

QUANTUM HEALTHCARE LIMITED
(Company Registration No. 202218645W)
(Incorporated in Singapore)

MATERIAL DIFFERENCES BETWEEN UNAUDITED FINANCIAL RESULTS ANNOUNCEMENT AND AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The Board of Directors (the “**Board**”) of Quantum Healthcare Limited, together with its subsidiaries (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the announcement by the Company dated 1 March 2023 in relation to the unaudited full year financial statements for the financial year ended 31 December 2022 (“**FY2022**”) (the “**Unaudited Financial Statements**”).

Pursuant to Rule 704(5) of the Listing Manual Section B: Rules of Catalyst of the Singapore Exchange Securities Trading Limited, the Board would like to announce that subsequent to the release of the Unaudited Financial Statements, adjustments and reclassifications were made following the finalisation of the audit and issuance of the Independent Auditor’s Report dated 12 April 2023 and the related audited financial statements for FY2022 (“**Audited Financial Statements**”) by the Company’s external auditor, Moore Stephens LLP.

The material variances between the Unaudited Financial Statements and the Audited Financial Statements for FY2022 arose mainly due to the following:

Consolidated Statement of Comprehensive Income for the year ended 31 December 2022

	Audited Financial Statements S\$’000	Unaudited Financial Statements S\$’000	Difference S\$’000	%	Note
Revenue	9,368	9,368	-	0%	
Cost of sales	(5,019)	(5,019)	-	0%	
Gross profit	<u>4,349</u>	<u>4,349</u>	-	0%	
Administrative expenses	(7,232)	(6,238)	(994)	16%	1
Research and development expenses	(743)	(30)	(713)	>100%	2
Other income	207	208	(1)	(1%)	
Other expenses	-	(713)	713	(100%)	2
Impairment losses	(4,625)	-	(4,625)	100%	3
Results from operating activities	<u>(8,044)</u>	<u>(2,424)</u>			
Finance costs	(472)	(265)	(207)	78%	4
Loss before tax	<u>(8,516)</u>	<u>(2,689)</u>	(5,827)	>100%	1,2,3,4
Tax expense	(117)	(117)	-	0%	
Loss for the year	<u>(8,633)</u>	<u>(2,806)</u>			
Loss for the year attributable to:					
- Owners of the Company	(8,541)	(2,714)	(5,827)	>100%	1,2,3,4
- Non-controlling interests	(92)	(92)	-	0%	
Loss for the year	<u>(8,633)</u>	<u>(2,806)</u>			
Total comprehensive loss for the year attributable to:					
- Owners of the Company	(8,061)	(2,235)	(5,826)	>100%	1,2,3,4
- Non-controlling interests	(92)	(92)	-	0%	
Loss for the year	<u>(8,153)</u>	<u>(2,327)</u>			

Explanatory Note:

- 1 Variance mainly due to i) adjustments to take up legal costs for InnoRa Arbitration case of S\$777k, and ii) additional amortisation of intangibles assets – customer relationship of S\$229k due to goodwill allocation for ADG Acquisition arose from Purchase Price Allocation (“PPA”) exercise done by Navi Corporate Advisory Pte Ltd.
- 2 Variance due to audit reclassification of InnoRa milestone payment of S\$713k from Other expenses to Research & development expenses
- 3 Variance of S\$4.6M mainly attributed to impairment loss on goodwill from acquisition of ADG Group. The main factor contributing to the impairment was due to the increase in interest rate and lease expenses resulting in an increase in operating costs. The increase in interest rate substantially increased the discounting factor, weighted average cost of capital (“WACC”), which resulted in a significant decline in enterprise value of the acquisition
- 4 Increase in Finance costs mainly attributed to S\$207k of imputed interest expense on contingent consideration payables to Dr Jimmy Gian due to fair value adjustments upon completion of PPA exercise.

