



INTERNATIONAL HEALTHWAY CORPORATION LIMITED

(Company Registration Number: 201304341E)

UNAUDITED SECOND QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

International Healthway Corporation Limited (the "**Company**") was listed on the Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 8 July 2013. The initial public offering (the "**IPO**") of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**" or "**PPCF**").

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this announcement.

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 Mr Mark Liew, Managing Director, Corporate Finance, at 20 Cecil Street, #21-02 Equity Plaza, Singapore 049705, telephone (65) 6229 8088.

BACKGROUND OF THE COMPANY

The Company was incorporated in the Republic of Singapore on 18 February 2013 under the Companies Act (Chapter 50) of Singapore as a private limited company. The Group (the "**Company and its subsidiaries**") was formed pursuant to a restructuring exercise (the "**Restructuring Exercise**") prior to the IPO and listing on the Catalist of the SGX-ST (the "**Catalist**"). Please refer to the Company's offer document dated 1 July 2013 for further details on the Restructuring Exercise.

The Company was admitted to the Catalist on 8 July 2013. For the purpose of this announcement, the results of the Group for the 3 months and 6 months ended 30 June 2014 and the comparative results of the Group for the 3 months and 6 months ended 30 June 2013 have been prepared on the assumption that the Group structure following the completion of the Restructuring Exercise has been in place since 1 January 2013.



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Unaudited Second Quarter Financial Statements And Related Announcement for the Financial Period Ended 30 June 2014

PART1 - 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.

	Group			Group		
	3 months ended 30 June			6 months ended 30 June		
	2014	2013	Inc/(Dec)	2014	2013	Inc/(Dec)
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	9,010	7,854	14.7	17,805	12,133	46.7
Cost of sales	(4,419)	(3,934)	12.3	(8,418)	(6,816)	23.5
Gross profit	4,591	3,920	17.1	9,387	5,317	76.5
Other operating income	5,950	39,866	(85.1)	6,760	40,315	(83.2)
Administrative expenses	(4,789)	(6,256)	(23.4)	(6,555)	(7,165)	(8.5)
Finance expenses	(3,430)	(2,498)	37.3	(6,262)	(2,759)	127.0
Profit before tax	2,322	35,032	(93.4)	3,330	35,708	(90.7)
Income tax expense	(91)	(6,351)	(98.6)	(102)	(6,489)	(98.4)
Profit after taxation	2,231	28,681	(92.2)	3,228	29,219	(89.0)
Other comprehensive income/(loss):						
Currency translation differences arising from consolidation	369	1,092	(66.2)	(657)	1,353	N/M
Total comprehensive income for the period	2,600	29,773	(91.3)	2,571	30,572	(91.6)
Profit/(loss) attributable to :						
Equity holders of the Company	2,215	28,687	(92.3)	3,188	29,141	(89.1)
Non-controlling interests	16	(6)	N/M	40	78	(48.7)
	2,231	28,681	(92.2)	3,228	29,219	(89.0)
Total comprehensive income/(loss) attributable to :-						
Equity holders of the Company	2,631	29,662	(91.1)	2,725	30,297	(91.0)
Non-controlling interests	(31)	111	N/M	(154)	275	N/M
	2,600	29,773	(91.3)	2,571	30,572	(91.6)
Earnings per share for profit attributable to equity holders of the Company						
- Basic earnings per share (cents)	0.136	2.014		0.196	2.049	
- Diluted earnings per share (cents)	0.136	2.014		0.196	2.049	

N/M - not meaningful



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

Statements of Financial Position

	Group		Company	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Current assets				
Cash and cash equivalents	37,041	35,272	5,961	3,770
Trade and other receivables	16,411	16,642	131,017	106,252
Other current assets	37,294	362	79	57
Inventories	650	729	-	-
	<u>91,396</u>	<u>53,005</u>	<u>137,057</u>	<u>110,079</u>
Non-current assets				
Intangible assets	43,121	43,121	-	-
Lease prepayments	11,890	12,506	-	-
Investment properties	221,056	216,736	-	-
Investment properties under development	91,368	82,294	-	-
Property, plant and equipment	6,126	6,462	83	27
Investment in subsidiaries	-	-	76,871	71,754
	<u>373,561</u>	<u>361,119</u>	<u>76,954</u>	<u>71,781</u>
Total assets	<u>464,957</u>	<u>414,124</u>	<u>214,011</u>	<u>181,860</u>
LIABILITIES				
Current liabilities				
Trade and other payables	33,263	13,441	14,484	3,003
Borrowings	39,180	9,664	7,517	1,244
Income tax liabilities	935	916	-	-
Other liabilities	-	-	515	308
	<u>73,378</u>	<u>24,021</u>	<u>22,516</u>	<u>4,555</u>
Non-current liabilities				
Trade and other payables	7,272	7,131	-	-
Borrowings	203,243	213,696	3,860	4,509
Deferred tax liabilities	6,370	6,303	-	-
Other liabilities	-	-	1,729	195
	<u>216,885</u>	<u>227,130</u>	<u>5,589</u>	<u>4,704</u>
Total liabilities	<u>290,263</u>	<u>251,151</u>	<u>28,105</u>	<u>9,259</u>
NET ASSETS	<u>174,694</u>	<u>162,973</u>	<u>185,906</u>	<u>172,601</u>
EQUITY				
Share capital	189,614	176,429	189,614	176,429
Currency translation reserve	(2,610)	(2,147)	-	-
Merger reserve	(70,137)	(66,102)	-	-
Statutory surplus reserve	253	253	-	-
Retained earnings/(Accumulated losses)	53,584	50,396	(3,708)	(3,828)
	<u>170,704</u>	<u>158,829</u>	<u>185,906</u>	<u>172,601</u>
Non-controlling interests	<u>3,990</u>	<u>4,144</u>	<u>-</u>	<u>-</u>
Total equity	<u>174,694</u>	<u>162,973</u>	<u>185,906</u>	<u>172,601</u>



