

ISEC HEALTHCARE LTD.

(Company Registration No.201400185H)

Unaudited Financial Statement for the First Quarter Ended 31 March 2022

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

	Group		
	3 Months Ended		
	31 March 2022	31 March 2021	Change
	(Unaudited)	(Unaudited)	
	S\$'000	S\$'000	%
Revenue	11,787	9,067	30%
Cost of sales	(6,418)	(5,098)	26%
Gross profit	5,369	3,969	35%
Other item of income			
Other income	110	230	-52%
Other items of expense			
Selling and distribution expenses	(29)	(9)	NM
Administrative expenses	(2,143)	(1,999)	7%
Other expenses	(206)	(275)	-25%
Finance costs	(97)	(118)	-18%
Share of results of associate	(1)	(8)	-88%
Profit before income tax	3,003	1,790	68%
Income tax expense	(667)	(435)	53%
Profit for the financial period	2,336	1,355	72%
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation of subsidiaries	(175)	(576)	-70%
Other comprehensive income for the financial period, net of tax	(175)	(576)	-70%
Total comprehensive income for the financial period	2,161	779	NM

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	Group		
	3 Months Ended		
	31 March 2022	31 March 2021	Change
	(Unaudited)	(Unaudited)	
	S\$'000	S\$'000	%
Profit attributable to:			
Owners of the parent	2,304	1,406	64%
Non-controlling interests	32	(51)	NM
Profit for the financial period	2,336	1,355	72%
Total comprehensive income attributable to:			
Owners of the parent	2,129	831	NM
Non-controlling interests	32	(52)	NM
Total comprehensive income for the financial period	2,161	779	NM

NM – Not meaningful

1(a)(ii) Notes to Consolidated Statement of Comprehensive Income

Profit before income tax is arrived after charging/(crediting) the following:

	Group		Change %
	3 Months Ended		
	31 March 2022 (Unaudited) S\$'000	31 March 2021 (Unaudited) S\$'000	
Depreciation of property, plant and equipment – cost of sales	160	173	-8%
Depreciation of right-of-use assets – cost of sales	126	116	9%
Depreciation of property, plant and equipment – administrative expenses	94	93	1%
Depreciation of right-of-use assets – administrative expenses	287	280	3%
Amortisation of intangible assets – other expenses	133	140	-5%
Amortisation of intangible assets – administrative expenses	3	9	-67%
Interest income	(62)	(50)	24%
Interest income – net investment in sublease	(1)	(1)	0%
Other income – government grants	(38)	(144)	-74%
Other income – rental rebates	(3)	(5)	-40%
Interest expense – lease liabilities	70	70	0%
Interest expense – loans	21	27	-22%
Loss on exchange differences, net	71	133	-47%
Allowance for /(write-back of) expected credit losses, net	1	(1)	NM
Share-based compensation expense	13	25	-48%

NM – Not meaningful

1(b)(i) A statement of financial position for the group, together with a comparative statement as at the end of the immediately preceding financial year

	Group	
	31 March 2022 (Unaudited) S\$'000	31 December 2021 (Audited) S\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	9,973	9,428
Right-of-use assets	5,938	6,382
Intangible assets – goodwill	41,743	41,865
Intangible assets – others	1,482	1,619
Investment in associate	155	156
Net investment in sublease	35	50
Deposits	207	207
Deferred tax assets	139	140
	59,672	59,847
Current assets		
Inventories	1,558	1,271
Trade receivables, net ⁽¹⁾	2,848	2,941
Other receivables and deposits	743	804
Prepayments	216	271
Net investment in sublease	59	58
Cash and cash equivalents ⁽¹⁾	23,378	22,494
	28,802	27,839
TOTAL ASSETS	88,474	87,686
EQUITY AND LIABILITIES		
Equity		
Share capital	70,068	70,068
Treasury share reserve	(105)	(105)
Other reserves	(8,303)	(8,141)
Retained earnings	9,236	6,932
Equity attributable to owners of Company	70,896	68,754
Non-controlling interests	585	553
TOTAL EQUITY	71,481	69,307
LIABILITIES		
Non-current liabilities		
Borrowing	2,022	2,244
Lease liabilities	5,014	5,212
Deferred tax liabilities	251	273
Provisions	152	153
	7,439	7,882

	Group	
	31 March 2022 (Unaudited) S\$'000	31 December 2021 (Audited) S\$'000
Current liabilities		
Trade payables	1,669	1,634
Other payables	1,078	1,546
Advances and contract liabilities	270	263
Accrued expenses	683	839
Payroll payable	2,313	2,760
Borrowing	844	849
Lease liabilities	1,323	1,560
Current income tax payable	1,364	1,036
Provisions	10	10
	9,554	10,497
TOTAL LIABILITIES	16,993	18,379
TOTAL EQUITY AND LIABILITIES	88,474	87,686