Statement of Financial Position – Group Level

	Audited Financial Statements	Unaudited Financial Statements	Difference		Note
	S\$'000	S\$'000	S\$'000	%	
Assets					
Plant and equipment	827	827	–	0%	
Intangible assets	688	8,816	(8,128)	(92%)	5
Goodwill	4,120	–	4,120	100%	6
Right-of-use assets	2,295	2,295	–	0%	
Other non-current assets	45	45	–	0%	
Non-current assets	7,975	11,983			
Inventories	32	32	–	0%	
Trade and other receivables	1,707	1,707	–	0%	
Cash and cash equivalents	5,195	5,115	80	2%	
Current assets	6,934	6,854			
Total assets	14,909	18,837			
Equity					
Share capital	234,230	233,341	889	0%	
Reserves	8,690	8,690	–	0%	
Accumulated losses	(244,840)	(238,860)	(5,980)	3%	1,2,3,4
Equity attributable to owners of the Company	(1,920)	3,171			
Non-controlling interests	292	(229)	521	(>100%)	7
Total equity	(1,628)	2,942			
Liabilities					
Amount due to non-controlling interest	2,563	2,767	(204)	(7%)	
Loans and borrowings	4,238	4,238	–	0%	
Deferred tax liabilities	61	–	61	100%	8
Other non-current liabilities	–	217	(217)	(100%)	8
Lease liabilities	1,294	1,294	–	0%	
Non-current liabilities	8,156	8,516			
Loans and borrowings	1,309	1,309	–	0%	
Amount due to non-controlling interest	1,383	1,383	–	0%	
Trade and other payables	4,477	3,686	791	22%	9
Provision for reinstatement costs	155	–	155	100%	8
Provision for income tax	56	–	56	100%	10
Lease liabilities	1,001	1,001	–	0%	
Current liabilities	8,381	7,379	–	0%	
Total liabilities	16,537	15,895			
Total equity and liabilities	14,909	18,837			

Explanatory Notes:

- 5 Variance of S\$8.1M mainly attributed to i) reclassification of goodwill from acquisition of ADG & EDC of S\$8.8M to Goodwill balance, and ii) Addition of customer relationship of S\$688k as a result of goodwill allocation from PPA exercise for ADG Group acquisition.
- 6 Balance of S\$4.1M refers to i) addition of goodwill from acquisition of ADG & EDC of S\$8.8M, offset by ii) impairment of goodwill of S\$4.6M from acquisition of ADG Group as set out in Note 12 of the Audited Financial Statements.
- 7 Variance mainly refers to addition in non-controlling interest for ADG as per indicated in 14(g) of the Audited Financial Statements due to increase in intangibles assets – customer relationship as a result of PPA exercise.
- 8 Deferred tax liabilities of S\$61k and provision for reinstatement costs of S\$155k was due to reclassification from Other non-current liabilities.
- 9 Variance mainly refers to adjustments to take up legal fees payables and accruals for InnoRa arbitration case of S\$777k.
- 10 Provision for income tax of S\$56k was due to reclassification from trade and other payables.

Statement of Financial Position – Company Level

	Audited Financial Statements S\$'000	Unaudited Financial Statements S\$'000	Difference S\$'000	%	Note
Assets					
Investment in subsidiaries	7,573	12,229	(4,656)	(38%)	11
Non-current assets	13,162	12,229			
Trade and other receivables	7	7	–	0%	
Cash and cash equivalents	1,062	981	81	8%	
Current assets	1,069	988			
Total assets	8,642	13,217			
Equity					
Share capital	234,230	233,341	889	0%	
Reserves	(228,714)	(228,762)	48	0%	
Accumulated losses	(6,861)	(581)	(6,280)	>100%	12
Equity attributable to owners of the Company	(1,345)	3,998			
Non-controlling interests	–	–	–	0%	
Total equity	(1,345)	3,998			
Liabilities					
Amount due to non-controlling interest	2,563	2,767	(204)	(7%)	
Non-current liabilities	2,563	2,767			
Amount due to non-controlling interest	1,383	1,383	–	0%	
Trade and other payables	6,041	5,069	972	19%	13
Current liabilities	7,424	6,452			
Total liabilities	9,987	9,219			
Total equity and liabilities	8,642	13,217			

Explanatory Notes:

- 11 Variance of S\$4.6M mainly attributed to i) uplift of cost of investments for QTV by S\$937k and ADG by S\$479k due to PPA exercise, offset by ii) impairment of investment in subsidiaries of S\$6M according to the net book value of the subsidiaries.
- 12 Variance of S\$6.3M mainly attributed to i) S\$6M impairment of investment in subsidiaries, and ii) S\$207k of imputed interest expense on contingent consideration payables to Dr Jimmy Gian due to fair value adjustments upon PPA exercise.
- 13 Variance of S\$972k mainly attributed to i) reclassification of account for payment made subsequent to year end of S\$81k, and ii) adjustment to initial costs of investment in ADG for S\$888k upon PPA exercise.

