

HEALTHWAY MEDICAL CORPORATION LIMITED

(Co. Regn. No: 200708625C)



HEALTHWAY
MEDICAL

UNAUDITED FINANCIAL STATEMENTS AND DIVIDENDS ANNOUNCEMENT FOR THE THREE-MONTH FINANCIAL PERIOD ENDED 31 MARCH 2017 (“2017 Q1”)

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

- 1(a) 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.

	3 months ended		
	31.03.17	31.03.16	Change
	S\$'000	S\$'000	%
Revenue	23,164	24,700	(6.2)
Other operating income	574	263	118.3
Medical supplies, consumables and laboratory expenses	(4,086)	(4,692)	(12.9)
Staff costs	(15,165)	(15,436)	(1.8)
Depreciation of property, plant and equipment	(316)	(328)	(3.7)
Amortisation of intangible assets	(1)	(18)	(94.4)
Other operating expenses	(3,645)	(3,506)	4.0
Finance costs	(771)	(293)	163.1
(Loss) / Profit before income tax	(246)	690	n.m.
Income tax expense	(258)	(110)	134.5
(Loss) / Profit for the period attributable to shareholders	(504)	580	n.m.
Other comprehensive income / (loss), net of tax	27	(103)	n.m.
Total comprehensive (loss) / income for the period	(477)	477	n.m.

n.m. denotes not meaningful.

Explanatory notes to the income statement

(Loss) / Profit before income tax of the Group is arrived at after charging / (crediting):

	3 months ended		
	31.03.17 S\$'000	31.03.16 S\$'000	Change %
Interest income	(6)	(4)	50.0
Rental income	(81)	(83)	(2.4)
Interest expense	771	293	163.1
Foreign exchange loss	30	691	(95.7)
Property, plant and equipment written off	23	-	n.m.
Operating lease expenses	2,095	2,089	0.3

Statement of comprehensive income

	3 months ended		
	31.03.17 S\$'000	31.03.16 S\$'000	Change %
(Loss) / Profit for the period	(504)	580	n.m.
Foreign exchange differences	27	(103)	n.m.
Total comprehensive (loss) / income for the period	(477)	477	n.m.

n.m. denotes not meaningful.

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	
	31.03.17	31.12.16	31.03.17	31.12.16
	S\$'000	S\$'000	S\$'000	S\$'000
Current assets				
Cash and cash equivalents	1,454	2,780	780	1,368
Trade and other receivables	67,722	67,289	5,837	6,553
Inventories	1,869	2,270	-	-
Current income tax recoverable	-	175	-	-
	<u>71,045</u>	<u>72,514</u>	<u>6,617</u>	<u>7,921</u>
Non-current assets				
Other receivables	1,277	1,186	-	-
Investments in subsidiaries	-	-	200,832	195,060
Property, plant and equipment	4,948	4,999	-	-
Intangible assets	115,786	115,787	-	-
	<u>122,011</u>	<u>121,972</u>	<u>200,832</u>	<u>195,060</u>
Total assets	<u>193,056</u>	<u>194,486</u>	<u>207,449</u>	<u>202,981</u>
Equity				
Share capital	208,586	208,214	208,586	208,214
Currency translation reserve	745	718	-	-
Accumulated losses	(57,526)	(57,022)	(14,610)	(14,600)
Total equity	<u>151,805</u>	<u>151,910</u>	<u>193,976</u>	<u>193,614</u>
Current liabilities				
Trade and other payables	22,624	28,409	2,534	3,737
Current income tax liabilities	228	-	145	145
Borrowings	7,419	10,698	1,765	4,282
	<u>30,271</u>	<u>39,107</u>	<u>4,444</u>	<u>8,164</u>
Non-current liabilities				
Borrowings	10,663	3,152	9,029	1,203
Deferred income tax liabilities	25	25	-	-
Provisions	292	292	-	-
	<u>10,980</u>	<u>3,469</u>	<u>9,029</u>	<u>1,203</u>
Total liabilities	<u>41,251</u>	<u>42,576</u>	<u>13,473</u>	<u>9,367</u>
Total equity and liabilities	<u>193,056</u>	<u>194,486</u>	<u>207,449</u>	<u>202,981</u>

1(b)(ii) In relation to the aggregate amount of 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.

