

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 businesses 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.

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Board Committees

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

Board Orientation and Training

A formal letter of appointment is provided for every new Director to explain his/her duties, 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 Melaka 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 2018, the development/training programmes provided for Directors included the following:

- The Board members attended forums and dialogues organised by experts and senior business leaders on issues faced by the Boards; and
- Briefings were provided by the Company’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 2018, 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	7	7	5	5	3	2	5	4
Ms Chin Wei Jia	7	7	5	5	3	3	5	5
Mr Chin Wei Yao	7	6	5	5	3	2	5	4
Dr Cheah Way Mun ⁽¹⁾	7	7	5	5	3	3	5	5
Professor Annie Koh	7	7	5	5	3	3	5	5
Professor Tan Chin Tiong	7	7	5	5	3	3	5	5
Mr Chong Ton Nen @ Peter Chong ⁽²⁾	4	4	2	2	1	1	1	1

Notes:

- (1) Dr Cheah Way Mun stepped down as a member of the ARMC with effect from 1 April 2018.
- (2) Mr Chong Ton Nen @ Peter Chong was appointed an Independent Non-Executive Director of the Company with effect from 1 December 2017 and a member of the ARMC with effect from 1 April 2018.

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PRINCIPLE 2 BOARD COMPOSITION AND GUIDANCE

Board Composition, Size and Diversity

As at 30 June 2018, the Board comprises seven Directors, namely three Executive Directors and four 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
Mr Chong Ton Nen @ Peter Chong

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 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 2018, the Board comprises of three female Directors and four male Directors and accordingly, 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 more than half of the Board as at 30 June 2018. 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 18 to 20 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 four Non-Executive Directors, namely Professor Annie Koh, Professor Tan Chin Tiong, Dr Cheah Way Mun and Mr Chong Ton Nen @ Peter Chong 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.

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As at 30 June 2018, 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 NC and RC while Mr Chong Ton Nen @ Peter Chong is a member of the ARMC.

As at 30 June 2018, two of the four 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 and one of them has been nominated by a 10% shareholder to the Board. To the best of the Company's knowledge, Mr Chong Ton Nen @ Peter Chong has not or will not accustom and is not under an obligation, whether formal or informal, to act in accordance with direction, instruction or wish of Maju Medik (Malaysia) Sdn Bhd, a 10% shareholder of the Company.

After due consideration and careful assessment, the NC and the Board are of the view that Professor Annie Koh, Professor Tan Chin Tiong, Dr Cheah Way Mun and Mr Chong Ton Nen @ Peter Chong 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 businesses 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 2018, 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 since 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.

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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.

As at 30 June 2018, Independent Non-Executive Directors represent more than half of the composition of the Board while the ARMC, NC and RC are entirely made up of Independent Non-Executive Directors. Therefore, the Board believes that there are adequate safeguards in place against having an uneven concentration of power and authority in a single individual.

Lead Independent Director

The Board re-designated Professor Annie Koh as the Lead Independent Director of the Company since 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;

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- (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.

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 2018.

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 Director of the Company up to 30 June 2018:

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
Mr Chong Ton Nen @ Peter Chong	Health Management International Ltd	–

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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.

During the financial year ended 30 June 2018, the Company has received a letter from Maju Medik (Malaysia) Sdn Bhd, being a shareholder of the Company holding not less than 10% of the Company's total number of issue shares excluding treasury shares nominating Mr Chong Ton Nen @ Peter Chong as their nominee to act as Non-Executive Director of the Company, as part of the right under MIL Consolidation announced on 11 November 2016.

To the best of the Company's knowledge, Mr Chong Ton Nen @ Peter Chong has committed that he has not or will not accustom and is not under an obligation, whether formal or informal, to act in accordance with direction, instruction or wish of Maju Medik (Malaysia) Sdn Bhd. Both the NC and the Board has reviewed the qualifications, experiences and suitability of Mr Chong Ton Nen @ Peter Chong, and accordingly, the Board has accepted the recommendation of the NC and approved the appointment of Mr Chong Ton Nen @ Peter Chong as Independent Non-Executive Director of the Company with effect from 1 December 2017. A letter of appointment setting out duties and responsibilities of Director has also been given to Mr Chong Ton Nen @ Peter Chong on his appointment date, 1 December 2017.

