

HEALTHWAY MEDICAL CORPORATION LIMITED

(Co. Regn. No: 200708625C)



UNAUDITED FINANCIAL STATEMENTS AND DIVIDENDS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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			12 months ended		
	31.12.17 S\$'000	31.12.16 S\$'000	Change %	31.12.17 S\$'000	31.12.16 S\$'000	Change %
Revenue	29,028	23,304	24.6	104,812	96,678	8.4
Other income	480	720	(33.3)	1,709	1,526	12.0
Medical supplies, consumables and laboratory expenses	(5,340)	(4,512)	18.4	(19,899)	(19,217)	3.5
Staff costs	(20,180)	(15,745)	28.2	(71,296)	(62,042)	14.9
Depreciation of property, plant and equipment	(470)	(538)	(12.6)	(1,795)	(1,553)	15.6
Amortisation of intangible assets	(1)	(18)	(94.4)	(4)	(71)	(94.4)
Impairment loss on intangible assets	(25,000)	(6,046)	313.5	(25,000)	(6,046)	313.5
Other operating expenses	(6,904)	(41,737)	(83.5)	(19,726)	(52,237)	(62.2)
Finance costs	(336)	(436)	(22.9)	(2,952)	(1,332)	121.6
Loss before income tax	(28,723)	(45,008)	(36.2)	(34,151)	(44,294)	(22.9)
Income tax (expense) / income	(119)	195	n.m.	(639)	185	n.m.
Loss for the period attributable to shareholders	(28,842)	(44,813)	(35.6)	(34,790)	(44,109)	(21.1)
Other comprehensive (loss) / income, net of tax	(10)	25	n.m.	13	(117)	n.m.
Total comprehensive loss for the period	(28,852)	(44,788)	(35.6)	(34,777)	(44,226)	(21.4)

Explanatory notes to the income statement

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

	3 months ended			12 months ended		
	31.12.17 S\$'000	31.12.16 S\$'000	Change %	31.12.17 S\$'000	31.12.16 S\$'000	Change %
Interest income	(94)	(3)	n.m.	(266)	(14)	n.m.
Rental income	(149)	(81)	84.0	(348)	(324)	7.4
Interest expense	336	436	(22.9)	2,952	1,332	121.6
Allowance for doubtful trade receivables	609	646	(5.7)	609	646	(5.7)
Allowance for doubtful loan and other receivables	888	36,569	(97.6)	888	36,569	(97.6)
Impairment of goodwill	25,000	6,046	313.5	25,000	6,046	313.5
Bad debts written off	44	102	(56.9)	44	102	(56.9)
(Gain) / loss on disposal of property, plant and equipment	(23)	-	n.m.	2	23	(91.3)
Foreign exchange (gain) / loss	(28)	(297)	(90.6)	(10)	738	n.m.
Property, plant and equipment written off	61	-	n.m.	61	-	n.m.
Operating lease expenses	2,756	2,089	31.9	10,030	8,334	20.4

Statement of comprehensive income

	3 months ended			12 months ended		
	31.12.17 S\$'000	31.12.16 S\$'000	Change %	31.12.17 S\$'000	31.12.16 S\$'000	Change %
Loss for the period	(28,842)	(44,813)	(35.6)	(34,790)	(44,109)	(21.1)
Foreign exchange differences	(10)	25	n.m.	13	(117)	n.m.
Total comprehensive loss for the period	(28,852)	(44,788)	(35.6)	(34,777)	(44,226)	(21.4)