	As at 31.03.17		As at 31.12.16	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Amount repayable within one year	5,552	677	8,649	666
Amount repayable after one year	9,343	539	1,461	712

The secured borrowings of the Group relate to bank loans, bank overdrafts and convertible notes, which are secured by the following:

- (i) joint and several guarantees from former directors of the Company and subsidiaries; and
- (ii) time deposits of the Company and a subsidiary.
- (iii) corporate guarantee of the Company; and
- (iv) personal guarantee from a formal substantial shareholder, employees and ex-employee of the Company.
- (v) Pledge and/or charge of the shares of all the companies in the Group including the shares of HME which became subsidiary of the Company effective 22 April 2017.

The Group's borrowings presented above do not include finance lease liabilities. Finance lease liabilities of the Group are repayable as follows:

	As at	As at
	31.03.17	31.12.16
	S\$'000	S\$'000
Amount repayable within one year	1,190	1,383
Amount repayable after one year	781	979

- 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.

	3 months ended	
	31.03.17 S\$'000	31.03.16 S\$'000
Cash flows from operating activities		
(Loss) / Profit before income tax	(246)	690
Adjustments for:		
Amortisation of intangible assets	1	18
Depreciation of property, plant and equipment	316	328
Loss on disposal of property, plant and equipment	23	-
Unrealised currency translation loss	30	691
Interest expense	771	293
Interest income	(6)	(4)
	<u>889</u>	<u>2,016</u>
Changes in working capital:		
Inventories	401	(168)
Trade and other receivables	170	(1,302)
Trade and other payables	(5,785)	3,020
Cash (used in) / generated from operations	<u>(4,325)</u>	<u>3,566</u>
Income tax refund	145	7
Net cash (used in) / generated from operating activities	<u>(4,180)</u>	<u>3,573</u>
Cash flows from investing activities		
Addition to property, plant and equipment	(288)	(43)
Addition to intangible assets	-	(3)
Loan to Wei Yi	(170)	(532)
(Advances) to / Receipts from HME - net	(526)	97
Interest received	6	4
Net cash used in investing activities	<u>(978)</u>	<u>(477)</u>
Cash flows from financing activities		
Proceeds from issuance of convertible notes	8,520	-
Proceeds from borrowings	5,088	1,999
Repayment of borrowings	(8,614)	(4,356)
Fixed deposits withdrawn	1,303	-
Repayment of finance lease liabilities	(391)	(79)
Interest paid	(771)	(293)
Net cash provided by / (used in) financing activities	<u>5,135</u>	<u>(2,729)</u>
Net (decrease) / increase in cash and cash equivalents	<u>(23)</u>	<u>367</u>
Cash and cash equivalents		
Beginning of financial period	<u>871</u>	<u>1,046</u>
End of financial period	<u>848</u>	<u>1,413</u>

Cash and cash equivalents comprised:

	As at	As at
	31.03.17	31.03.16
	S\$'000	S\$'000
Deposits with banks	1,454	3,251
Fixed deposits pledged as collaterals	(606)	(1,838)
	<u>848</u>	<u>1,413</u>

For the three month period ended 31 March 2017, the Group acquired property, plant and equipment with an aggregate cost of S\$313,000 (2016: S\$168,000), of which S\$nil (2016: S\$125,000) was acquired under finance lease.

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.

