and equipment	**181,446**	177,867	**947**	975
Deferred tax assets	**5**	3,555	**-**	-
	230,167	228,334	**82,760**	79,097
Total Assets	**398,868**	382,885	**133,686**	137,585
LIABILITIES				
Current Liabilities				
Trade and other payables	**66,234**	79,299	**2,304**	2,953
Current income tax liabilities	**5,383**	3,673	**-**	-
Borrowings	**25,760**	27,495	**17,750**	13,408
Deferred income	**1,763**	2,062	**-**	-
	99,140	112,529	**20,054**	16,361
Non-Current Liabilities				
Trade and other payables	**18,251**	18,251	**-**	-
Borrowings	**14,011**	14,362	**73**	3,655
Deferred income tax liabilities	**5,470**	5,479	**-**	-
	37,732	38,092	**73**	3,655
Total Liabilities	**136,872**	150,621	**20,127**	20,016
NET ASSETS	**261,996**	232,264	**113,559**	117,569
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	**102,131**	90,564	**102,131**	90,564
Treasury shares	**(1,022)**	(1,022)	**(1,022)**	(1,022)
Currency translation reserve	**15,196**	12,417	**27,352**	21,926
Other reserves	**68**	7,130	**16**	7,078
Retained earnings/ (Accumulated losses)	**68,573**	61,553	**(14,918)**	(977)
	184,946	170,642	**113,559**	117,569
Non-controlling interests	**77,050**	61,622	**-**	-
TOTAL EQUITY	**261,996**	232,264	**113,559**	117,569

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

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

As at 31 Dec 2016		As at 30 Jun 2016	
Secured RM'000	**Unsecured RM'000**	Secured RM'000	Unsecured RM'000
6,293	**19,467**	5,355	22,140

(b) Amount repayable after one year; and

As at 31 Dec 2016		As at 30 Jun 2016	
Secured RM'000	**Unsecured RM'000**	Secured RM'000	Unsecured RM'000
13,473	**538**	10,130	4,232

(c) Details of any collaterals.

The Group

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

The Group's borrowings include finance lease liabilities of approximately RM 14.5 million (FY2016: RM 9.9 million), which are effectively secured as the rights to the hire purchase asset will be reverted to the hiree in the event of default.

