



SINGAPORE MEDICAL GROUP LIMITED (Co. Reg. No.: 200503187W)

HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT

PART 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 JUNE 2020

	<u>30/06/2020</u>	<u>30/06/2019</u>	<u>Increase/ (decrease)</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Revenue	38,945	44,643	(12.8)
Cost of sales	(23,032)	(23,941)	(3.8)
Gross profit	15,913	20,702	(23.1)
Other items of income			
Financial income	60	32	87.5
Other income	80	70	14.3
Other items of expense			
Distribution and selling expenses	(1,738)	(1,822)	(4.6)
Administrative expenses	(9,364)	(10,224)	(8.4)
Financial expenses	(836)	(738)	13.3
Share of results of joint ventures and associates	(20)	(92)	(78.3)
Profit before tax	4,095	7,928	(48.3)
Income tax expense	(612)	(1,096)	(44.2)
Profit for the period	3,483	6,832	(49.0)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation	126	(18)	N.M
Total comprehensive income for the period	3,609	6,814	(47.0)
Profit attributable to:			
Owners of the Company	3,454	6,843	(49.5)
Non-controlling interests	29	(11)	N.M
	3,483	6,832	(49.0)
Total comprehensive income attributable to:			
Owners of the Company	3,580	6,825	(47.5)
Non-controlling interests	29	(11)	N.M
	3,609	6,814	(47.0)

N.M: Not meaningful

Notes to the Consolidated Statement of Comprehensive Income

The profit before tax is determined after charging/(crediting) the following:

	<u>30/06/2020</u>	<u>30/06/2019</u>	<u>Increase/ (decrease)</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Depreciation of property, plant and equipment	1,586	1,491	6.4
Amortisation of intangible assets	168	105	60.0
Depreciation of right-of-use assets	2,927	2,826	3.6
Lease expenses	114	139	(18.0)
Interest expenses on loans and borrowings	577	406	42.1
Interest expenses on lease liabilities	215	220	(2.3)
Personnel expenses	13,789	14,233	(3.1)
Share-based compensation expense, included under personnel expenses	156	134	16.4
Impairment loss on trade receivables	7	1	600.0
Impairment loss on other receivables	180	-	100.0
Gain on disposal of property, plant and equipment	(13)	(26)	(50.0)
(Over)/Under provision of income tax in respect of prior years	(34)	15	N.M

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

	<u>Group</u>		<u>Company</u>	
	<u>30/06/2020</u>	<u>31/12/2019</u>	<u>30/06/2020</u>	<u>31/12/2019</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
ASSETS				
Non-current assets				
Property, plant and equipment	6,565	7,742	852	1,102
Intangible assets	126,828	126,921	249	238
Right-of-use assets	16,553	13,007	8,823	4,103
Investment in subsidiaries	-	-	132,359	125,085
Investment in joint ventures	1,731	1,749	2,156	2,151
Investment in associates	5,997	5,868	6,395	6,395
Other investment	1,688	1,285	1,688	1,285
Other receivables	2,643	2,906	764	758
Deferred tax assets	770	754	286	286
	<u>162,775</u>	<u>160,232</u>	<u>153,572</u>	<u>141,403</u>
Current assets				
Inventories	2,090	1,800	-	-
Trade receivables	4,218	5,631	-	-
Prepayments	1,056	982	110	150
Other receivables	1,686	1,657	221	267
Due from related companies	-	-	3,372	11,312
Cash and cash equivalents	20,254	27,316	1,895	12,159
	<u>29,304</u>	<u>37,386</u>	<u>5,598</u>	<u>23,888</u>
Total assets	<u>192,079</u>	<u>197,618</u>	<u>159,170</u>	<u>165,291</u>
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	2,436	2,120	2	2
Other payables and accruals	13,558	12,183	2,522	1,014
Contract liabilities	2,444	2,026	-	-
Deferred purchase consideration	1,391	1,377	-	-
Due to related companies	-	-	8,071	8,972
Lease liabilities	5,652	5,880	2,486	2,556
Convertible loan	-	9,201	-	9,201
Loans and borrowings	4,888	5,709	-	1,000
Income tax payable	2,677	2,174	-	-
	<u>33,046</u>	<u>40,670</u>	<u>13,081</u>	<u>22,745</u>
Net current (liabilities)/assets	<u>(3,742)</u>	<u>(3,284)</u>	<u>(7,483)</u>	<u>1,143</u>
Non-current liabilities				
Other payables and accruals	379	379	212	212
Due to related companies	-	-	9,067	7,783
Lease liabilities	9,173	5,797	6,139	1,297
Loans and borrowings	2,789	5,295	-	-
Deferred tax liabilities	295	228	-	-
	<u>12,636</u>	<u>11,699</u>	<u>15,418</u>	<u>9,292</u>
Total liabilities	<u>45,682</u>	<u>52,369</u>	<u>28,499</u>	<u>32,037</u>
Net assets	<u>146,397</u>	<u>145,249</u>	<u>130,671</u>	<u>133,254</u>