← Share capital →

	Ordinary shares S\$'000	Treasury shares S\$'000	Total S\$'000	Translation reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
Group - Current period						
At 1 January 2017	208,214	-	208,214	718	(57,022)	151,910
Loss for the period	-	-	-	-	(504)	(504)
Foreign exchange differences	-	-	-	27	-	27
Total comprehensive income / (loss) for the period	-	-	-	27	(504)	(477)
Convertible Note - equity component	372	-	372	-	-	372
Total contributions by owners	372	-	372	-	-	372
At 31 March 2017	208,586	-	208,586	745	(57,526)	151,805

Group - Previous period

At 1 January 2016	204,430	(3,049)	201,381	835	(10,490)	191,726
Profit for the period	-	-	-	-	580	580
Foreign exchange differences	-	-	-	(103)	-	(103)
Total comprehensive (loss) / income for the period	-	-	-	(103)	580	477
At 31 March 2016	204,430	(3,049)	201,381	732	(9,910)	192,203

<----- Share capital ----->

	Ordinary shares S\$'000	Treasury shares S\$'000	Total S\$'000	Translation reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
Company - Current period						
At 1 January 2017	208,214	-	208,214	-	(14,600)	193,614
Loss for the period	-	-	-	-	(10)	(10)
Total comprehensive loss for the period	-	-	-	-	(10)	(10)
Convertible Note - equity component	372	-	372	-	-	372
Total contributions by owners	372	-	372	-	-	372
At 31 March 2017	208,586	-	208,586	-	(14,610)	193,976

Company - Previous period

At 1 January 2016	204,430	(3,049)	201,381	-	(6,375)	195,006
Loss for the period	-	-	-	-	(162)	(162)
Total comprehensive loss for the period	-	-	-	-	(162)	(162)
At 31 March 2016	204,430	(3,049)	201,381	-	(6,537)	194,844

- (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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.

Ordinary shares

	Number of shares	Amount S\$'000
Ordinary shares excluding treasury shares as at 31 December 2016 and 31 March 2017	2,460,234,183	208,214,108

There was no change in the Company's share capital from 1 January 2017 to 31 March 2017.

Convertibles

The Company has outstanding convertible notes equivalent to 295,508,273 shares as at 31 March 2017 (31 March 2016: nil).

Treasury shares

The Company did not have any treasury shares as at 31 March 2017 (31 March 2016: 18,698,000).

Subsidiary Holdings

The Company did not have subsidiary holdings as at 31 March 2017 (31 March 2016: NIL)

- 1(d)(iii) 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.**

	As at 31.03.17	As at 31.12.16
Total number of issued shares excluding treasury shares	2,460,234,183	2,460,234,183

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

Not applicable. There were no sales, transfers, cancellation and/or use of treasury shares during and as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. There were no sales, transfers, cancellation and/or use of subsidiary holdings during and as at the end of the current financial period reported on.

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

The figures have not been audited or reviewed by the Company's auditors.

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

Save as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those used in the most recently audited annual financial statements.

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 Group has applied the same accounting policies and methods of computation in the preparation of financial statements for the current financial year compared with the audited financial statements as at 31 December 2016, except for the adoption of the Financial Reporting Standards (FRS) and Interpretation of FRS ("INT FRS") that are mandatory for financial years beginning on or after 1 January 2017. The adoption of these new FRS and INT FRS has no significant impact on the financial statements for the current and prior reporting periods.

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.

	<u>3 months ended</u>	
	<u>31.03.17</u>	<u>31.03.16</u>
(a) Basic (loss) / earnings per ordinary share (Singapore cents)	(0.02)	0.03
(b) Diluted (loss) / earning per ordinary share (Singapore cents)	(0.02)	0.03

(a) Basic (loss) / earning per share of the Group for the 3 months ended 31 March 2017 and 31 March 2016 are calculated based on the weighted average number of ordinary shares in issue of 2,460,234,183 and 2,308,236,183 respectively.

(b) Diluted (loss) / earning per share of the Group for FY2017 Q1 were calculated based on the weighted average number of ordinary shares of 2,486,501,585, assuming all the Convertible Notes were fully converted into new shares in the Company during the financial period. Diluted EPS for FY2016 Q1 is the same as the basic EPS as there were no potentially dilutive ordinary shares as the end of the financial period reported.