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	
	31.12.17	31.12.16	31.12.17	31.12.16
	S\$'000	S\$'000	S\$'000	S\$'000
Current assets				
Cash and bank balances	38,630	2,780	36,057	1,368
Trade and other receivables	16,239	67,289	334	6,553
Inventories	3,202	2,270	-	-
Current income tax recoverable	-	175	-	-
	58,071	72,514	36,391	7,921
Non-current assets				
Other receivables	2,380	1,186	175	-
Investments in subsidiaries	-	-	201,923	195,060
Property, plant and equipment	8,312	4,999	794	-
Intangible assets	142,032	115,787	-	-
	152,724	121,972	202,892	195,060
Total assets	210,795	194,486	239,283	202,981
Equity				
Share capital	277,433	208,214	277,433	208,214
Currency translation reserve	731	718	-	-
Accumulated losses	(91,812)	(57,022)	(41,459)	(14,600)
Total equity	186,352	151,910	235,974	193,614
Current liabilities				
Trade and other payables	20,950	28,409	3,229	3,737
Current income tax liabilities	193	-	-	145
Borrowings	846	10,698	-	4,282
	21,989	39,107	3,229	8,164
Non-current liabilities				
Borrowings	499	3,152	-	1,203
Deferred income tax liabilities	1,297	25	-	-
Provisions	658	292	80	-
	2,454	3,469	80	1,203
Total liabilities	24,443	42,576	3,309	9,367
Total equity and liabilities	210,795	194,486	239,283	202,981

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 31.12.17		As at 31.12.16	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Amount repayable within one year	304	-	8,649	666
Amount repayable after one year	86	-	1,461	712

The secured borrowings of the Group are secured by personal guarantee from certain employees of the Company.

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
	31.12.17	31.12.16
	S\$'000	S\$'000
Amount repayable within one year	542	1,383
Amount repayable after one year	413	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		12 months ended	
	31.12.17	31.12.16	31.12.17	31.12.16
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Loss before income tax	(28,723)	(45,008)	(34,151)	(44,294)
Adjustments for:				
Amortisation of intangible assets	1	18	4	71
Impairment of goodwill	25,000	6,046	25,000	6,046
Depreciation of property, plant and equipment	470	538	1,795	1,553
Allowance for doubtful receivables	609	-	609	-
Allowance for doubtful loan and other receivables	888	37,962	888	37,962
Property, plant and equipment written off	61	172	61	172
Loss on disposal of property, plant and equipment	(23)	(23)	2	-
Unrealised currency translation (gain) / loss - net	(28)	(297)	(10)	738
Interest expense	336	436	2,952	1,332
Interest income	(94)	(3)	(266)	(14)
	(1,503)	(159)	(3,116)	3,566
Changes in working capital:				
Inventories	(78)	562	(431)	20
Trade and other receivables	(1,097)	1,218	(2,951)	(2,902)
Trade and other payables	3,235	(423)	(8,157)	5,012
Provision	(53)	(65)	(53)	(65)
Cash generated / (used in) from operations	504	1,133	(14,708)	5,631
Income tax refund / (payment)	102	-	100	(1,243)
Net cash generated from / (used in) operating activities	606	1,133	(14,608)	4,388
Cash flows from investing activities				
Addition to property, plant and equipment	(1,026)	(75)	(2,201)	(347)
Addition to intangible assets	-	1	-	-
Proceeds from disposal of property, plant and equipment	-	52	-	52
Loan to Wei Yi	(78)	(309)	(888)	(1,309)
Repayment from / (advances to) HME - net	-	758	(526)	(467)
Acquisition of a subsidiary, net of cash acquired	-	-	73	-
Interest received	94	3	266	14
Net cash (used in) / generated from investing activities	(1,010)	430	(3,276)	(2,057)
Cash flows from financing activities				
Proceeds from issuance of shares	-	-	-	3,999
Share issue expenses	-	-	-	(215)
Proceeds from re-issuance of treasury shares	-	-	-	626
Proceeds from issuance of convertible notes	-	-	67,714	-
Proceeds from borrowings	-	4,237	5,088	14,160
Repayment of borrowings	(78)	(6,072)	(16,186)	(18,750)
Fixed deposits (pledged) / withdrawn	-	(32)	1,302	(71)
Repayment of finance lease liabilities	(303)	(407)	(1,418)	(923)
Interest paid	(128)	(436)	(1,464)	(1,332)
Net cash (used in) / provided by financing activities	(509)	(2,710)	55,036	(2,506)
Net (decrease) / increase in cash and cash equivalents	(913)	(1,147)	37,152	(175)
Cash and cash equivalents				
Beginning of financial period	38,936	2,017	871	1,046
Effect of exchange rate fluctuations on cash held	-	1	-	-
End of financial period	38,023	871	38,023	871