	<u>Group</u>		<u>Company</u>	
	30/06/2020 S\$'000	31/12/2019 S\$'000	30/06/2020 S\$'000	31/12/2019 S\$'000
<u>Equity attributable to owners of the Company</u>				
Share capital	119,836	119,789	119,836	119,789
Treasury shares	(89)	(42)	(89)	(42)
Share option reserve	752	680	752	680
Equity component of convertible loan	-	603	-	603
Foreign currency translation reserve	(519)	(645)	-	-
Retained earnings	27,090	25,566	10,172	12,224
	147,070	145,951	130,671	133,254
Non-controlling interests	(673)	(702)	-	-
Total equity	146,397	145,249	130,671	133,254
Total equity and liabilities	192,079	197,618	159,170	165,291

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

At 30/06/2020		At 31/12/2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
5,886	-	5,905	10,201

Amount repayable after one year

At 30/06/2020		At 31/12/2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
3,210	-	6,114	-

Details of any collateral

Loans and borrowings

Loans and borrowings amounting to:

- S\$6,600,000 (31/12/2019: S\$8,383,000) are secured by: (i) a charge over the share capital of 8 wholly-owned subsidiaries; (ii) an assignment of the sale and purchase agreements and the Deed of Profit Guarantee in relation to the Astra Companies¹; (iii) a first fixed charge over the consultancy agreements of certain doctors of the Group; (iv) a fixed and floating charge on all assets of the Astra Companies; and (v) corporate guarantee taken by 2 subsidiaries of the Group; and
- S\$1,077,000 (31/12/2019: S\$1,621,000) are secured by corporate guarantee taken by the Company.

¹ Astra Companies comprise Astra Women's Specialists (WB) Pte. Ltd., The Women's Specialist Centre (HC) Pte. Ltd., Fong's Clinic (TB) Pte. Ltd., Astra Centre for Women & Fertility Pte. Ltd., Astra Women's Specialists (JL) Pte. Ltd., TCK@Novena Pte. Ltd. and Alpha Healthcare International Pte. Ltd.

Hire purchase of medical equipment

Included in lease liabilities are hire purchases of medical equipment amounting to S\$1,419,000 (31/12/2019: S\$2,015,000) that are secured by the Group's medical equipment with carrying amount of approximately S\$3,432,000 (31/12/2019: S\$3,742,000).