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.

	Group		Company	
	As at 31.03.17	As at 31.12.16	As at 31.03.17	As at 31.12.16
Net asset value per ordinary share based on total number of issued shares, excluding treasury shares (Singapore cents)	6.17	6.17	7.88	7.87

The net asset value per ordinary share of the Group and the Company as at 31 March 2017 were calculated based on the total number of issued shares, excluding treasury shares, of 2,460,234,183 (31 December 2016: 2,460,234,183).

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.

Review of performance

The Group's turnover for the quarter ended 31 March 2017 ("FY2017 Q1") was S\$23.2 million, a decrease of S\$1.5 million or 6.2% from S\$24.7 million for the quarter ended 31 March 2016 ("FY2016 Q1"). The decrease was mainly due to the decrease in revenue of S\$1.1 million from the Primary Healthcare segment, as well as S\$0.4 million in Specialist & Wellness Healthcare segment.

Other income in FY2017 Q1 was S\$0.5 million, an increase of S\$ 0.3 million due to lower foreign exchange loss by S\$ 0.6 million, offset by lower miscellaneous income of S\$0.3 million mainly attributable to lower government grant from Wage Credit Scheme

The lower medical supplies, consumables and laboratory expenses in FY2017 Q1 by S\$0.6 million or 12.9% was in line with the decrease in revenue. Finance costs were higher by S\$0.5 million or 163.1% mainly due to short term borrowings secured during the period for working capital purposes.

As a result of the above, the Group reported loss before income tax of S\$0.2 million for FY2017 Q1 as compared to a profit before income tax of S\$0.7 million for FY2016 Q1. The income tax during FY2017 Q1 was higher by S\$0.2 million or 134.5% because of prior year income tax expense of S\$ 0.2 million. After taking into account income tax expenses, the Group reported net loss of S\$0.5 million during FY2017 Q1 compared to net profit of S\$0.6 million during FY2016 Q1.

Financial position

Changes in non-current assets were marginal as at 31 March 2017 as compared to 31 December 2016.

Current assets were S\$71.0 million as at 31 March 2017, S\$1.5 million lower than S\$72.5 million as at 31 December 2016. The decrease was mainly due to a decrease in cash and cash equivalents of S\$1.3 million mainly as a result of withdrawal of fixed deposit of S\$1.3 million used to repay the loans. The decrease in inventories by S\$0.4 million is mainly due to lower purchases of pharmacy, medical and surgical supplies made during the quarter.

Non-current liabilities were S\$11.0 million as at 31 March 2017, an increase of S\$7.5 million from S\$3.5 million as at 31 December 2016. This was mainly due to the issuance of convertible notes of S\$8.1 million, offset by repayment of borrowings during FY2017 Q1 of S\$0.6 million.

Current liabilities were S\$30.2 million as at 31 March 2017, a decrease of S\$8.9 million from S\$39.1 million as at 31 December 2016. This was mainly due to a decrease in trade and other payables of S\$5.8 million resulting from payment to trade creditors and lower accruals for operating expenses, as well as a decrease in borrowings of S\$3.3 million due to repayment made during FY2017 Q1, offset by an increase in current income tax liabilities by S\$0.2 million resulting from higher income tax expenses during FY2017 Q1.

The Group had a positive working capital of S\$40.8 million as at 31 March 2017.

Cash flow statement

As at 31 March 2017, the Group had cash and cash equivalents amounting to S\$0.8 million, net of fixed deposits pledged of S\$0.6 million, as compared to cash and cash equivalents amounting to S\$1.4 million, net of fixed deposits pledged of S\$1.8 million as at 31 March 2016.