Cash and cash equivalents comprised:

	As at 31.12.17 S\$'000	As at 31.12.16 S\$'000
Cash and bank balances	38,630	2,780
Fixed deposits pledged as collaterals	(607)	(1,909)
	<u>38,023</u>	<u>871</u>

For the financial year ended 31 December 2017, the Group acquired property, plant and equipment with an aggregate cost of S\$2,201,000 (2016: S\$879,000), of which S\$nil (2016: S\$532,000) 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	-	-	-	-	(5,948)	(5,948)
Foreign exchange differences	-	-	-	23	-	23
Total comprehensive income / (loss) for the period	-	-	-	23	(5,948)	(5,925)
Issue of new shares pursuant to conversion of convertible notes	25,000	-	25,000	-	-	25,000
Share issue expenses	(1,682)	-	(1,682)	-	-	(1,682)
Accrued interest on convertible notes converted to ordinary shares	45	-	45	-	-	45
Convertible notes - equity component (net)	1,937	-	1,937	-	-	1,937
Total contributions by owners	25,300	-	25,300	-	-	25,300
At 30 September 2017	233,514	-	233,514	741	(62,970)	171,285
Loss for the period	-	-	-	-	(28,842)	(28,842)
Foreign exchange differences	-	-	-	(10)	-	(10)
Total comprehensive loss for the period	-	-	-	(10)	(28,842)	(28,852)
Issue of new shares pursuant to conversion of convertible notes	45,000	-	45,000	-	-	45,000
Share issue expenses	(605)	-	(605)	-	-	(605)
Accrued interest on convertible notes converted to ordinary shares	1,461	-	1,461	-	-	1,461
Convertible notes - equity component (net)	(1,937)	-	(1,937)	-	-	(1,937)
Total contributions by owners	43,919	-	43,919	-	-	43,919
At 31 December 2017	277,433	-	277,433	731	(91,812)	186,352
Group - Previous period						
At 1 January 2016	204,430	(3,049)	201,381	835	(10,490)	191,726
Profit for the period	-	-	-	-	704	704
Foreign exchange differences	-	-	-	(142)	-	(142)
Total comprehensive (loss) / income for the period	-	-	-	(142)	704	562
Issue of new shares pursuant to placement	3,999	-	3,999	-	-	3,999
Share issue expenses	(215)	-	(215)	-	-	(215)
Treasury shares re-issued	-	3,049	3,049	-	(2,423)	626
Total contributions by and distributions to owners	3,784	3,049	6,833	-	(2,423)	4,410
At 30 September 2016	208,214	-	208,214	693	(12,209)	196,698
Loss for the period	-	-	-	-	(44,813)	(44,813)
Foreign exchange differences	-	-	-	25	-	25
Total comprehensive income / (loss) for the period	-	-	-	25	(44,813)	(44,788)
At 31 December 2016	208,214	-	208,214	718	(57,022)	151,910