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

	30/06/2020 S\$'000	30/06/2019 S\$'000
Profit before tax	4,095	7,928
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	1,586	1,927
Amortisation of intangible assets	168	105
Depreciation of right-of-use assets	2,927	2,390
Interest income	(60)	(32)
Interest expenses	792	626
Amortisation of loan costs	30	23
Accretion of interest on deferred purchase consideration	14	89
Gain on disposal of property, plant and equipment	(13)	(26)
Impairment loss on trade receivables	7	1
Impairment loss on other receivables	180	-
Share-based compensation expense	156	134
Share of results of joint ventures and associates	20	92
Total adjustments	5,807	5,329
Operating profit before working capital change	9,902	13,257
<u>Change in working capital</u>		
(Increase)/decrease in:		
Inventories	(290)	(60)
Trade and other receivables	1,194	(439)
Prepayments	(74)	572
Increase/(decrease) in:		
Trade payables	316	(20)
Contract liabilities, other payables and accruals	(449)	(1,022)
Total change in working capital	697	(969)
Cash flow generated from operations	10,599	12,288
Interest received	58	28
Interest paid	(806)	(418)
Income taxes paid	(57)	(1,002)
Net cash flows generated from operating activities	9,794	10,896
Cash flows from investing activities		
Purchase of property, plant and equipment	(449)	(1,065)
Purchase of intangible assets	(76)	(328)
Proceeds from sale of property, plant and equipment	-	3
Payment of deferred purchase consideration	-	(12,000)
Other investment	(403)	-
Loan to a related party	-	(395)
Net cash flows used in investing activities	(928)	(13,785)

	30/06/2020	30/06/2019
	S\$'000	S\$'000
Cash flows from financing activities		
Issuance of shares	-	718
Purchase of treasury shares	(84)	-
Proceeds from convertible loan	-	10,000
Repayment of convertible loan	(10,000)	-
Proceeds from loans and borrowings	-	3,000
Repayment of loans and borrowings	(3,148)	(2,457)
Payment of principal portion of lease liabilities	(2,696)	(2,672)
Net cash flows (used in)/generated from financing activities	<u>(15,928)</u>	<u>8,589</u>
Net (decrease)/increase in cash and cash equivalents	(7,062)	5,700
Cash and cash equivalents at the beginning of financial period	27,316	20,012
Cash and cash equivalents at the end of financial period	<u>20,254</u>	<u>25,712</u>

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

GROUP	Attributable to owners of the Company						Non-controlling interests	Total equity	
	Share capital	Treasury shares	Share option reserve	Equity component of convertible loan	Foreign currency translation reserve	Retained earnings			Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000			S\$'000
At 1 January 2020	119,789	(42)	680	603	(645)	25,566	145,951	(702)	145,249
Profit for the period	-	-	-	-	-	3,454	3,454	29	3,483
Foreign currency translation differences	-	-	-	-	126	-	126	-	126
Total comprehensive income for the period	-	-	-	-	126	3,454	3,580	29	3,609
Purchase of treasury shares	-	(84)	-	-	-	-	(84)	-	(84)
Treasury shares reissued pursuant to SMG Share Plan	47	37	(84)	-	-	-	-	-	-
Share-based compensation expense	-	-	156	-	-	-	156	-	156
Dividends on ordinary shares	-	-	-	-	-	(1,930)	(1,930)	-	(1,930)
Repayment of convertible loan	-	-	-	(603)	-	-	(603)	-	(603)
At 30 June 2020	119,836	(89)	752	-	(519)	27,090	147,070	(673)	146,397
At 1 January 2019	118,918	-	443	-	(642)	12,059	130,778	(450)	130,328
Profit for the period	-	-	-	-	-	6,843	6,843	(11)	6,832
Foreign currency translation differences	-	-	-	-	(18)	-	(18)	-	(18)
Total comprehensive income for the period	-	-	-	-	(18)	6,843	6,825	(11)	6,814
Issuance of shares	871	-	(153)	-	-	-	718	-	718
Share-based compensation expense	-	-	134	-	-	-	134	-	134
Issuance of convertible loan	-	-	-	66	-	-	66	-	66
At 30 June 2019	119,789	-	424	66	(660)	18,902	138,521	(461)	138,060

<u>Company</u>	Share capital	Treasury shares	Share option reserve	Equity component of convertible loan	Retained earnings	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2020	119,789	(42)	680	603	12,224	133,254
Total comprehensive income for the period	-	-	-	-	(122)	(122)
Purchase of treasury shares	-	(84)	-	-	-	(84)
Treasury shares reissued pursuant to SMG Share Plan	47	37	(84)	-	-	-
Share-based compensation expense	-	-	156	-	-	156
Dividends on ordinary shares	-	-	-	-	(1,930)	(1,930)
Repayment of convertible loan	-	-	-	(603)	-	(603)
At 30 June 2020	119,836	(89)	752	-	10,172	130,671
At 1 January 2019	118,918	-	443	-	2,461	121,822
Total comprehensive income for the period	-	-	-	-	(213)	(213)
Issuance of shares	871	-	(153)	-	-	718
Share-based compensation expense	-	-	134	-	-	134
Issuance of convertible loan	-	-	-	66	-	66
At 30 June 2019	119,789	-	424	66	2,248	122,527

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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.