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 Mr Chin Wei Yao, Professor Tan Chin Tiong and Mr Chong Ton Nen @ Peter Chong. The NC has considered the performance of retiring Directors and accordingly, recommended the nomination of the three retiring Directors to the Board. Accordingly, the Board has accepted the recommendation of the NC and put forward the nomination of the retiring Directors, namely Mr Chin Wei Yao, Professor Tan Chin Tiong and Mr Chong Ton Nen @ Peter Chong, for re-election as Directors at the forthcoming AGM of the Company.

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Mr Chin Wei Yao will, upon re-election as a Director of the Company, remain as an Executive Director of the Company. He is also the Group CFO of the Company. Mr Chin Wei Yao is the son of Dr Gan See Khem, the controlling shareholder, Executive Chairman and Managing Director of the Company, and Dr Chin Koy Nam, the controlling shareholder of the Company, and the brother of Ms Chin Wei Jia, Executive Director and Group CEO of the Company. As at 30 June 2018, Mr Chin Wei Yao has a direct interest in 2,265,718 ordinary shares of the Company, representing less than 10% in the total number of issued shares excluding treasury shares of the Company, and a direct interest in an award comprising up to 840,000 shares in the Company under HMI Performance Share Plan 2017 (“HMI PSP 2017”), representing less than 10% in the total number of issued shares excluding treasury shares of the Company should such shares comprised under this award is released. Mr Chin Wei Yao has no indirect interest in the ordinary shares of the Company as at 30 June 2018.

Professor Tan Chin Tiong will, upon re-election as a Director of the Company, remain as the Chairman of the NC and RC and a member of the ARMC of the Company. There is no relationship (including immediate family relationships) between Professor Tan Chin Tiong and the other Directors of the Company or the Company’s 10% shareholders. Professor Tan Chin Tiong has direct interest in 2,411,336 ordinary shares of the Company, representing less than 10% in the total number of issued shares excluding treasury shares of the Company as at 30 June 2018. Professor Tan Chin Tiong has no indirect interest in the ordinary shares of the Company as at 30 June 2018.

Mr Chong Ton Nen @ Peter Chong will, upon re-election as a Director of the Company, remain as a member of the ARMC of the Company. There is no relationship (including immediate family relationships) between Mr Chong Ton Nen @ Peter Chong and the other Directors of the Company or the Company’s 10% shareholders. Mr Chong Ton Nen @ Peter Chong has no direct interest or indirect interest in ordinary shares of the Company as at 30 June 2018.

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 2018, 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 limiting 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.

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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 Committees 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 2018.

The NC is satisfied with the performance of each member of the Board, the Board and Board Committees as a whole during financial year ended 30 June 2018.

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 of Company Secretary and the removal of Company Secretary are 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 2018, 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.

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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. The Company has not engaged any external remuneration consultant during financial year ended 30 June 2018.

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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 for financial year ended 30 June 2018 is set out below:

Type	Chairman (SGD)	Member (SGD)
Basic fees (per annum)		
Board	–	46,431
Additional fees for membership in Board Committees (per annum)		
Audit and Risk Management Committee	23,254	11,665
Nominating Committee	4,697	2,348
Remuneration Committee	12,393	6,228

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 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 2018 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 ⁽³⁾	Total
SGD 1,000,000 to below SGD 1,250,000						
Dr Gan See Khem	69%	14%	9%	3%	5%	100%
Ms Chin Wei Jia	62%	23%	9%	4%	2%	100%
SGD 750,000 to below SGD 1,000,000						
Mr Chin Wei Yao	61%	25%	8%	3%	3%	100%
Below SGD 250,000						
Dr Cheah Way Mun ⁽¹⁾	0%	0%	0%	0%	100%	100%
Professor Annie Koh	0%	0%	0%	0%	100%	100%
Professor Tan Chin Tiong	0%	0%	0%	1%	99%	100%
Mr Chong Ton Nen @ Peter Chong ⁽²⁾	0%	0%	0%	0%	100%	100%

Notes:

- Dr Cheah Way Mun stepped down as a member of the ARMC with effect from 1 April 2018.
- Mr Chong Ton Nen @ Peter Chong was appointed an Independent Non-Executive Director of the Company with effect from 1 December 2017 and a member of the ARMC with effect from 1 April 2018.
- The Directors' fees for FY2018 is subject to shareholders' approval during the AGM. If approved, it will be payable in November 2018.