<----- 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	-	-	-	-	(1,915)	(1,915)
Total comprehensive loss for the period	-	-	-	-	(1,915)	(1,915)
Issue of new shares pursuant to conversion of convertible notes	25,000	-	25,000	-	-	25,000
Share issue expenses	(1,682)	-	(1,682)	-	-	(1,682)
Accrued interest on convertible notes converted to ordinary shares	45	-	45	-	-	45
Convertible notes - equity component (net)	1,937	-	1,937	-	-	1,937
Total contributions by owners	25,300	-	25,300	-	-	25,300
At 30 September 2017	233,514	-	233,514	-	(16,515)	216,999
Loss for the period	-	-	-	-	(24,944)	(24,944)
Total comprehensive loss for the period	-	-	-	-	(24,944)	(24,944)
Issue of new shares pursuant to conversion of convertible notes	45,000	-	45,000	-	-	45,000
Share issue expenses	(605)	-	(605)	-	-	(605)
Accrued interest on convertible notes converted to ordinary shares	1,461	-	1,461	-	-	1,461
Convertible notes - equity component (net)	(1,937)	-	(1,937)	-	-	(1,937)
Total contributions by owners	43,919	-	43,919	-	-	43,919
At 31 December 2017	277,433	-	277,433	-	(41,459)	235,974
Company - Previous period						
At 1 January 2016	204,430	(3,049)	201,381	-	(6,375)	195,006
Profit for the period	-	-	-	-	241	241
Total comprehensive income for the period	-	-	-	-	241	241
Issue of new shares pursuant to placement	3,999	-	3,999	-	-	3,999
Share issue expenses	(215)	-	(215)	-	-	(215)
Treasury shares re-issued		3,049	3,049		(2,423)	626
Total contributions by and distributions to owners	3,784	3,049	6,833	-	(2,423)	4,410
At 30 September 2016	208,214	-	208,214	-	(8,557)	199,657
Loss for the period	-	-	-	-	(6,043)	(6,043)
Total comprehensive loss for the period	-	-	-	-	(6,043)	(6,043)
At 31 December 2016	208,214	-	208,214	-	(14,600)	193,614

1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State 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\$
Ordinary shares excluding treasury shares as at 30 September 2017	3,199,004,867	231,577,263
Issue of new shares	1,329,787,233	45,000,000
Share issue expenses	-	(604,875)
Accrued interest on convertible notes converted to ordinary shares	-	1,460,626
Ordinary shares excluding treasury shares as at 31 December 2017	<u>4,528,792,100</u>	<u>277,433,014</u>

Convertible notes

The Company did not have any outstanding convertible notes as at 31 December 2017 (31 December 2016: Nil).

Treasury shares

The Company did not have any treasury shares as at 31 December 2017 (31 December 2016: Nil).

Subsidiary Holdings

The Company did not have subsidiary holdings as at 31 December 2017 (31 December 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 31.12.17	As at 31.12.16
Total number of issued shares excluding treasury shares	<u>4,528,792,100</u>	<u>2,460,234,183</u>

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

Not applicable. The Company did not have any 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. The Company did not have any 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.

	3 months ended		12 months ended	
	31.12.17	31.12.16	31.12.17	31.12.16
Basic and diluted loss per ordinary share (Singapore cents)	<u>(0.70) (a, b)</u>	<u>(1.82) (c)</u>	<u>(1.09) (a, b)</u>	<u>(1.87) (c)</u>

a) Basic and diluted loss per share of the Group for the 3 months and 12 months ended 31 December 2017 are calculated based on the weighted average number of ordinary shares in issue of 4,095,165,828 and 3,202,405,236 (3 months ended 31 December 2016: 2,460,234,183 and 12 months ended 31 December 2016: 2,353,081,850).

(b) The respective basic and diluted loss per share for the Group for the 3 months and 12 months ended 31 December 2017 were the same as there were no potentially dilutive ordinary shares as at the end of the respective financial periods.

(c) The respective basic and diluted loss per share for the Group for the 3 months and 12 months ended 31 December 2016 were the same as there were no potentially dilutive ordinary shares as at the end of the respective financial periods.

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	As at	As at	As at
	31.12.17	31.12.16	31.12.17	31.12.16
Net asset value per ordinary share based on total number of issued shares, excluding treasury shares (Singapore cents)	4.11	6.17	5.21	7.87

The net asset value per ordinary share of the Group and the Company as at 31 December 2017 were calculated based on the total number of issued shares, excluding treasury shares, of 4,528,792,100 (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 financial year ended 31 December 2017 ("FY2017") was S\$104.8 million, an increase of S\$8.1 million or 8.4% from S\$96.7 million for the financial year ended 31 December 2016 ("FY2016"). The increase was mainly due to the increase in revenue of S\$1.0 million from the Primary Healthcare segment and increase in revenue of S\$7.1 million from the Specialist & Wellness Healthcare segment. The Group's turnover for both Primary Healthcare segment and Specialist & Wellness Healthcare segment includes revenue from clinics owned by Healthway Medical Enterprise Pte Ltd ("HME"), which was acquired by the Group during FY2017 Q2.