Share Capital

	2020		2019	
	No. of shares '000	S\$'000	No. of shares '000	S\$'000
Issued and fully paid ordinary shares (including treasury shares)				
At 1 January	483,021	119,789	480,651	118,918
Issued upon exercise of share options (note 1)	-	-	2,370	871
Reclassification from share option reserve for performance shares issued via transfer of treasury shares	-	47	-	-
At 30 June	483,021	119,836	483,021	119,789

Note 1

For the six-month period ended 30 June 2019, the Company had issued 2,370,000 ordinary shares following the exercise of share options by the Company's employees, under the SMG Share Option Scheme.

As at 31 December 2019, the Company held 139,000 treasury shares and the total number of ordinary shares in the capital of the Company (excluding treasury shares and subsidiary holdings) was 482,882,635 shares. On 19 March 2020, the Company bought back 445,000 shares by way of market acquisition and on 12 May 2020, the Company transferred 173,040 treasury shares as performance shares awarded under the SSP (as defined below). After such share buy-back and share award, and as at 30 June 2020, the Company held 410,960 treasury shares and the total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings) was 482,610,675 shares.

Share Options

The SMG Share Option Scheme ("SSOS") was approved by the shareholders at the Extraordinary General Meeting on 30 April 2014. During the six-month period ended 30 June 2020, 285,000 (30/06/2019: 1,935,000) share options were granted by the Company and accepted by employees. As at 30 June 2020, the number of shares that may be issued on conversion of all the outstanding share options were 10,560,000 (30/06/2019: 10,440,000), representing approximately 2.19% (30/06/2019: 2.16%), of the total issued shares (excluding treasury shares and subsidiary holdings).

The movement of share options of the Company during the financial period is as follows:

Date of grant of options	Exercise price per share	Options outstanding at	Options granted	Options exercised	Options forfeited/ expired	Options outstanding at	Expiry date
		01/01/2020				30/06/2020	
22/09/2016	S\$0.303	2,510,000	-	-	-	2,510,000	21/09/2021
03/04/2017	S\$0.545	585,000	-	-	-	585,000	02/04/2022
30/04/2018	S\$0.493	5,320,000	-	-	-	5,320,000	29/04/2023
31/05/2019	S\$0.393	1,935,000	-	-	(75,000)	1,860,000	30/05/2024
12/05/2020	S\$0.255	-	285,000	-	-	285,000	11/05/2025
		10,350,000	285,000	-	(75,000)	10,560,000	

Performance Shares

In addition to the SSOS, share awards can be granted to employees under the SMG Share Plan (“SSP”), which was approved by the shareholders at the Extraordinary General Meeting on 30 April 2014.

Depending on the achievement of pre-determined targets over the performance periods for the SSP, the final number of performance shares awarded will be adjusted accordingly.

During the six-month period ended 30 June 2020, no performance shares (30/06/2019: Nil) were granted to employees under the SSP. As at 30 June 2020, the number of outstanding performance shares to be granted under the SSP were 168,000 (30/06/2019: 336,000), representing approximately 0.03% (30/06/2019: 0.07%), of the total issued shares (excluding treasury shares and subsidiary holdings).

The details of the shares granted under SSP are as follows:

Date of grant	Number of Performance Shares				Outstanding at 30/06/2020
	Outstanding at 01/01/2020	Granted	Adjustments [#]	Vested	
30/04/2018	336,000	-	5,040	(173,040)	168,000
	336,000	-	5,040	(173,040)	168,000

[#] Adjustment will be made at the end of each performance period upon meeting pre-determined performance targets by multiplying the higher of: (i) accumulated dividend yield; or (ii) 3% per annum on a compounded basis for the respective performance period.