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

	Note	Second Quarter Ended		Six Months Ended	
		31 Dec 2016 RM'000	31 Dec 2015 RM'000	**31 Dec 2016 RM'000**	31 Dec 2015 RM'000
Cash Flows from Operating Activities					
Profit after tax		**12,416**	11,559	**26,926**	19,863
Adjustments for:					
Income tax expense		**5,110**	5,068	**10,849**	9,682
Depreciation		**4,960**	4,816	**9,792**	9,324
Allowance for impairment of trade and other receivables - net		**17**	23	**6**	80
Interest expense		**481**	1,110	**999**	2,296
Share-based payment expenses		**-**	1,016	**1,238**	2,268
Interest income		**(498)**	(451)	**(917)**	(890)
(Gain)/ Loss on disposal and write-off of property, plant and equipment		**(10)**	55	**(3)**	56
Share of profit of associated corporations		**(355)**	(603)	**(831)**	(1,433)
Currency translation differences		**794**	686	**1,200**	1,718
Operating cash flow before working capital changes		**22,915**	23,279	**49,259**	42,964
Changes in operating assets and liabilities:					
Inventories		**235**	(3)	**1,066**	(1,053)
Trade and other receivables		**4,076**	(3,957)	**651**	333
Other current assets		**359**	322	**801**	(291)
Trade and other payables		**(7,164)**	1,943	**(3,386)**	(5,235)
Deferred income		**(105)**	(317)	**(389)**	(317)
Cash provided by operations		**20,316**	21,267	**48,002**	36,401
Interest paid		**(481)**	(1,110)	**(999)**	(2,296)
Tax paid		**(285)**	(2,197)	**(5,294)**	(3,513)
Net cash provided by operating activities		**19,550**	17,960	**41,709**	30,592
Cash Flows from Investing Activities					
Repayment of loans by associated corporations		**-**	4,211	**-**	3,654
Additions to property, plant and equipment		**(2,321)**	(1,126)	**(4,684)**	(6,236)
Proceeds from disposal of property, plant and equipment		**63**	5	**64**	5
Capital injection in an associated corporation		**-**	(49)	**-**	(49)
Interest received		**498**	451	**917**	890
Net cash (used in)/ provided by investing activities		**(1,760)**	3,492	**(3,703)**	(1,736)
Cash Flows from Financing Activities					
Drawdown of borrowings		**3,650**	1,663	**3,650**	1,663
Repayment of borrowings		**(4,041)**	(5,284)	**(6,437)**	(4,524)
Repayment of lease liabilities		**(1,662)**	(857)	**(4,383)**	(2,045)
Dividends paid to non-controlling interests by a subsidiary		**(6,892)**	(7,658)	**(10,210)**	(14,294)
Capital injection in a subsidiary from non-controlling interests		**-**	900	**-**	900
Proceeds from issuance of ordinary shares		**3,267**	-	**3,267**	-
Dividends paid to equity holders of the Company		**(4,482)**	-	**(4,482)**	-
Net cash used in financing activities		**(10,160)**	(11,236)	**(18,595)**	(18,300)
Net increase in cash and cash equivalents		**7,630**	10,216	**19,411**	10,556
Cash and cash equivalents at beginning of financial period		**86,477**	39,757	**74,326**	38,835
Effect of exchange rate changes on cash and cash equivalents		**381**	(103)	**751**	479
Cash and cash equivalents at end of financial period		**94,488**	49,870	**94,488**	49,870
Cash and equivalents comprise:					
Cash and bank balances		**94,488**	50,259	**94,488**	50,259
Bank overdraft		**-**	(389)	**-**	(389)
		94,488	49,870	**94,488**	49,870

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						
	Share Capital RM'000	Treasury Shares RM'000	Currency Translation Reserve RM'000	Other Reserves RM'000	Retained Earnings/ (Accumulated Losses) RM'000	Non-controlling Interests RM'000	Total Equity RM'000
Balance as at 1 Jul 2015	90,564	(47)	9,114	3,094	41,654	60,750	205,129
Exchange translation difference	-	-	5,022	-	-	8	5,030
Net profit for the period	-	-	-	-	1,382	6,922	8,304
Total comprehensive income for the financial period	-	-	5,022	-	1,382	6,930	13,334
Dividend paid to non-controlling interests by subsidiaries	-	-	-	-	-	(14,294)	(14,294)
Share-based payment	-	-	-	1,252	-	-	1,252
Balance as at 30 Sep 2015	90,564	(47)	14,136	4,346	43,036	53,386	205,421
Exchange translation difference	-	-	(919)	-	-	(1)	(920)
Net profit for the period	-	-	-	-	5,394	6,165	11,559
Total comprehensive income for the financial period	-	-	(919)	-	5,394	6,164	10,639
Capital injection in a subsidiary	-	-	-	-	-	900	900
Share-based payment	-	-	-	1,016	-	-	1,016
Balance as at 31 Dec 2015	90,564	(47)	13,217	5,362	48,430	60,450	217,976
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

The Company

	Share Capital RM'000	Treasury Reserves RM'000	Other Reserves RM'000	Retained Earnings/ (Accumulated Losses) RM'000	Currency Translation Reserves RM'000	Total Equity RM'000
Balance as at 1 Jul 2015	90,564	(47)	3,042	(10,066)	16,296	99,789
Net profit for the period	-	-	-	6,039	-	6,039
Exchange translation difference	-	-	-	-	10,582	10,582
Share-based payment	-	-	1,252	-	-	1,252
Balance as at 30 Sep 2015	90,564	(47)	4,294	(4,027)	26,878	117,662
Net loss for the period	-	-	-	(1,970)	-	(1,970)
Exchange translation difference	-	-	-	-	(2,018)	(2,018)
Share-based payment	-	-	1,016	-	-	1,016
Balance as at 31 Dec 2015	90,564	(47)	5,310	(5,997)	24,860	114,690
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

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

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

The Company has also on 28 December 2016 allotted and issued an aggregate of 3,780,000 new ordinary shares in the capital of the Company (the "**New Shares**") to the option holders following the exercise of options granted under HMI Employee Share Option Scheme.