The Group's other operating income increased by S\$0.2 million or 12.0% from S\$1.5 million for FY2016 to S\$1.7 million for FY2017. This was mainly due to higher interest income of S\$0.3 million mainly attributable to interest earned on fixed deposit comprising the proceeds from issuance of convertible notes, lower foreign exchange loss of S\$0.7 million, offset by lower government employment grant of S\$0.5 million and lower other income of S\$0.3 million.

Total operating costs of the Group, which included medical supplies, consumables and laboratory expenses, staff costs, depreciation of property, plant and equipment, amortisation of intangible assets and other operating expenses (which includes allowance for doubtful trade, loan and other receivables), and impairment loss on intangible assets decreased by S\$3.5 million or 2.5% from S\$141.2 million for FY2016 to S\$137.7 million for FY2017. The decrease was mainly attributable to lower allowance for doubtful loan, trade and other receivables of S\$35.3 million, offset by increase in allowance for impairment of goodwill by S\$19 million, higher staff costs of S\$9.3 million, higher operating lease expenses S\$1.7 million as well as increase in medical supplies, consumables and laboratory expenses by S\$0.7million and depreciation expenses of S\$0.2 million mainly attributable to acquisition of HME.

The allowance of doubtful loan and other receivables of S\$0.9 million is in respect of advances made to medical centres in China owned by an unrelated third party Wei Yi Shi Ye Co. Ltd. ("Wei Yi") and managed by the Group during FY2017 of which S\$0.8 million was advanced during FY2017 Q1 and FY2017 Q2 while Management pursued options to recover the advances made to Wei Yi. As at year end, these efforts ultimately proved unsuccessful. As such, Management has taken the decision to make a full allowance for impairment of the amount due during the year.

The impairment loss on intangible assets increased by S\$19 million to S\$25 million in FY2017 compared to S\$6.0 million in FY2016. Further details in relation to the impairment of intangible assets are elaborated on page 12 of this announcement.

Finance costs were higher by S\$1.6 million or 121.6% mainly attributable to the interest costs of S\$1.5 million on the convertible notes issued in FY2017 Q2, offset by lower loan interest costs of S\$0.1 million.

As a result of the above, the Group's net loss before income tax for FY2017 was S\$34.2 million as compared to a net loss before income tax of S\$44.3 million in FY2016 and the net loss attributable to shareholders for FY2017 was S\$34.8 million as compared to net loss attributable to shareholders of S\$44.1 million for FY2016.

Financial position

Non-current assets were [S\$152.7 million] as at 31 December 2017, S\$30.7 million higher than S\$122.0 million as at 31 December 2016. The increase was due to an increase in other receivables of \$1.2 million, increase in property, plant and equipment of \$3.3 million mainly attributable to the acquisition of HME and leasehold improvement costs respectively. Increase in intangible assets comprises of S\$51.2 relating to goodwill and brand name recognised upon the acquisition of HME, offset by impairment of goodwill of S\$25 million recognised during the year.

The goodwill impairment of S\$25.0 million is made for both primary healthcare and specialist and wellness business unit as a result of less than satisfactory performance for FY2017 due to challenging operating environment. The impairment was made after a comprehensive evaluation of the performance of primary healthcare and specialist and wellness business units including, *inter alia*, the net present value of future cash flows of the business.

Current assets were S\$58.0 million as at 31 December 2017, S\$14.5 million lower than S\$72.5 million as at 31 December 2016. The decrease was mainly due to a decrease in trade and other receivables of \$51 million, offset by increase in inventories by S\$0.9 million mainly attributable to the acquisition of HME, increase in cash and cash equivalents of S\$35.8 million mainly as a result of issuance of convertible notes during FY2017 Q2 and decrease in tax recoverable of S\$0.2 million.