Convertible Loan

The Company had, on 25 April 2019, obtained shareholders’ approval for the issuance of an aggregate of up to 23,640,662 new ordinary shares in the capital of the Company to CHA Healthcare Singapore Pte. Ltd. (“CHS”), upon the conversion of the convertible loan of S\$10.0 million (the “Convertible Loan”) pursuant to the terms and conditions of a convertible loan agreement dated 20 February 2019. The Company drawn down the Convertible Loan on 4 June 2019. On 8 May 2020, the Company, with the agreement of CHS, repaid the Convertible Loan, together with interest of S\$325,000, and released the announcement via SGXNET on the same day.

Save as disclosed above, there were no other outstanding options and convertibles as at 30 June 2020 and 30 June 2019.

Treasury Shares

	<u>2020</u>		<u>2019</u>	
	No. of shares '000	S\$,000	No. of shares '000	S\$,000
At 1 January	139	42	-	-
Purchase of treasury shares	445	84	-	-
Re-issue of treasury shares pursuant to the SSP	(173)	(37)	-	-
At 30 June	411	89	-	-
As percentage of total issued shares (excluding treasury shares and subsidiary holdings)	0.09%		-	

There were no subsidiary holdings held by the Company as at 30 June 2020 and 30 June 2019.

1(d)(iii) To show the 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.

	<u>As at 30/06/2020</u>	<u>As at 31/12/2019</u>
Total number of issued shares	483,021,635	483,021,635
Treasury shares	(410,960)	(139,000)
Total number of issued shares (excluding treasury shares)	<u>482,610,675</u>	<u>482,882,635</u>

As at the date of this announcement, the number of issued shares (excluding treasury shares) is 482,610,675.

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

Please refer to paragraph 1(d)(ii) for movements in treasury shares.

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 as the Company did not hold any subsidiary holdings as at 30 June 2020 and 31 December 2019.

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 modifications or emphasis of a matter)

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited financial statements have been applied

Except as disclosed in paragraph 5, the accounting policies and methods of computation have been consistently applied by the Group and the Company and are consistent with the audited financial statements for the financial year ended 31 December 2019.

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 adopted all the applicable new and revised Singapore Financial Reporting Standards (International) ("**SFRS(I)**") and SFRS(I) Interpretations ("**SFRS(I) INT**") which became effective for the accounting periods beginning on or after 1 January 2020. The adoption of these new and revised SFRS(I) and SFRS(I) INT are currently assessed to have no material financial impact on the Group's financial statements for the current financial period reported on.

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:-

(a) based on the weighted average number of ordinary shares on issue; and

(b) on a fully diluted basis (detailing any adjustments made to the earnings).

	Group	
	30/06/2020	30/06/2019
Net profit attributable to the owners of the Company (S\$'000)	3,454	6,843
Earnings per share (cents per share)		
- Basic	0.72	1.42
- Diluted	0.72	1.34

The basic earnings per share for the six-month period ended 30 June 2020 is calculated by dividing the net profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue of 482,741,250 (30/06/2019: 481,150,751). The diluted earnings per share for the six-month period ended 30 June 2020 is calculated by dividing the net profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue of 482,741,250 (30/06/2019: 510,751,353). The weighted average number of ordinary shares for diluted earnings per share computation has taken into consideration the share options granted to the employees under the existing employee share option plan.

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	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Net asset value per ordinary share (cents)	30.47	30.22	27.08	27.60

Net asset value per ordinary share is calculated based on 482,610,675 and 482,882,635 ordinary shares (excluding treasury shares) outstanding as at 30 June 2020 and 31 December 2019 respectively.

