

HEALTHWAY MEDICAL CORPORATION LIMITED

(Co. Regn. No: 200708625C)



HEALTHWAY
MEDICAL

MATERIAL DIFFERENCES BETWEEN THE AUDITED FINANCIAL STATEMENTS AND THE UNAUDITED FINANCIAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The Board of Directors (the "Board") of Healthway Medical Corporation Limited (the "Company") and together with its subsidiaries (the "Group") refers to the Group's unaudited full year results announcement for the financial year ended 31 December 2016 ("FY2016") released on 24 February 2017 (Announcement Reference: SG170224OTHRGESC) (the "Unaudited Full Year Results").

Pursuant to Rule 704(5) of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited, the Board wishes to highlight that there were certain material differences between the audited financial statements of the Group and the Unaudited Full Year Results in respect of FY2016 following the finalisation of the audit. Details and clarifications of the differences are set out as follows.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<u>Unaudited</u> <u>S\$'000</u>	<u>Audited</u> <u>S\$'000</u>	<u>Differences</u> <u>S\$'000</u>	Note
Revenue	96,751	96,678	(73)	1
Other income	2,264	2,264	-	
Other (losses)	(738)	(738)	-	
Expenses				
- Medical supplies and consumables used	(15,558)	(15,558)	-	
- Laboratory and related expenses	(3,659)	(3,659)	-	
- Staff costs	(61,773)	(62,042)	(269)	2
- Depreciation Of property, plant and equipment	(1,328)	(1,553)	(225)	3
- Amortisation of intangible assets	(296)	(71)	225	3
- Rental on operating leases	(8,334)	(8,334)	-	
- Allowance for doubtful trade and other receivables	(37,216)	(37,962)	(747)	4
- Reversal of allowance for doubtful trade and other receivables	176	176	-	
- Impairment of goodwill	(3,000)	(6,046)	(3,046)	5
- Finance expenses	(1,332)	(1,332)	-	
- Other expenses	(6,297)	(6,117)	180	6
Total expenses	<u>(138,617)</u>	<u>(142,498)</u>	<u>(3,881)</u>	
(Loss) before income tax	(40,340)	(44,294)	(3,954)	
Income tax credit	185	185	-	
Total (loss)	(40,155)	(44,109)	(3,954)	
Other comprehensive losses:				
Currency translation (losses) arising from consolidation	(117)	(117)	-	
Other comprehensive losses, net of tax	(117)	(117)	-	
Total comprehensive (loss)	(40,272)	(44,226)	(3,954)	

BALANCE SHEET – GROUP AND COMPANY

	Group				Company			
	Unaudited S\$'000	Audited S\$'000	Differences S\$'000	Note	Unaudited S\$'000	Audited S\$'000	Differences S\$'000	Note
ASSETS								
Current assets								
Cash and bank balances	2,436	2,780	344	7	1,368	1,368	-	
Trade and other receivables	67,665	67,289	(376)	8	6,553	6,553	-	
Inventories	2,270	2,270	-		-	-	-	
Current income tax recoverable	383	175	(208)	9	-	-	-	
	<u>72,754</u>	<u>72,514</u>	<u>(240)</u>		<u>7,921</u>	<u>7,921</u>	<u>-</u>	
Non-current assets								
Other receivables	1,186	1,186	-		-	-	-	
Investments in subsidiaries	-	-	-		201,106	195,060	(6,046)	14
Property, plant and equipment	4,999	4,999	-		-	-	-	
Intangible assets	118,833	115,787	(3,046)	10	-	-	-	
Deferred tax assets	-	-	-		-	-	-	
	<u>125,018</u>	<u>121,972</u>	<u>(3,046)</u>		<u>201,106</u>	<u>195,060</u>	<u>(6,046)</u>	
Total assets	197,772	194,486	(3,286)		209,027	202,981	(6,046)	
LIABILITIES								
Current liabilities								
Trade and other payables	27,726	28,409	683	11	3,737	3,737	-	
Current income tax liabilities	208	-	(208)	9	145	145	-	
Borrowings	10,651	10,698	47	12	4,282	4,282	-	
	<u>38,585</u>	<u>39,107</u>	<u>522</u>		<u>8,164</u>	<u>8,164</u>	<u>-</u>	
Non-current liabilities								
Borrowings	3,006	3,152	146	12	1,203	1,203	-	
Deferred income tax liabilities	25	25	-		-	-	-	
Provisions	292	292	-		-	-	-	
	<u>3,323</u>	<u>3,469</u>	<u>146</u>		<u>1,203</u>	<u>1,203</u>	<u>-</u>	
Total liabilities	41,908	42,576	668		9,367	9,367	-	
NET ASSETS	155,864	151,910	(3,954)		199,660	193,614	(6,046)	
EQUITY								
Capital and reserves attributable to equity holders of the Company								
Share capital	208,214	208,214	-		208,214	208,214	-	
Capital reserve	(2,423)	-	2,423	13	(2,423)	-	2,423	13
Currency translation reserve	718	718	-		-	-	-	
Accumulated losses	(50,645)	(57,022)	(6,377)		(6,131)	(14,600)	(8,469)	
Total equity	155,864	151,910	(3,954)		199,660	193,614	(6,046)	