Non-current liabilities were S\$2.5 million as at 31 December 2017, a decrease of S\$1.0 million from S\$3.5 million as at 31 December 2016. This was mainly due to the decrease in borrowings of S\$2.7 million as a result of repayments offset by an increase of S\$0.4 million in provisions and increase in deferred tax liabilities of S\$1.3 million mainly arising upon acquisition of HME.

Current liabilities were S\$22.0 million as at 31 December 2017, a decrease of S\$17.1 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\$7.4 million resulting from payment to trade creditors, as well as a repayment of current borrowings of S\$9.9 million that were undertaken for working capital purposes, offset by an increase in current income tax liabilities of S\$0.2 million resulting from higher income tax expenses.

The Group had a positive working capital of S\$36.1 million as at 31 December 2017.

Cash flow statement

As at 31 December 2017, the Group had cash and cash equivalents amounting to S\$38 million, net of fixed deposits pledged of S\$0.6 million, as compared to cash and cash equivalents amounting to S\$0.9 million, net of fixed deposits pledged of S\$1.9 million as at 31 December 2016.

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

Cash flow used in operating activities for FY2017 amounted to S\$14.6 million was a result of operating loss before changes in working capital of S\$2.8 million, adjusted for net working capital outflow of S\$11.9 million offset by 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\$8.5 million mainly due to payment of trade payables, an increase in trade and other receivables of S\$3.0 million, and an increase in inventories of S\$0.4 million.

Cash flow used in investing activities for FY2017 was S\$3.3 million, mainly due to purchase of property, plant and equipment of S\$2.2 million, increase in loan receivables of S\$0.9 million from Wei Yi and net advances to HME Pte Ltd of \$0.5 million, offset by interest received of S\$0.3 million.

Cash flow provided by financing activities for FY2017 was S\$55 million, mainly due to S\$67.7 million net proceeds from the issuance of convertible notes, withdrawal of pledged deposits of \$1.3 million, offset by net repayment of borrowings of S\$11.1 million, interest paid of S\$1.5 million, as well as repayment of finance lease liabilities of S\$1.4 million.

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

The unaudited consolidated financial results of the Group for the fourth quarter and financial year ended 31 December 2017 set out in this announcement are in line with the profit guidance announcement released by the Company on 14 February 2017. Further explanations in relation to the significant impairment of goodwill as well as operating loss due to the challenging operating environment, are elaborated in section 8 of this announcement.

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") ("BDO LLP") 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 substantially completed their review. A significant amount of time was required to review a large number of documents and to ascertain facts and circumstances surrounding the subject matter which took place across a number of years. Barring any unforeseen circumstances, the Company expects the Independent Review report to be finalised in the first quarter of 2018. The Company will update shareholders when there are material updates in relation to the Independent Review, including the key findings of BDO LLP.

- b)** In line with the strategic plan to deliver better service quality, efficiency, and shareholder value, the Group has evaluated the performance of various business units to identify potential areas of improvements. As a result of the comprehensive evaluation, the Group has taken steps to streamline and improve its operations, so that it can provide better patient care. Going forward, the Group expects to continue its optimisation strategy, and expand or consolidate its Primary healthcare and/or Specialist and Wellness business units based on continual performance assessment and evaluation.

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.

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

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Alkas Realty Pte Ltd ("Alkas") ¹	S\$1,869,519	-
OUE Lippo Healthcare Limited ²	S\$653,107	-

Notes:-

¹ The Company had on 30 November 2017 entered into a master lease agreement ("**Master Lease**") with Alkas, a wholly-owned subsidiary of OUE Limited ("**OUEL**") to lease unit #10-09 and #10-09A of 6 Shenton Way, OUE Downtown ("**Premises**") for a period of 36 months, commencing 1 August 2017 and expiring on 31 July 2020 ("**Term**"), with a rent-free period of 4 months between 1 August 2017 to 30 November 2017. The total transaction value (excluding goods and services tax), which comprises the monthly rental and the service charge based on current rate, for the duration of the Term is approximately S\$1,869,519. The Company was exempted under rule 916(1) of Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalyst ("**Catalist Rules**") (the "**Catalist Rules**") from seeking the approval of its shareholders for the Master Lease Agreement.