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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.

	Group		Group	
	3 months ended 30 June		6 months ended 30 June	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Cash flow from operating activities :				
Profit after tax	2,231	28,681	3,228	29,219
Adjustments :-				
Income tax expense	91	6,351	102	6,489
Depreciation of property, plant and equipment	216	155	434	312
Amortisation of intangible assets	72	72	145	142
Loss on disposal of property, plant and equipment	2	1	2	3
Guarantee fee income	-	(707)	-	(707)
Impairment loss on doubtful trade receivables	-	1	-	90
Gain on disposal of a subsidiary company	-	(369)	-	(369)
Fair value gain on investment properties	-	(30,313)	-	(30,313)
Fair value gain on investment properties under development	-	(7,961)	-	(8,214)
Interest income	(23)	(142)	(44)	(364)
Interest expense	3,430	2,498	6,262	2,759
Expenses settled in shares	-	1,580	-	1,580
Foreign currency translation differences	672	528	(965)	508
Operating profit before working capital changes	6,691	375	9,164	1,135
Decrease/(Increase) in:				
Inventories	28	(88)	79	(57)
Trade and other receivables	3,154	(8,858)	2,423	(7,841)
Other current assets	(6,028)	(554)	(15,443)	(557)
Increase in:				
Trade and other payables	8,924	18,387	13,666	17,958
Cash generated from operations	12,769	9,262	9,889	10,638
Interest paid	(2,935)	(145)	(6,467)	(485)
Income tax paid	(47)	(209)	(47)	(209)
Net cash provided by operating activities	9,787	8,908	3,375	9,944
Cash flow from investing activities :				
Acquisition of investment properties	-	(195,477)	-	(195,477)
Acquisition of/additions to investment properties under development	(2,734)	(10,295)	(5,373)	(10,967)
Purchase of property, plant and equipment	(169)	(1,358)	(332)	(1,418)
Refund of tender deposit placed for purchase of an asset	-	2,456	-	2,456
Net cash inflow from acquisition of subsidiaries	-	-	58	1,902
Net cash outflow from disposal of a subsidiary company	-	(3)	-	(3)
Interest received	23	1	44	2
Net cash used in investing activities	(2,880)	(204,676)	(5,603)	(203,505)
Cash flow from financing activities :				
Advances/(Repayment) from related parties, net	1,330	18,587	(519)	19,198
Proceeds from borrowings	-	195,418	8,700	195,418
Repayment of borrowings	(4,249)	(494)	(4,464)	(1,277)
Proceeds from issuance of shares	-	-	- ^	- *
Capital contribution by former holding company	-	-	-	- *
Net cash (used in)/provided by financing activities	(2,919)	213,511	3,717	213,339
Net increase in cash and cash equivalents	3,988	17,743	1,489	19,778
Cash and cash equivalents at beginning of financial period	29,025	2,045	31,522	69
Effects of currency translation on cash and cash equivalents	278	59	280	- *
Cash and cash equivalents at end of the period	33,291	19,847	33,291	19,847

Reconciliation of cash and cash equivalents:

	Group		Group	
	As at 30.06.2014	As at 30.06.2013	As at 30.06.2014	As at 30.06.2013
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents per consolidated statement of cash flows	33,291	19,847	33,291	19,847
Add: Bank deposits pledged	3,750	-	3,750	-
Cash and cash equivalents per consolidated statement of financial position	37,041	19,847	37,041	19,847

Notes:

* Amount less than S\$1,000.

^ In Q1 2014, the Company issued 27,468,750 new shares amounting to S\$13,185,000 as consideration for the purchase of shares in a subsidiary company, IHC Shanghai Medical Village Pte Ltd.