Following the allotment and issuance of the New Shares, the total number of issued ordinary shares in the share capital of the Company will increase from 586,092,286 (which includes 1,209,600 treasury shares) to 589,872,286.

Share Options and Performance Shares
Pursuant to HMI Employee Share Option Scheme and HMI Performance Share Plan, which were approved at the extraordinary general meeting of the Company held on 23 October 2008, a total of 3,780,000 share options and 8,820,000 awards were granted by the Company on 14 November 2014. As at 31 December 2016, there is nil share that may be issued on conversion of outstanding convertibles (30 June 2016: 12,600,000). All of the 8,820,000 share awards and 3,780,000 share options had been fully allotted as New Shares on 26 August 2016 and 28 December 2016 respectively.

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 588,662,686 (30 June 2016: 576,062,686) as at the end of the current financial period and as at the end of the immediately preceding year. Total number of treasury shares is 1,209,600 as at 31 December 2016 and 30 June 2016.

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

There were no sales, transfers, disposal, cancellation and/or use of treasury shares during the six months ended 31 December 2016.

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 2016 have not been audited nor reviewed by the independent auditor.

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

Not applicable.

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

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

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

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

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

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

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

	Group			
	3 Months Ended 31 December		**6 Months Ended 31 December**	
	2016	2015	**2016**	2015
Net profit attributable to equity holders of the Company (RM'000)	**5,332**	5,394	**11,502**	6,776
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**585,047**	577,071	**582,246**	577,071
(i) Basic earnings per share (RM cents per share)	**0.91**	0.93	**1.98**	1.17
Weighted average number of ordinary shares adjusted for the effects of dilutive potential ordinary shares ('000)	**588,663**	589,671	**588,663**	589,671
(ii) Diluted earnings per share (RM cents per share)	**0.91**	0.91	**1.95**	1.15

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 2016	As at 30 Jun 2016
The Group		
Net asset value attributable to ordinary shareholders (RM'000)	**184,946**	170,642
Total number of issued shares excluding treasury shares ('000)	**588,663**	576,063
Net asset value per share (RM cents per share)	**31.42**	29.62
The Company		
Net asset value attributable to ordinary shareholders (RM'000)	**113,559**	117,569
Total number of issued shares excluding treasury shares ('000)	**588,663**	576,063
Net asset value per share (RM cents per share)	**19.29**	20.41

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: –

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

(i) INCOME STATEMENT

Second Quarter

For the three months ended 31 December 2016 ("Q22017"), the Group's turnover increased by 10.7% from RM 96.6 million to RM 106.9 million, when compared with the previous corresponding period ("Q22016"). Turnover from the Group's healthcare business accounted for approximately RM 8.5 million of the increase mainly due to higher patient load and average bill sizes in its two hospitals i.e. Mahkota Medical Centre Sdn. Bhd. ("MMCSB") and Regency Specialist Hospital Sdn. Bhd. ("RSHSB"). The Group's education business registered a RM 1.8 million increase in revenue due to higher student headcount.

Gross profit margin improved to 32.5% from 31.7% in Q22017 as a result of higher revenue intensity in both hospitals and better cost management. Other gains of RM 0.3 million was RM 1.4 million lower than the corresponding period in the prior year. This was mainly due to the weakening of the Malaysian ringgit during the quarter which resulted in foreign exchange losses of RM 0.9 million whilst foreign exchanges gains of RM 0.8 million were recorded in Q22016.