As at 30 November 2017, Lippo Limited ("**Lippo**") is deemed to be indirectly interested in approximately 40.82% of the entire issued shares of the Company and hence is a controlling shareholder of the Company. Lippo is an intermediate holding company of Pacific Landmark Holdings Limited ("**PLHL**"). PLHL is the joint owner of Lippo ASM Asia Property Limited, which in turn is the immediate holding company of Fortune Code Limited ("**FCL**"). FCL is the holding company of Golden Concord Asia Limited ("**GCAL**"). GCAL has a direct interest of 12.91% and a deemed interest of 55.72% in OUEL. Alkas is a wholly-owned subsidiary of OUEL. Alkas is an entity in which Lippo and other companies taken together (directly or indirectly) have an interest of 30% or more. Accordingly, Alkas is regarded as an associate of Lippo pursuant to the Catalyst Rules.

² The Company had also on 30 November 2017 entered into a sub-lease agreement with OUE Lippo Healthcare Limited ("**OUELH**") (formerly known as International Healthway Corporation Limited) dated 30 November 2017 for the sublease of unit #10-09A of the Premises for a period of 36 months commencing from 1 August 2017 (the "**OUELH Sublease**") which comprises the Rent-free Period. The total value of the OUELH Sublease for the duration of 36 months is S\$653,107.

As at 30 November 2017, OUEL has a total interest of 86.16% (direct and deemed) in OUELH. Based on the shareholding structure described under above, OUELH is considered as an associate of Lippo, which is a controlling shareholder of the Company.

Save as disclosed, there were no other IPTs of S\$100,000 or more entered into by the Group during FY2017.

14. Use of Proceeds

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"). On 29 December 2017, the Company announced certain re-allocation of the T2 Net Proceeds ("**Re-allocation**"). As at 22 February 2018, the T2 Net proceeds have been utilised as follows:

Intended Purposes (S\$ million)	Amount allocated (S\$ million)	Reallocation Amount (S\$ million)	Amount allocated after the Reallocation (S\$ million)	Amount utilised (S\$ million)	Amount Unutilised (S\$ million)
Short term liquidity needs	23.8	6.00	29.8	24.44 ⁽¹⁾	5.36
Organic expansion of GP clinics	2.0	-	2.0	0.53	1.47
Acquisition of specialists' clinics – hospital-based oncology and dermatology clinics	16.0	(3.0)	13.0	-	13.0
Acquisition of specialists' clinics – paediatrics	18.0	(3.0)	15.0	-	15.0
Total	59.8	-	59.8	24.97	34.83

Notes:-

(1) Mainly for the repayment of loans, payment of salaries and payments to suppliers.

The utilisation was in accordance with the intended purposes as stated in the Company's circular dated 6 April 2017 and the announcement dated 29 December 2017.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)

15. **Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Segment information

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Maker ("CODM") that are used to make strategic decisions. The CODM considers the business from both a geographical and business segment perspective and regularly reviews internal management reports for each of the business units.

Business Segments

The Group has two reportable segments, as described below, which are the Group's strategic business units.

- Primary Healthcare comprising family medicine, dentistry, healthcare benefit management and investment in strategic medical related business; and
- Specialist & Wellness Healthcare which comprise paediatrics, orthopaedics, aesthetic medicine, obstetrics and gynaecology and Nobel specialist comprising cardiology, gastroenterology, psychiatry, eye, ear, nose and throat and general surgery.

Major Customer

The Group does not rely on a single external customer for 10% or more of the Group's revenue.