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, asset or liabilities of the group during the current financial period reported on**

Statement of Comprehensive Income

Revenue

The Group's revenue decreased by 12.8% from S\$44.6 million for the six-month financial period ended 30 June 2019 ("HY2019") to S\$38.9 million for the six-month financial period ended 30 June 2020 ("HY2020"). The revenue of the Diagnostic & Aesthetics Business segment and the Health Business segments decreased by S\$4.1 million and S\$1.6 million respectively mainly due to a drop in patient volume arising from deferment of non-essential medical services and the temporary closure of certain clinics during the Circuit Breaker ("CB") period in Singapore from April to June 2020 as a result of the COVID-19 pandemic. In addition, the decrease is also attributed to the decline in medical tourism due to the travel restrictions imposed by the Singapore and regional governments stemming from the pandemic.

Gross profit

Gross profit decreased by 23.1% from S\$20.7 million for HY2019 to S\$15.9 million for HY2020 as a result of the decrease in revenue. Gross profit margin decreased by five percentage points from 46% in HY2019 to 41% in HY2020 mainly due to the change in sales mix within both the Health Business segment and the Diagnostic & Aesthetics Business segment. The Diagnostic & Aesthetics Business segment was also more negatively affected by the COVID-19 pandemic.

Other income

Other income increased by 14.3% from S\$70,000 for HY2019 to S\$80,000 for HY2020 mainly due to foreign exchange gain arising from the revaluation of the foreign currency loans given to a related party, CityClinic Asia Investments Pte. Ltd. ("CCAI").

Distribution and selling expenses

Distribution and selling expenses decreased by 4.6% from S\$1.8 million for HY2019 to S\$1.7 million for HY2020. The decrease was largely in line with the decrease in revenue.

Administrative expenses

Administrative expenses decreased by 8.4% from S\$10.2 million for HY2019 to S\$9.4 million for HY2020. This was mainly due to the decrease in staff costs arising from wage credits received under the Job Support Scheme as part of the COVID-19 support measures announced by the Singapore Government.

Financial expenses

Financial expenses increased by 13.3% from S\$0.7 million for HY2019 to S\$0.8 million for HY2020 mainly due to interest expenses on Convertible Loan which was drawn down in June 2019.

Share of results of joint ventures and associates

Share of loss of joint ventures and associates decreased by 78.3% from S\$92,000 for HY2019 to S\$20,000 for HY2020 mainly due to profits earned by the associated company, CHA SMG (Australia) Pte. Ltd. (“**CSA**”) and lower losses incurred by the joint venture entity, SMG International (Vietnam) Pte. Ltd. The improvement in performance of these two entities was however offset by the lower profit earned from the joint venture entity, PT Ciputra SMG, as a result of the COVID-19 pandemic.

Income tax expense

Income tax expense decreased by 44.2% from S\$1.1 million for HY2019 to S\$0.6 million for HY2020 mainly due to a lower taxable profit during the financial period.

Net profit

As a result of the reasons mentioned above, the Group’s net profit attributable to equity holders of the Company decreased by 49.5% from S\$6.8 million for HY2019 to S\$3.5 million for HY2020.

Statement of Financial Position

Non-current assets increased by S\$2.6 million from S\$160.2 million as at 31 December 2019 to S\$162.8 million as at 30 June 2020, mainly due to the following:

- (a) Increase in right-of-use (“**ROU**”) assets arising from the renewal of existing leases for clinic premises, offset by depreciation charged during the financial period;
- (b) Increase in investment in associates mainly due to net share of profits arising from improved performance of CSA; and
- (c) Increase in other investment arising from subscription of new shares in CCAI during the financial period.

The above increases were offset by: (a) a decrease in property, plant and equipment and intangible assets arising from depreciation and amortisation charged, net of additions of assets during the financial period; and (b) a decrease in other receivables mainly due to the de-recognition of a lease receivable upon termination of a lease with an external party during the financial period.

Current assets decreased by S\$8.1 million from S\$37.4 million as at 31 December 2019 to S\$29.3 million as at 30 June 2020, mainly due to decreases in cash and cash equivalents and trade receivables of S\$7.1 million and S\$1.4 million respectively which were offset by increases in inventories and prepayments of S\$0.3 million and S\$0.1 million respectively.