The cash movements during FY2017 Q1 as compared to FY2016 Q1 can be summarised as follows:

Cash flow used in operating activities for FY2017 Q1 amounted to S\$4.2 million was a result of operating profit before changes in working capital of S\$0.9 million, adjusted for net working capital outflow of S\$5.2 million and income tax refund of S\$0.1 million. The net working capital outflow was mainly due to decrease in trade and other payables of S\$5.8 million, decrease in trade and other receivables of S\$0.2 million, and decrease in inventories of S\$0.4 million.

Cash flow used in investing activities for FY2017 Q1 was S\$1.0 million, mainly due to an increase in loan receivables of S\$0.2 million from Wei Yi and net advances to HME Ltd managed by the Group of S\$0.5 million, as well as purchase of property, plant and equipment of S\$0.3 million.

Cash flow provided by financing activities for FY2017 Q1 was S\$5.1 million, mainly due to S\$8.5 million net proceeds from the issuance of convertible notes, withdrawal of pledged deposits of S\$1.3 million, and offset by net repayment of borrowings of S\$3.5 million, interest paid of S\$ 0.7 million, as well as repayment of finance lease liabilities of S\$0.4 million.

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

Not applicable. No forecast or prospect statement had been previously disclosed to shareholders for the current reporting period.

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.

a) Independent review

On 27 February 2017 the Company announced that the Singapore Exchange Securities Trading Limited ("SGX-ST") requested the Company to appoint an independent reviewer ("Independent Reviewer") to look into the extensions of loans by the Group to HME and Wei Yi with the objective of establishing whether there are any breaches of the SGX-ST Listing Manual Section B: Rules of Catalist. As of the date of this report, the Independent Reviewer has yet to complete their review and the Group has not received any reports from the Independent Reviewer

b) The operating environment continues to be challenging. With the issuance of convertibles notes, the Group is now well-capitalised and the Group is on a sound footing to enhance its current operations, improve its services to provide better patients care and grow in a sustainable manner.

11. If a decision regarding dividend has been made:-

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

No dividends have been declared or recommended for the current reporting period.

(b)(i) Amount per share (cents)

Not applicable.

(b)(ii) Previous corresponding period (cents)

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 the shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) Book closure date

Not applicable.

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

No dividends have been declared or recommended for the current financial period reported on.

13. If the Group has obtained a general mandate from shareholders for Interested Person Transactions (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.

Company does not have a general mandate from its shareholders for Interested Person Transactions.

There were no IPTs of S\$100,000 or more entered into by the Group during FY2017 Q1.

14. Use of Proceeds from Tranche 2 of Convertible Notes ("T2 CN B")

The net proceeds from the issuance of T2 CN B, which was completed on 21 April 2017, was approximately S\$59.8 million (after deducting estimated expenses of S\$0.2 million) ("T2 Net Proceeds"). As at the date of this announcement, the T2 Net proceeds have been utilised as follows:

Intended Purposes	Amount Allocated (S\$) Million	Amount Utilised (S\$) Million	Amount Unutilised (S\$) Million
Short term liquidity needs	23.8	23.27	0.53
Organic expansion of GP clinics	2.0	0.53	1.47
Acquisition of specialists' clinics – hospital-based oncology and dermatology clinics	16.0	-	16.0
Acquisition of specialists' clinics – paediatrics	18.0	-	18.0
Total	59.8	23.8	36.0

Notes: The utilisation was in accordance with the intended purposes as stated in the Company's circular dated 6 April 2017.

15. Confirmation pursuant to Rule 705(5) of the SGX-ST Listing Manual

The Board of Directors (the "**Board**") has confirmed that to the best of their knowledge, nothing has come to the attention of the Board which may render the unaudited interim financial results for the quarter ended 31 March 2017 to be false or misleading in any material aspect.

16. Confirmation pursuant to Rule 720 (1) of the SGX-ST Listing Manual

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7H) pursuant to Rule 720 (1) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited.

BY ORDER OF THE BOARD

Anand Kumar
Director
15 August 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 Catalist. 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.

The contact person for the Sponsor is Ms Gillian Goh, Director, Head of Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).