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During the AGM held on 30 October 2017, the shareholders of the Company approved the adoption of HMI PSP 2017 to award fully-paid shares to eligible employees after they have achieved certain pre-determined performance targets over set performance periods or met certain time-based service conditions. The maximum aggregate number of shares may be awarded under the HMI PSP 2017 is 15% of the total number of issued shares excluding treasury shares and subsidiary holdings on the day preceding the date of grant of the awards, with a limit whereby not more than 1% of the number of issued shares excluding treasury shares and subsidiary holdings may be granted nor vested each year. The shareholders of the Company also approved the participation of Dr Gan See Khem, Ms Chin Wei Jia and Mr Chin Wei Yao under HMI PSP 2017 and the grant of awards under HMI PSP 2017 to Dr Gan See Khem, Ms Chin Wei Jia and Mr Chin Wei Yao during the AGM held on 30 October 2017. HMI Performance Share Plan 2008 and HMI Employee Share Option Scheme 2008 have also been terminated with the approval of shareholders of the Company during the AGM held on 30 October 2017.

The Company has on 24 November 2017 granted Dr Gan See Khem, Ms Chin Wei Jia and Mr Chin Wei Yao awards comprising up to 3,600,000 shares under the HMI PSP 2017. The actual number of issued shares of the Company to be released to each of them will depend on the achievement of pre-determined performance targets for financial year ended 30 June 2020 ("FY2020"). The above three awards will only be vested upon the achievement of the Group EBIT target and total shareholder return target, and subject to other terms and conditions set out in the award letters, anytime within 4 weeks from the Group's FY2020 Annual General Meeting. Greater details set out in the circular dated 13 October 2017 and the announcement dated 24 November 2017.

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 2018 is set out below:

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

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 2018 is SGD 1,573,000. The said total remuneration computed based on base or fixed salary, variable or performance related incomes or bonus, share-based rewards and benefits-in-kind received by the top five Key Management Personnel of the Group (who are not Directors of the Company).

Following the AGM held on 30 October 2017, the Company has on 1 December 2017 granted time-based award and performance-based awards comprising up to 940,000 shares under the HMI PSP 2017 to a number of Key Management Personnel of the Group. Save for time-based award, the actual number of issued shares of the Company to be released to each of them will depend on the achievement of pre-determined performance targets for FY2020. Greater details set out in the announcement dated 1 December 2017.

Remuneration of Employees related to Directors

None of the employees of the Company and its subsidiaries was an immediate family member of any Director or Group CEO of the Company during the financial year ended 30 June 2018, and accordingly, no remuneration was paid to any immediate family member of a Director or Group CEO of the Company during the financial year ended 30 June 2018.

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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 during the year of assessment.

One share-based incentive scheme is in place to reward, motivate and retain Key Management Personnel, namely the HMI PSP 2017. The adoption of HMI PSP 2017 was approved by shareholders during the AGM on 30 October 2017. Key information regarding the HMI PSP 2017 is set out on pages 61 and 62 of the Annual Report.

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.

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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.

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 2018.

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 2018.

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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)
Mr Chong Ton Nen @ Peter Chong	Member (Independent Non-Executive Director)

Mr Chong Ton Nen @ Peter Chong replaced Dr Cheah Way Mun as a member of ARMC on 1 April 2018. None of the members nor the Chairman of the ARMC is a partner or director of the Company's external auditor, Messrs PricewaterhouseCoopers LLP or former partner or former director of Messrs PricewaterhouseCoopers LLP. None of them has any financial interest in Messrs PricewaterhouseCoopers LLP.

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

Duties of the ARMC

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

During the financial year ended 30 June 2018, 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;

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- (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 2018.

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 2018.

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 for financial year ended 30 June 2018. Accordingly, both the ARMC and the Board is satisfied that Rule 712 and Rule 716 of the Listing Manual of the SGX-ST have been complied with. The ARMC 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 2018 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 auditors in respect of the financial year ended 30 June 2018 are as set out in page 86 of this Annual Report.

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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:

- *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 2018 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.

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 2018.