Current liabilities decreased by S\$7.7 million from S\$40.7 million as at 31 December 2019 to S\$33.0 million as at 30 June 2020, mainly due to: (a) repayment of the Convertible Loan; (b) a decrease in the current portion of lease liabilities of S\$0.2 million; and (c) a decrease in the current portion of loans and borrowings of S\$0.8 million as a result of repayment of bank loans. These decreases were offset by: (a) an increase in trade payables of S\$0.3 million; (b) an increase in other payables and accruals of S\$1.4 million; (c) an increase in contract liabilities of S\$0.4 million; and (d) an increase in income tax payable of S\$0.5 million.

Non-current liabilities increased by S\$0.9 million from S\$11.7 million as at 31 December 2019 to S\$12.6 million as at 30 June 2020, mainly due to an increase in lease liabilities arising from the renewal of existing leases for clinic premises during the financial period which was offset by a decrease in loans and borrowings as a result of reclassification from non-current to current during the financial period.

Please refer to paragraph 1(d)(ii) for details of the increase in share capital.

As at 30 June 2020, the Group had net current liabilities of S\$3.7 million (31/12/2019: S\$3.3 million). Based on the Group's projected operating cash flows and with existing debt facilities from financial institutions, the Company's management is of the view that the Group will have sufficient funds from its operations to meet its financial obligations as and when they fall due.

Statement of Cash Flows

Net cash flows generated from operating activities of S\$9.8 million for HY2020 arose mainly from the operating profit before working capital changes of S\$9.9 million and inflow of working capital of S\$0.7 million, offset by interest payment of S\$0.8 million.

Net cash flows used in investing activities of S\$0.9 million for HY2020 were mainly attributed to the purchase of property, plant and equipment and intangible assets of S\$0.4 million and S\$0.1 million respectively, and other investment of S\$0.4 million.

Net cash flows used in financing activities of S\$15.9 million for HY2020 were mainly from purchase of treasury shares of S\$0.1 million, and repayment of Convertible Loan, loans and borrowings and lease payments of S\$10.0 million, S\$3.1 million and S\$2.7 million respectively.

Cash and cash equivalents was S\$20.3 million as at 30 June 2020, compared to S\$27.3 million as at 31 December 2019.

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

No forecast or prospect statement has been previously disclosed to shareholders.

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.

The Group's operations continue to be impacted and disrupted by the COVID-19 pandemic. On the macroeconomic front, the slowdown of economic activity is likely to impact the private healthcare industry as discretionary consumer spending is expected to fall. This decline will in turn impact elective medical services within the Group's Diagnostics & Aesthetics Business segment.

In addition, medical tourism in Singapore has been severely curtailed by the various measures introduced by the Singapore and regional governments which include border and travel restrictions implemented to curb the spread of the virus. With foreign patients contributing an estimated 15% to 20% of the Group's turnover, revenue from various segments of the Group's business have been affected in specialist verticals such as oncology, cardiology, and diagnostic imaging due to the significant drop in the number of foreign patients seeking treatment in Singapore. As the situation continues to evolve, it is uncertain as to when pre-COVID-19 level of medical tourism will return to Singapore.

Looking ahead into 2H2020, the Group has seen pent up demand returning for elective procedures and aesthetics. However, uncertainty remains on whether this demand will continue. Notwithstanding the challenging business conditions, the Group continues to chart organic growth initiatives with the hiring of new specialists and the opening of new clinics. Accordingly, the Group will onboard a new In-Vitro Fertilisation ("IVF") doctor in 3Q2020 and a new Obstetrics & Gynaecology ("O&G") doctor in 4Q2020. The Group will also be opening a new Women's Health and Paediatric clinic in 4Q2020 at a suburban location in the Eastern region of Singapore. Outside of Singapore, the Group continues to expand its overseas entities with the opening of a third medical centre in Ho Chi Minh City, Vietnam and a second Ciputra SMG eye clinic in Surabaya, Indonesia by the end of 2020.