The segment information provided to the CODM for the reportable segments are as follows:

	← Singapore →		China	
	Primary Healthcare S\$'000	Specialist & Wellness Healthcare S\$'000	Specialist & Wellness Healthcare S\$'000	Total S\$'000
2017				
Sales				
Total segment sales and sales to external parties	51,076	53,736	-	104,812
EBITDA	(7,648)	(20,342)	(1,676)	(29,666)
Depreciation of property, plant and equipment	967	822	6	1,795
Amortisation of intangible assets	-	-	4	4
Segment assets	68,630	111,276	122	180,028
Segment assets includes:				
- Additions to property, plant and equipment	2,607	2,377	19	5,003
Segment liabilities	10,948	9,812	848	21,608

	← Singapore →		China	
	Primary Healthcare S\$'000	Specialist & Wellness Healthcare S\$'000	Specialist & Wellness Healthcare S\$'000	Total S\$'000
2016				
Sales				
Total segment sales and sales to external parties	50,028	46,588	62	96,678
EBITDA	(21,741)	3,133	(22,744)	(41,352)
Depreciation of property, plant and equipment	850	699	4	1,553
Amortisation of intangible assets	66	-	5	71
Segment assets	117,573	74,747	72	192,392
Segment assets includes:				
- Additions to property, plant and equipment	335	544	-	879
Segment liabilities	16,126	12,143	432	28,701

(a) Reconciliation

(i) a reconciliation of EBITDA to profit before income tax is as follows:

	Group	
	2017 S\$'000	2016 S\$'000
EBITDA for reportable segments	(29,666)	(41,352)
Depreciation	(1,795)	(1,553)
Amortisation	(4)	(71)
Interest income	266	14
Finance expenses	(2,952)	(1,332)
(Loss) before income tax	(34,151)	(44,294)

Geographical information

The Group operates in Singapore.

	Sales for continuing operations	
	2017 S\$'000	2016 S\$'000
Singapore	104,812	96,616
China	-	62
	104,812	96,678

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

Performance by business segment

For FY2017, Specialist and Wellness segment contributed a higher proportion to the Group's revenue compared to Primary healthcare segment. Revenue for Specialist and Wellness segment had increased by 15.3% mainly attributable to the acquisition of HME compared to a revenue growth of 2.1 % for Primary Healthcare segment.

The CODM assesses the performance of the operating segments based on a measure of Earnings before interest, tax, depreciation and amortisation ("EBITDA") for continuing operations. The EBITDA for the Primary Healthcare segment had increased by S\$14.1 million in FY2017 compared to FY2016 whereas EBITDA for Specialist and Wellness segment decreased by S\$23.5 million in FY2017 compared to FY2016. The overall decrease in EBITDA for Specialist and Wellness segment was mainly due to an allowance for impairment of goodwill of S\$20.5million. The overall increase in EBITDA in FY2017 for Primary Healthcare segment was mainly due to the absence in FY2017 of the allowance of doubtful loan and other receivables of S\$15.0 million provided in respect of HME in FY2016, which was offset by provision for impairment loss on goodwill of S\$4.5 million in FY2017. Please refer to paragraph 8 for further details in relation to the aforesaid impairments.

Performance by geographical segment

There are no significant changes in the contribution to the Group's revenue by Singapore operations in FY2017 as compared to FY2016. The increase in the Group's revenue from Singapore operations was mainly attributable to the acquisition of HME.

17. A breakdown of sales.

Breakdown of sales

	2017	Group	Change
	2017	2016	
	S\$'000	S\$'000	%
Sales reported for first half-year	48,625	47,888	1.5
(Loss) / Profit reported for first half-year	(3,128)	635	n.m.
Sales reported for second half-year	56,187	48,790	15.2
(Loss) reported for second half-year	(31,662)	(44,744)	(29.2)

n.m. denotes not meaningful.

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not applicable.

19. **Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (10). If there are no such persons, the issuer must make an appropriate negative statement.**

Name	Age	Family relationship with any director, CEO and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Abram Melkyzedeck Suhardiman	29	Son-in-law of Mr Stephen Riady, the Non-Executive Non-Independent Director and deemed substantial shareholder of the Company	Chief Operating Officer since 2017 Responsible in overseeing the Group's operation and corporate support functions including finance, legal, marketing, human resources, corporate communications and information technology divisions	N.A.

20. **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

Raymond Lam
Company Secretary
23 February 2018

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, 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).