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Notes to the Financial Statements

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

	Group			Group		
	3 months ended 30 June			6 months ended 30 June		
	2014	2013	Inc/(Dec)	2014	2013	Inc/(Dec)
	\$'000	\$'000	%	\$'000	\$'000	%
Interest income	(23)	(142)	(83.8)	(44)	(364)	(87.9)
Interest expense	3,430	2,498	37.3	6,262	2,759	127.0
Amortisation of intangible assets	72	72	-	145	142	2.1
Depreciation of property, plant and equipment	216	155	39.4	434	312	39.1
Impairment loss on doubtful trade receivables	-	1	N/M	-	90	N/M
Currency translation loss/(gain) - net	422	(367)	N/M	547	(386)	N/M
Loss on disposal of property, plant and equipment	2	1	100.0	2	3	(33.3)
Guarantee fee income	(1,005)	(707)	42.1	(1,920)	(707)	171.6
Fair value gain on investment properties	-	(30,313)	N/M	-	(30,313)	N/M
Fair value gain on investment properties under development	-	(7,961)	N/M	-	(8,214)	N/M
Gain on disposal of a subsidiary	-	(369)	N/M	-	(369)	N/M

N/M - not meaningful

- 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.

	Group			Group		
	As at 30.06.2014			As at 31.12.2013		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Amount repayable within one year	38,174	1,006	39,180	8,618	1,046	9,664
Amount repayable after one year	202,036	1,207	203,243	212,441	1,255	213,696

The secured borrowings of the Group consist of term loans and bonds and are secured by the following :-

- corporate guarantees from the Company and a subsidiary of the Company;
- joint and several all-monies guarantees by a director of the Company and two related parties;
- certain bank deposits of the Company, a subsidiary of the Company and a related party;
- the investment properties of the Group;
- a charge created over the land of a development project of the Group;
- a deed of debenture over the assets and rights of a subsidiary pertaining to a development project of the Group;
- a deed of assignment of the subsidiary's full and entire rights and entitlements pertaining to a development project of the Group;
- a first fixed charge created over the entire issued share capital of a subsidiary of the Company;
- a first party charge created over bank deposits of certain subsidiaries of the Company;
- debenture over the assets and rights of certain subsidiaries of the Company; and
- a second legal mortgage over certain asset of a related party of the Company.

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 equity holders of the Company						Non-controlling interests	Total equity
	Share Capital	Currency translation reserve	Merger reserve	Statutory surplus reserve	Retained earnings	Total		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January 2014	176,429	(2,147)	(66,102)	253	50,396	158,829	4,144	162,973
Total comprehensive income for the period								
Profit for the period	-	-	-	-	973	973	24	997
Issue of shares pursuant to acquisition of subsidiaries	13,185	-	(4,035)	-	-	9,150	-	9,150
Other comprehensive income								
Currency translation differences	-	(879)	-	-	-	(879)	(147)	(1,026)
Balance at 31 March 2014	189,614	(3,026)	(70,137)	253	51,369	168,073	4,021	172,094
Balance as 1 April 2014	189,614	(3,026)	(70,137)	253	51,369	168,073	4,021	172,094
Total comprehensive income for the period								
Profit for the period	-	-	-	-	2,215	2,215	16	2,231
Issue of shares pursuant to acquisition of subsidiaries	-	-	-	-	-	-	-	-
Other comprehensive income								
Currency translation differences	-	416	-	-	-	416	(47)	369
Balance at 30 June 2014	189,614	(2,610)	(70,137)	253	53,584	170,704	3,990	174,694
Balance at 1 January 2013	5,001	(37)	-	-	6,179	11,143	-	11,143
Total comprehensive income for the period								
Profit for the period	-	181	-	-	454	635	164	799
Acquisition of equity interests in subsidiaries	-	-	-	-	-	-	3,660	3,660
Capital contribution by former holding company	- *	-	-	-	-	-	-	- *
Issue of shares at date of incorporation of the Company	- *	-	-	-	-	-	-	- *
Balance at 31 March 2013	5,001	144	-	-	6,633	11,778	3,824	15,602
Balance at 1 April 2013	5,001	144	-	-	6,633	11,778	3,824	15,602
Total comprehensive income for the period								
Profit for the period	-	975	-	-	28,687	29,662	111	29,773
Disposal of equity interests in a subsidiary	-	-	-	-	-	-	124	124
Issue of shares pursuant to Restructuring Exercise	89,021	-	-	-	-	89,021	-	89,021
Issue of shares pursuant to acquisition of subsidiaries	54,401	-	-	-	-	54,401	-	54,401
Issue of shares pursuant to payment of professional fees	6,236	-	-	-	-	6,236	-	6,236
Effect of adjustments pursuant to Restructuring Exercise	(5,001)	-	(66,588)	-	-	(71,589)	-	(71,589)
Balance at 30 June 2013	149,658	1,119	(66,588)	-	35,320	119,509	4,059	123,568