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PRINCIPLE 13 INTERNAL AUDIT

During the financial year ended 30 June 2018, 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.

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).

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During the financial year ended 30 June 2018, 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 and Malaysia as part of its investor outreach efforts.

24 August 2017	Post-results Investor Road Show with CLSA
6 September 2017	UOB KH Investor Road Show in Kuala Lumpur
10-11 October 2017	UOB KH Investor Road Show in Kuala Lumpur
6 November 2017	JP Morgan Asia Rising Dragons Conference in Kuala Lumpur
17 January 2018	Credit Suisse Investor Road Show
12 February 2018	Post-results Investor Road Show with Maybank KE
27 March 2018	Maybank Invest ASEAN Conference
9 May 2018	Post-results Investor Road Show with Daiwa Capital Markets
29 August 2018	Post-results Investor Road Show with CLSA

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, CIMB, Daiwa Capital Markets and Philip Capital during the financial year ended 30 June 2018.

Disclosure of Material Price-Sensitive Information on a Timely Basis

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

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

- (1) Annual reports are prepared and issued to all shareholders. The Board makes every effort to ensure that the annual reports includes the essential information about the Group, future developments and other disclosures required by the Companies Act, Chapter 50, Singapore Financial Reporting Standards and SGX-ST Listing Manual;
- (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 dispatched 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.

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Steps taken to Solicit and Understand the Views of Shareholders

During the financial year ended 30 June 2018, 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. This effort can be seen in an instance the Company has released their responses through announcement dated 10 November 2017 in a reply to questions received from Securities Investors Association (Singapore) relating to the annual report for financial year ended 30 June 2017.

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 of announcements to the SGX-ST via SGXNET.

Dividend Policy

In light of the Group's financial performance and to reward shareholders for their continued support, the Company has on 12 February 2018 announced the adoption of a dividend policy to declare dividends of not less than 20% of the Group's core operating earnings of any financial year.

The Board has also on 12 February 2018 declared an interim one-tier tax-exempt cash dividend of RM 1.0 cents per ordinary share for the financial year ending 30 June 2018 to shareholders of the Company. The said interim one-tier tax-exempt dividend has been paid on 2 March 2018. The Board also recommended a final one-tier tax-exempt cash dividend of RM 1.0 cents per ordinary share for the financial year ended 30 June 2018 for shareholders' approval at the forthcoming annual general meeting of the Company scheduled for 29 October 2018. Payment of the final one-tier tax-exempt cash dividend, upon receipt of shareholders' approval, will be paid to the eligible shareholders on 16 November 2018. The full details are set out in page 106 of this Annual 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.

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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 electronic polling 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 during general meetings. 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.

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 and its associates will undertake to abstain from voting on the resolution approving the said IPT while such resolution will be approved by the independent shareholders of the Company.

For the financial year ended 30 June 2018, there was 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 2018.

Use of Proceeds from Placement of Shares

During the financial year ended 30 June 2018, the Company allotted and issued 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 share placement to a fund managed by Heliconia Capital Management Pte Ltd. All newly issued shares rank *pari passu* in all respects with the existing issued shares of the Company ("Placement").

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The net proceeds from the Placement Shares of approximately SGD 11.0 million (after deducting relevant expenses incurred in connection with the Placement) had been partially utilised to *inter alia* fund the acquisition of (1) a 62.5% equity stake in StarMed @ Farrer Square Pte. Ltd. ("StarMed @ Farrer Square"), a new proposed ambulatory medical centre named "StarMed Specialist Centre", and (2) an existing S\$10 million shareholders' loan to StarMed @ Farrer Square, all for an aggregate consideration of S\$6.9 million; an additional shareholder's loan of S\$1.9 million, representing the Group's pro-rata 62.5% equity ownership in StarMed @ Farrer Square, and related expenses as provided in the announcements dated 14 May 2018 and 18 May 2018 respectively.

The partial use of net proceeds is in accordance with the stated use of the Placement stated below:–

Stated Use of Net Proceeds	Amount Allocated (S\$ million)	Amount Utilised (S\$ million)	Amount Unutilised (S\$ million)
To finance the Group's business expansion and to grow the existing business	10.96	9.1	1.86

The Company will make periodic announcements on the use of net proceeds balance as and when the funds are materially disbursed.

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 2018.