(1) Breakdown of the following in the respective currencies:

	Group	
	31 March 2022 S\$'000	31 December 2021 S\$'000
Trade receivables, net denominated in the following currencies:		
Singapore Dollar	1,131	1,175
Ringgit Malaysia	1,699	1,750
Myanmar Kyat	18	16
	2,848	2,941
Cash and cash equivalents denominated in the following currencies:		
Singapore Dollar	5,357	4,862
Ringgit Malaysia	17,436	17,194
Myanmar Kyat	503	395
United States Dollar	82	43
	23,378	22,494

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1(b)(ii) Aggregate amount of group's borrowings and debt securities**Amount repayable in one year or less, or on demand**

As at 31 March 2022		As at 31 December 2021	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
844	1,323 ⁽¹⁾	849	1,560 ⁽¹⁾

Amount repayable after one year

As at 31 March 2022		As at 31 December 2021	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
2,022	5,014 ⁽¹⁾	2,244	5,212 ⁽¹⁾

(1) Unsecured borrowings relate to leases recognised under SFRS(I) 16 *Leases*.

Details of any collateral

As at 31 March 2022, the Group's secured loan of S\$2.866 million (FY2021: \$3.093 million) is secured by the freehold land and building for which the loan was entered.

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

Consolidated Statement of Cash Flows

	Group	
	3 Months Ended	
	31 March 2022 (Unaudited) S\$'000	31 March 2021 (Unaudited) S\$'000
Cash flows from operating activities		
Profit before income tax	3,003	1,790
Adjustments for:		
Allowance for/(write-back of) expected credit losses, net	1	(1)
Amortisation of intangible assets	136	149
Depreciation of property, plant and equipment and right-of-use assets	667	662
Interest income	(63)	(51)
Interest expense	97	118
Other income from rental rebates	(3)	(5)
Share of results of associate	1	8
Share-based compensation expense	13	25
Operating cash flows before working capital changes	3,852	2,695
Working capital changes:		
- Inventories	(292)	92
- Trade and other receivables	142	(282)
- Prepayments	55	20
- Trade and other payables	(544)	(687)
Cash generated from operations	3,213	1,838
Income tax paid	(359)	(562)
Net cash generated from operating activities	2,854	1,276
Cash flows from investing activities		
Purchase of property, plant and equipment	(669)	(98)
Purchase of intangible assets	-	(36)
Interest received	62	50
Payment to vendors ⁽¹⁾	(577)	(1,765)
Net cash used in investing activities	(1,184)	(1,849)
Cash flows from financing activities		
Principal element of lease payment, net	(385)	(451)
Interest paid – lease liabilities	(69)	(65)
Repayment of loan	(210)	(213)
Interest paid – loan	(21)	(27)
Net cash used in financing activities	(685)	(756)

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	Group	
	3 Months Ended	
	31 March 2022	31 March 2021
	(Unaudited)	(Unaudited)
	S\$'000	S\$'000
Net increase/(decrease) in cash and cash equivalents	985	(1,329)
Cash and cash equivalents at beginning of financial period	22,494	24,124
Effect of exchange rate changes on cash and cash equivalents	(101)	(107)
Cash and cash equivalents at end of financial period	23,378	22,688

- (1) The Group acquired Indah Specialist Eye Centre Sdn. Bhd. (“Indah Specialist”) on 27 February 2020. In the financial period ended 31 March 2021 (“1Q2021”), 30% of the total cash consideration, amounting to RM5,379,840 (equivalent to S\$1,765,000) was paid to vendors as partial settlement of the total cash consideration. The remaining 10% balance of the total cash consideration of RM1,793,280 (or S\$577,000) was paid to the vendors in the financial period ended 31 March 2022. As at the date of this announcement, the consideration has been fully settled.