While the Group continues to explore overseas inorganic growth opportunities in both key and complementary verticals, the COVID-19 pandemic has slowed progress on the inorganic front. Nevertheless, the Group continues to leverage on its strategic partnership with CHA Healthcare Co., Ltd. to explore near-term projects in Vietnam, Australia, Singapore and other Asian markets. The Company will announce any material developments if and when appropriate.

11. Dividend

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

No dividend has been declared or recommended for the current financial period.

(b) *Corresponding Period of the Immediately Preceding Financial Year*

No dividend has been declared or recommended for the corresponding period of the immediately preceding financial year.

(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 shareholders, this must be stated).*

Not applicable.

(d) *The date the dividend is payable.*

Not applicable.

(e) *The date on which Registrable Transfers received by the company (up to 5.00 p.m.) will be registered before entitlements to the dividend are determined*

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision

No dividend has been declared or recommended for the financial period ended 30 June 2020 in view of the funding needs of the Group for future business development and expansion.

13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transaction as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group does not have a general mandate for interested person transactions. The aggregate value of the interested person transactions conducted during the current financial period reported on is disclosed below.

Name of interested person	Aggregate value of all interested person transactions (including transactions less than S\$100,000) during the financial period under review	
	30/06/2020 S\$'000	30/06/2019 S\$'000
K S Beng Pte Ltd ⁽¹⁾ - Rental	81	98
MW Medical Holdings Pte Ltd ⁽²⁾ - Rental	70	85
MW Medical Pte Ltd ⁽²⁾ - Nursing	5	2
CHA Healthcare Singapore Pte Ltd ⁽³⁾ - Interest on Convertible Loan	90	-

Notes:

- (1) K S Beng Pte Ltd is wholly-owned by an immediate family member of Dr Beng Teck Liang, the Company's Executive Director and CEO and a substantial shareholder of the Company.
- (2) MW Medical Holdings Pte Ltd and MW Medical Pte Ltd are owned by Dr Wong Seng Weng, an Executive Director of the Company.
- (3) CHA Healthcare Singapore Pte Ltd is a controlling shareholder of the Company.

14. Negative confirmation pursuant to Rule 705(5)

We, Dr Beng Teck Liang and Mr Ho Lon Gee, hereby confirm on behalf of the Board of Directors that to the best of its knowledge, nothing has come to its attention which may render the unaudited consolidated financial results of the Group for the six-month financial period ended 30 June 2020 presented in this announcement, to be false or misleading in any material aspect.

On behalf of the Board

Dr Beng Teck Liang
Executive Director and Chief Executive Officer

Mr Ho Lon Gee
Independent Director

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1).

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H of the Catalist Rules) under Rule 720(1) of the Catalist Rules.

16. Use of proceeds from the Convertible Loan

The net proceeds from the Convertible Loan which was drawn down on 4 June 2019 was approximately S\$9.7 million.

On 8 May 2020, the Company, with the agreement of CHS, repaid the principal amount of the Convertible Loan of S\$10 million in full together with an interest of S\$325,000. The repayment of the Convertible Loan was funded using the balance of unutilised net proceeds of S\$8.9 million and internal resources of S\$1.4 million.

	Initial allocation of use of net proceeds	Unutilised net proceeds as at 8 May 2020 (being the date of repayment of Convertible Loan)	Balance of unutilised net proceeds as at the date hereof
	S\$ million	S\$ million	S\$ million
(i) Merger and acquisitions	7.8	7.0	-
(ii) General business purposes	1.9	1.9	-
	9.7	8.9	-

The Company did not disburse the net proceeds raised from the Convertible Loan in the manner as initially allocated. As explained in its announcement dated 8 May 2020, the Company is of the view that the early repayment of the Convertible Loan is in the best interest of the Company as it reduced financing costs and such early repayment also did not have any adverse effect on the Group's financial position and operations, after taking into consideration the Group's cash balance.

BY ORDER OF THE BOARD

Dr Beng Teck Liang
Executive Director and Chief Executive Officer
6 August 2020

*This announcement has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("**Sponsor**") in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalyst. This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement. The contact person for the Sponsor is Ms Tan Cher Ting, Director, Investment Banking, CIMB Bank Berhad, Singapore Branch, at 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.*