(i) INCOME STATEMENT (Continued)

Second Quarter (Continued)

Distribution & marketing expenses in Q22017 were comparable to Q22016. Administrative expenses increased by RM 2.1 million as compared to the previous financial period mainly due to incurrence of RM 0.9 million in professional fees relating to the proposed Acquisition of non-controlling interests in MMCSB and RSHSB, announced via SGXNet on 11th November 2016, and increase in general operating costs, offset by RM 1.0 million lower share-based payment expenses in the current period. Finance costs decreased by RM 0.6 million due to full repayment of amounts owing to the associated companies in the financial year ended 30 June 2016.

As a result of the above, the Group registered a 5% increase in profit before tax of RM 17.5 million in Q22017, as compared to RM 16.6 million in Q22016. The profit attributable to shareholders was RM 5.3 million and RM 5.4 million in Q22017 and Q22016 respectively, whereas profit attributable to non-controlling interests was RM 7.1 million and RM 6.2 million for both Q22017 and Q22016.

Six Months

For the six months ended 31 December 2016 ("H12017"), the Group's turnover increased by RM 25.7 million and 13.5% from RM 190.7 million to RM 216.4 million, when compared with the previous corresponding period ("H12016"). Turnover from the Group's healthcare business accounted for approximately RM 22.5 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 3.1 million increase in revenue due to higher student headcount.

Gross profit margin improved to 33.5% from 32.9% in H12017 as a result of higher revenue intensity in both hospitals and better cost management. Other gains of RM 0.9 million was recorded in H12017 compared to other losses of RM 1.6 million in H12016. The increase was mainly due to gains recorded from sale of medical suites and RM 1.7 million lower foreign exchange losses recorded in H12017 due to the weakening Malaysian ringgit. In same period last year, RM 3.8 million of foreign exchange losses were recorded.

Distribution & marketing expenses in H12017 were comparable to H12016. Administrative expenses increased by RM 4.4 million as compared to the previous financial period mainly due to incurrence of RM 0.9 million in professional fees relating to the proposed Acquisition of non-controlling interests in MMCSB and RSHSB, announced via SGXNet on 11th November 2016, and increase in general operating costs, offset by RM 1.0 million lower share-based payment expenses in the current period. Finance costs decreased by RM 1.3 million mainly due to full repayment of amounts owing to the associated companies in the financial year ended 30 June 2016.

As a result of the above, the Group registered a profit before tax of RM 37.8 million in H12017, 28.1% higher as compared to RM 29.5 million in H12016. Tax expense increased by RM 1.2 million mainly due to higher profitability in both hospitals. The profit attributable to shareholders was RM 11.5 million and RM 6.8 million in H12017 and H12016 respectively, whereas profit attributable to non-controlling interests was RM 15.4 million and RM 13.1 million in H12017 and H12016 respectively.

(ii) BALANCE SHEET

The cash and cash equivalents of the Group remained strong at RM 94.5 million as at 31 December 2016.

Investment in associated companies increased by RM 1.8 million mainly due to share of results of associated companies amounting to RM 0.8 million and foreign exchange conversion effect as a result of weaker Malaysian ringgit rate in the last six months. The RM 3.6 million increase in property, plant and equipment was due to the acquisition of new medical equipment by the hospitals offset by the depreciation expenses. Deferred tax assets decreased by RM 3.6 million due to utilisation of tax losses by RSHSB in the current period.

Trade and other payables decreased by RM 13.1 million mainly due to payment of RM 10.2 million of dividend to non-controlling shareholders during the period. Current income tax liabilities increased by RM 1.7 million when compared to 30 June 2016 due to higher profitability of the Group's hospitals. Total borrowings during the period decreased by RM 2.1 million mainly due to repayment of revolving credit facilities by MMCSB and RSHSB.