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- 1(d) A statement for the 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**

Statements of Changes in Equity

Group (Unaudited)	Attributable to owners of the company									Total equity S\$'000
	Share capital	Treasury share reserve	Foreign currency translation reserve	Merger reserve	Share option reserve	Capital reserve	Retained earnings	Equity attributable to owners of the company	Non- controlling interests	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
At 1 January 2022	70,068	(105)	(245)	(3,572)	139	(4,463)	6,932	68,754	553	69,307
Profit for the financial period	-	-	-	-	-	-	2,304	2,304	32	2,336
Other comprehensive income										
Foreign currency translation	-	-	(175)	-	-	-	-	(175)	*	(175)
Total comprehensive income for the financial period	-	-	(175)	-	-	-	2,304	2,129	32	2,161
Transaction with owners of the Company										
Share-based compensation expense ⁽¹⁾	-	-	-	-	13	-	-	13	-	13
Total transaction with owners of the Company	-	-	-	-	13	-	-	13	-	13
At 31 March 2022	70,068	(105)	(420)	(3,572)	152	(4,463)	9,236	70,896	585	71,481

(1) The Company has granted 3,809,150 options under the ISEC Healthcare Share Option Scheme on 22 April 2020.

* Less than \$1,000

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Statements of Changes in Equity

Group (Unaudited)	Attributable to owners of the company									Total equity S\$'000
	Share capital	Treasury share reserve	Foreign currency translation reserve	Merger reserve	Share option reserve	Capital reserve	Retained earnings	Equity attributable to owners of the company	Non- controlling interests	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
At 1 January 2021	70,054	(105)	567	(3,572)	71	(4,463)	8,557	71,109	580	71,689
Profit for the financial period	-	-	-	-	-	-	1,406	1,406	(51)	1,355
Other comprehensive income										
Foreign currency translation	-	-	(575)	-	-	-	-	(575)	(1)	(576)
Total comprehensive income for the financial period	-	-	(575)	-	-	-	1,406	831	(52)	779
Transaction with owners of the Company										
Share-based compensation expense ⁽¹⁾	-	-	-	-	25	-	-	25	-	25
Total transaction with owners of the Company	-	-	-	-	25	-	-	25	-	25
At 31 March 2021	70,054	(105)	(8)	(3,572)	96	(4,463)	9,963	71,965	528	72,493

(1) The Company has granted 3,809,150 options under the ISEC Healthcare Share Option Scheme on 22 April 2020.

2. Review of comparative performance of the Group for the 3 months ended 31 March 2022 (“1Q2022”) and 31 March 2021 (“1Q2021”).

Revenue

The Group’s revenue for 1Q2022 was S\$11.79 million, an increase of S\$2.72 million, or 30%, compared to that in 1Q2021.

The Group’s business activities in Malaysia showed an increase by S\$2.39 million in 1Q2022 compared to that in 1Q2021. With the gradual lifting of the Movement Control Order (“MCO”) restrictions since October 2021 in Malaysia, patient visits and business activities of our eye clinics have shown significant improvement.

In Singapore, revenue from general health services increased by S\$0.22 million between 1Q2022 and 1Q2021, mainly due to the improved business activities from the performance of COVID-19 swab tests by the Group’s general practitioner clinics. The increase in revenue was offset by a marginal drop in sales from specialised health services by S\$0.11 million in 1Q2022 when there was increased reported COVID-19 cases within the country leading to slower business activities in 1Q2022 compared to that in 1Q2021.

In Myanmar, revenue increased by S\$0.22 million between 1Q2022 and 1Q2021 as a result of the gradual resumption of the economic activities of the country leading to increased patient visits and procedures performed.

Cost of sales

Cost of sales increased by 26%, or S\$1.32 million, to S\$6.42 million in 1Q2022, with increased business activities in the Group’s operations in Malaysia and the general health services in Singapore.

Gross profit and gross profit margin

Gross profit increased significantly by 35%, or S\$1.40 million, to S\$5.37 million in 1Q2022. Gross profit margin showed an increase of 1.8 percentage points, from 43.8% in 1Q2021 to 45.6% in 1Q2022. The extent of the increase in cost of sales was lower compared to the increase in revenue, generally as a result of improved cost efficiency with the gradual resumption of business activities, therefore resulting in an increase in gross profit.

Profit after tax

Net profit of the Group in 1Q2022 stood at S\$2.34 million, an increase of S\$0.98 million, or 72%, from 1Q2021, mainly attributed to the reasons explained above.

Government grants and rental rebates arising as part of the respective governments’ support measures to relief operations affected by COVID-19 have reduced between the periods, from 1Q2021 to S\$0.04 million in 1Q2022. There was also a decrease in exchange loss, from 1Q2021 to S\$0.07 million in 1Q2022, with slower weakening of Ringgit Malaysia against Singapore Dollar in 1Q2022 compared to that in 1Q2021.

3. 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.

Coronavirus 2019 (“COVID-19”) Outbreak

For the current year ending 31 December 2022, while we are optimistic that our performance will improve with the gradual resumption of travel, business and lifestyle activities globally, we are also mindful that the COVID-19 situation remains fluid all over the world.