Consolidated Statement of Cash Flows for the year ended 31 December 2022

	Audited Financial Statements S\$'000	Unaudited Financial Statements S\$'000	Difference S\$'000	%	Note
Cash flows from operating activities					
Loss for the period	(8,516)	(2,714)	(5,802)	>100%	
Adjustments for:					
- Depreciation of plant and equipment	101	101	-	0%	
- Depreciation of right-of-use assets	1,004	882	122	14%	14
- Amortisation of intangible assets	229	-	229	100%	15
- Impairment loss on goodwill	4,625	-	4,625	100%	16
- Interest expenses	473	267	205	77%	17
- Unrealised foreign exchange (gain)//loss	(4)	-	(4)	100%	18
- Tax expense	-	118	(118)	(100%)	19
Operating cash flows before changes in working capital	(2,089)	(1,346)			
Change in:					
- Trade and other receivables	(475)	(1,313)	838	(64%)	20
- Trade and other payables	1,208	1,312	(104)	(8%)	20
- Inventories	(32)	(32)	-	0%	
- Other assets	200	1	199	>100%	20
Cash used in operations	(1,188)	(1,378)			
Interest paid	-	(131)	131	(100%)	21
Income tax paid	(15)	(55)	40	(73%)	22
Net cash (used in) operating activities	(1,203)	(1,564)			
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired	(2,726)	(4,198)	1,472	(35%)	23
Acquisition of business, net of cash acquired	(1,257)	-	(1,257)	100%	23
Purchase of plant and equipment	(926)	(928)	2	0%	
Net cash (used in) investing activities	(4,909)	(5,126)			
Cash flows from financing activities					
Proceeds from issue of ordinary shares	7,300	7,300	-	0%	
Proceeds from borrowings	5,990	5,990	-	0%	
Repayment of borrowings	(1,309)	(929)	(380)	41%	21
Repayment of lease liabilities	(1,021)	(900)	(121)	13%	24
Net cash generated from financing activities	10,960	11,461			
Net (decrease) in cash and cash equivalents	4,848	4,771	77	2%	
Cash and cash equivalents at the beginning of year	344	344	-	0%	
Effect of exchange rate changes on cash and cash equivalents	3	-	3	100%	18
Cash and cash equivalents at the end of year	5,195	5,115			

Explanatory Notes:

- 14 Variance of S\$122k mainly due to adjustment recorded to correct the right of use assets depreciation.
- 15 S\$229k refers to the yearly amortisation of intangible assets – customer relationship upon goodwill allocation from PPA exercise.
- 16 Refers to impairment of goodwill of S\$4.6M as set out in Note 12 of audited financial statement.
- 17 Variance of S\$207k attributed to imputed interest expense on contingent consideration payables to Dr Jimmy Gian due to fair value adjustments upon PPA exercise.
- 18 Refers to foreign exchange differences from bank balances.
- 19 Variances refers to starting point of Consolidated Statement of Cash Flows is Loss for the period before tax, as opposed to Loss for the period after tax in announcement. Hence no tax expense to be adjusted.
- 20 Variances in Trade and other receivables, Trade and other payables and Other assets were mainly due to reclassification of cash movement from operating activities to investing activities due to PPA exercise.

- 21 Variance of S\$380k in repayment of borrowings refers to i) reclassification of S\$131k interest paid from Net cash in operating activities, and ii) additional S\$250k repayment of loan.
- 22 Adjustments to reflect actual tax paid by the Group.
- 23 Refers to i) S\$215k adjustments to acquisition of ADG Group to reflect the fair value changes in ADG Group after the PPA exercise, and ii) reclassification of S\$1.3M for acquisition of business under EDC to a separate line.
- 24 Variance mainly refers to interest paid on lease liability being added back for reclassification purposes.

Other than a reversal of S\$80k for payment of rental made after year end being wrongly recorded in FY2022, the above adjustments and reclassifications correspondingly were mainly taken up after the finalisation of PPA exercise and there is no material impact to the overall cash and cash equivalents as at 31 December 2022.

By Order of the Board
QUANTUM HEALTHCARE LIMITED

Thomas Tan Gim Chua
Chief Executive Officer
13 April 2023

This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. ("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 announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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