Share capital increased by RM 11.6 million due to allotment of 12,600,000 New Shares as a result of the vesting of the 8,820,000 performance shares on 26 August 2016 and exercising of 3,780,000 share options on 28 December 2016 by option holders.

(iii) CASH FLOW STATEMENT

Second Quarter

Net cash from operating activities for the quarter was RM 19.6 million, RM 1.6 million higher than the previous period. This was mainly due to better cash management by the Group.

Net cash used in investing activities for the current period was RM 1.8 million, compared to a cash inflow of RM 3.5 million in the corresponding period in the previous year. The decrease was mainly due to receipt of RM 4.2 million from repayment of loans owing by associated companies in the prior period and RM 1.2 million lower purchase of new medical equipment by the hospitals in the previous corresponding quarter. Net cash used in financing activities was RM 1.1 million lower at RM 10.2 million mainly due to receipt of RM 3.3 million from the exercise of 3,780,000 share options, RM 3.2 million lower repayment of borrowings, offset by payment of RM 4.5 million to equity holders of the Company during the current period.

Six months

Net cash generated from operating activities for the six months ended 31 December 2016 was RM 41.7 million, RM 11.1 million higher than that in the corresponding period in the previous year. This was mainly due to more timely collection of trade and other receivables and better cash management in the current period.

Net cash used in investing activities was RM 2.0 million higher at RM 3.7 million, mainly due to receipt of RM 3.7 million from repayment of loans owing by associated companies in prior period, offset by RM 1.9 million higher purchase of new medical equipment by the hospitals during the six months ending 31 December 2015. Net cash used in financing activities for the current period was RM 18.6 million, RM 0.3 million higher than the prior period. It was mainly due to payment of RM 4.5 million to equity holders of the Company, RM 2.3 million higher repayment of lease liabilities, offset by receipt of RM 3.3 million from the exercise of 3,780,000 share options and RM 4.1 million lower dividend paid to non-controlling interests by a subsidiary during the current period.

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

Not applicable.

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

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

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

To cater to the growing number of patients, Regency Specialist Hospital will be constructing a new hospital extension block adjacent to its existing hospital building. The new block will more than double its existing capacity with more inpatient beds, clinical services, operating theatres, as well as clinical suites for sale or rental to doctors. Construction is expected to commence in the second half of 2017 and take approximately 2.5 years to complete. The construction costs for the extension block is estimated at RM160 million. This is a preliminary estimate that is subject to change as the expansion plans are still being finalised. The expansion is expected to be funded by debt and internal cash resources.

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. In addition, Malaysia is an attractive destination for medical tourists due to availability of medical personnel, quality medical treatment, advanced healthcare infrastructure and cost competitiveness. According to Frost & Sullivan, Malaysia's medical tourism market is set to grow at a forecasted CAGR of 18.5% between 2014 and 2020.

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

On 11th November 2016, the Group announced a proposed increase of its ownership in 48.9%-owned Mahkota Medical Centre and 60.8%-owned Regency Specialist Hospital to 100% each, for an aggregate consideration of RM556.5 million (or SGD183.2 million).

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

11. If a decision regarding dividend has been made –

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

None.

(b) (i) Amount per share.

Not applicable.

(ii) Previous corresponding period.

Not applicable.

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

Not applicable.

(d) The date the dividend is payable.

Not applicable.

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

Not applicable.

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

No dividend has been declared/ recommended.

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

The Group has not obtained an IPT mandate from shareholders. It does not have any IPT (excluding transaction less than S$100,000) for the six months ended 31 December 2016 that is disclosable under Rule 920(1)(a) (ii) of the SGX-ST Listing Manual.

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

The Board has confirmed that to the best of its knowledge, nothing has come to its attention which may render the unaudited financial statements of the Company or the unaudited consolidated financial statements of the Group for the six months ended 31 December 2016 to be false or misleading in any material aspect.

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

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

BY ORDER OF THE BOARD

Dr Gan See Khem
Executive Chairman and Managing Director
9 February 2016