Malaysia had on 1 April 2022 reopened its borders as the country begins to transition to the COVID-19 endemic phase.

Similarly, in Singapore, the country had from 1 April 2022 reopened its borders to all fully vaccinated travellers, removing all existing vaccinated travel lanes (“VTL”) and unilateral opening arrangements. In tandem with the substantial easing of restrictions on cross-border travel, Singapore has also implemented further easing of COVID-19 measures within the community from 29 March 2022 as part of the country’s move towards living with COVID-19.

Myanmar has resumed international passenger flights from 17 April 2022, lifting a two-year ban on the entry of foreign tourists. Myanmar’s Ministry of Health has also issued an order lifting restrictions on public gatherings from 17 April 2022, the Myanmar New Year Day. The ministry’s decision came when the country saw a notable decline in its COVID-19 infections and fatality rates in the past months.

Political situation in Myanmar

Myanmar’s military announced the extension of the state of emergency measure, which was due to end on 31 January 2022, for another six months. As at the date of this announcement, ISEC Myanmar’s clinic continues to be operational. The on-going protest may adversely affect the operations of the clinic for the year. As the situation is still evolving, the Group is unable to reasonably ascertain the extent of the probable impact on its financial performance for the year ending 31 December 2022.

Proposed Transaction in Relation to:

- (i) *The Acquisition of 100.0% of the Issued and Paid-Up Capital of Each of (1) IE Centre Sdn. Bhd., and (2) Kampar Eye Sdn. Bhd.; and*
- (ii) *The Subscription of ordinary shares in each of (1) ME Centre Sdn Bhd, (2) TE Centre Sdn Bhd, and (3) Taiping Eye Sdn Bhd, comprising 50.0% Plus 1 ordinary share of the enlarged share capital of each of the aforesaid companies*

On 6 April 2022, the Group’s wholly owned subsidiary, ISEC Sdn. Bhd. (“ISEC KL”) entered into a share purchase and subscription agreement (“SPSA”) with external parties (or the “Vendors”) to (1) purchase 100.0% of the issued and paid up share capital of IE Centre (100,000 ordinary shares) and Kampar Eye (1,200,000 ordinary shares) for an aggregate purchase price consideration of RM56,745,000.03 (the “Purchase Consideration”), and (2) to subscribe for 500,001 ordinary shares in each of ME Centre, TE Centre and Taiping Eye comprising 50.0% plus 1 share of the enlarged share capital of each of the aforesaid companies (the “Proposed

Transaction”).

The entire issued and paid up share capital of IE Centre and Kampar Eye will be acquired by way of allotment of 21,881,135 new ordinary shares of the Company to the Vendors, equivalent to fair value consideration of RM20,619,250.00 and cash consideration of RM36,125,750.03. Issue and allotment of shares will be satisfied on the completion of acquisition.

Subscription of 500,001 shares in each of ME Centre, TE Centre and Taiping Eye will be at an offer price of RM1.00 per ordinary share, to be satisfied on completion date of the acquisition of IE Centre and Kampar Eye.

Entry into a Letter of Offer for the Proposed Acquisition of One Floor with a Total Floor Area Measuring Approximately 60,000 to 70,000 Square Feet in a Commercial Building in Wilayah Persekutuan Kuala Lumpur Malaysia to be Constructed and Known as Bangsar South Medical Centre

The Company’s wholly-owned subsidiary, ISEC Sdn. Bhd. (“Purchaser”) had on 12 August 2021 (“Acceptance Date”) accepted a letter of offer (“LO”) to acquire one floor with a total floor area measuring approximately 60,000 to 70,000 square feet in a commercial building to be located in Wilayah Persekutuan Kuala Lumpur, Malaysia from Paramount Properties Sdn Bhd (“Vendor”), a wholly-owned subsidiary of Bursa Malaysia-listed UOA Development Berhad (“Proposed Acquisition”) for a consideration of RM63,854,730.

The Purchaser has been in negotiations to refine the terms and the building and floor plans with the Vendor. The Purchaser is at the final stages of negotiation and as the Group expects its risk profile to change as a result of the acquisition, shareholders’ approval for the acquisition will hence be required. We will conduct an extra-ordinary general meeting to seek shareholders’ approval in due course.

The Company will make the necessary announcements as and when there are further material developments on the Proposed Transaction and Proposed Acquisition and other key related matters that may be contemplated moving forward.

BY ORDER OF THE BOARD

Dr Lee Hung Ming
Executive Vice Chairman
22 April 2022

This announcement has been reviewed by the Company’s sponsor, PrimePartners Corporate Finance Pte. Ltd. (the “Sponsor”). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the “Exchange”) and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

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