CONSOLIDATED STATEMENT OF CASH FLOWS

	<u>Unaudited</u> <u>S\$'000</u>	<u>Audited</u> <u>S\$'000</u>	<u>Differences</u> <u>S\$'000</u>	<u>Refer to</u> <u>Note 15</u>
Cash flows from operating activities				
(Loss) before income tax	(40,340)	(44,294)	(3,954)	
Adjustments for:				
Amortisation of intangible assets	296	71	(225)	
Impairment of goodwill	3,000	6,046	3,046	
Depreciation of property, plant and equipment	1,328	1,553	225	
Loss on disposal of property, plant and equipment	23	172	149	
Allowance for doubtful loan and other receivables	36,569	37,962	1,393	
Unrealised currency translation loss	738	738	-	
Interest expense	1,332	1,332	-	
Interest income	(14)	(14)	-	
	<u>2,932</u>	<u>3,566</u>	<u>634</u>	
Changes in working capital:				
Inventories	20	20	-	
Trade and other receivables	(1,887)	(2,902)	(1,015)	
Trade and other payables	4,138	5,012	874	
Provisions	-	(65)	(65)	
Cash generated from operations	<u>5,203</u>	<u>5,631</u>	<u>428</u>	
Income tax paid	(1,243)	(1,243)	-	
Net cash provided by operating activities	<u>3,960</u>	<u>4,388</u>	<u>428</u>	
Cash flows from investing activities				
Addition to property, plant and equipment	(328)	(347)	(19)	
Addition to intangible assets	(1)	-	1	
Proceeds from disposal of property, plant and equipment	118	52	(66)	
Loans to HME and Wei Yi	(1,309)	(1,309)	-	
(Advances to)/Receipts from HME and Wei Yi - net	(467)	(467)	-	
Interest received	14	14	-	
Net cash used in investing activities	<u>(1,973)</u>	<u>(2,057)</u>	<u>(84)</u>	
Cash flows from financing activities				
Proceeds from issuance of shares	3,999	3,999	-	
Share issue expenses	(215)	(215)	-	
Proceeds from re-issuance of treasury shares	626	626	-	
Proceeds from borrowings	14,160	14,160	-	
Repayment of borrowings	(18,750)	(18,750)	-	
Fixed deposits pledged	(71)	(71)	-	
Repayment of finance lease liabilities	(923)	(923)	-	
Interest paid	(1,332)	(1,332)	-	
Net cash used in financing activities	<u>(2,506)</u>	<u>(2,506)</u>	<u>-</u>	
Net decrease in cash and cash equivalents	(519)	(175)	344	
Cash and cash equivalents				
Beginning of financial year	1,046	1,046	-	
Effect of exchange rate fluctuations on cash held	-	-	-	
End of financial year	<u>527</u>	<u>871</u>	<u>344</u>	

Notes:

- (1) The difference was a result of over recognition of package sales in relation to the specialist and wellness healthcare segment amounted to S\$73,000.
- (2) The difference was a result of under provision of variable bonus amounted to S\$269,000.
- (3) The difference was due to a reclassification of depreciation expense from amortisation expense amounted to S\$225,000.
- (4) The difference was a result of the following:
 - (i) Additional allowance for doubtful trade and other receivables amounted to S\$570,000 which are long overdue; and
 - (ii) Reclassification of allowances for doubtful trade and other receivables amounting to S\$177,000 from other expenses.
- (5) The difference was a result of additional impairment of goodwill amounted to S\$3,046,000 for the dentistry business unit.
- (6) The difference was a result of reclassification of expenses to allowance for doubtful trade and other receivables amounted to S\$177,000.
- (7) The difference was a result of reversal of unrepresented cheques to trade and other payables amounted to S\$344,000.
- (8) The difference in trade and other receivables was a result of the following:
 - (i) Additional allowance for doubtful trade and other receivables amounted to S\$570,000; and
 - (ii) Reclassification of finance liability amounting to S\$193,000 that was previously netted off against trade and other receivables.
- (9) The difference was a result of a reclassification of current income tax payable to offset against current income tax recoverable amounted to \$208,000 for income tax payable/receivable arising out of the same jurisdiction.
- (10) The difference was a result of additional impairment of goodwill amounted to S\$3,046,000 for the dentistry business unit.
- (11) The difference in trade and other payables was mainly a result of the following:
 - (i) Under recognition of deferred income from package sales in relation to the specialist and wellness healthcare segment amounted to S\$73,000;
 - (ii) Reversal of unrepresented cheques from cash and bank balances amounted to S\$344,000; and
 - (iii) Under provision for variable bonus amounted to S\$269,000.

- (12) The difference was a result of increase in finance liability amounting to S\$193,000 previously netted off against trade and other receivables.
- (13) The difference was a result of reclassification of loss on reissuance of treasury shares to accumulated losses amounted to S\$2,423,000.
- (14) The difference was as a result of the total impairment loss recorded during the financial year amounting to S\$6,046,000 on the subsidiaries involved in the dentistry business unit.
- (15) The movement in the consolidated statement of cash flow is mainly arising out of the changes in the consolidated statement of comprehensive income and the balance sheet, which has been explained in notes 1 to 13.

BY ORDER OF THE BOARD

Veronica Chan
President
30 June 2017

This announcement has been prepared by Healthway Medical Corporation Limited (the "**Company**") and its contents have been reviewed by PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"), for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

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