COMPANY	Share Capital	Accumulated losses	Total equity
	\$'000	\$'000	\$'000
Balance at 1 January 2014	176,429	(3,828)	172,601
Total comprehensive income for the period			
Profit for the period	-	336	336
Issue of shares pursuant to acquisition of subsidiaries	13,185	-	13,185
Balance at 31 March 2014	189,614	(3,492)	186,122
Balance at 1 April 2014	189,614	(3,492)	186,122
Total comprehensive income for the period			
Profit for the period	-	(216)	(216)
Issue of shares pursuant to acquisition of subsidiaries	-	-	-
Balance at 30 June 2014	189,614	(3,708)	185,906
Balance at date of incorporation on 18 February 2013	- *	-	- *
Total comprehensive income for the financial period	-	-	-
Balance at 31 March 2013	- *	-	- *
Balance at 1 April 2013	- *	-	- *
Issue of shares pursuant to Restructuring Exercise	89,021	-	89,021
Issue of shares pursuant to acquisition of subsidiaries	54,401	-	54,401
Issue of shares pursuant to payment of professional fees	6,236	-	6,236
Total comprehensive income for the financial period	-	15,427	15,427
Balance at 30 June 2013	149,658	15,427	165,085

* Amount less than S\$1,000.



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- 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 also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares of the issuer, if any, against the total number of issued shares excluding treasury shares 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.

Ordinary shares issued and fully paid-up

	Number of shares	Paid-up share capital S\$
Balance as at 31 March 2014 and 30 June 2014	1,632,313,792	189,614,417

From 1 April 2014 to 30 June 2014, there was no change in the Company's share capital.

There were no outstanding convertibles or treasury shares held by the Company as at 30 June 2014 and 30 June 2013.

- 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.

As at 30 June 2014, the Company had 1,632,313,792 issued and fully paid ordinary shares (excluding treasury shares). As at 31 December 2013, the Company had 1,604,845,042 issued and fully paid ordinary shares (excluding treasury shares).

The Company did not have any treasury shares as at 30 June 2014 and 31 December 2013.

- 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 financial period ended 30 June 2014.

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 a 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.

Except as disclosed in paragraph 5 below, the accounting policies and methods of computation adopted in the financial statements for the current reporting period are consistent with those disclosed in the audited consolidated financial statements for the financial year ended 31 December 2013.

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 Financial Reporting Standards ("FRS") and Interpretations of Financial Reporting Standards ("INT FRS") that are mandatory for the accounting periods beginning on or after 1 January 2014. The adoption of these new and revised FRS and INT FRS did not result in any substantial change to the Group's and the Company's accounting policies and has no significant impact on the financial statements for the current financial reporting period.



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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:-

	Group		Group	
	3 months ended 30 June		6 months ended 30 June	
	2014	2013	2014	2013
Net profit attributable to shareholders (S\$'000)	2,215	28,687	3,188	29,141
Weighted average number of ordinary shares in issue	1,632,313,792	1,424,164,661	1,630,037,376	1,422,093,835
Basic and diluted earnings per share (cents)	0.136	2.014	0.196	2.049

For illustrative purposes, the calculation of the basic and diluted earnings per share of the Group for the 3 months and 6 months financial period ended 30 June 2013 was based on the post-Restructuring Exercise issued and paid-up ordinary share capital of 1,420,000,000 shares and adjusted for 126,328,042 ordinary shares issued on 28 June 2013 in fulfillment of the Group's payment obligations as set out on pages 101 and 102 of the Offer Document, giving rise to the weighted average number of ordinary shares of 1,424,164,661 and 1,422,093,835 respectively.

The basic and diluted earnings per share are the same as there were no potentially dilutive ordinary shares in issue as at 30 June 2014 and 30 June 2013.

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 30.06.2014	As at 31.12.2013	As at 30.06.2014	As at 31.12.2013
Net asset value attributable to the equity holders of the Company (S\$'000)	170,704	158,829	185,906	172,601
Number of ordinary shares in issue	1,632,313,792	1,604,845,042	1,632,313,792	1,604,845,042
Net asset value per ordinary share (cents)	10.46	9.90	11.39	10.75

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 financial performance

(a) Revenue and Gross profit

Revenue increased by S\$1.2 million from S\$7.8 million for the three months financial period ended 30 June 2013 ("Q2 2013") to S\$9.0 million for the three months financial period ended 30 June 2014 ("Q2 2014"), due mainly to increase in rental income on leasing of the 12 fully operational nursing facilities in various part of Japan (the "Nursing Facilities") which contributed 3 months rental income to the Group's revenue in Q2 2014 as compared to 2 months rental income in Q2 2013.

The properties under the Integrated Medical Real Estate segment are still under development or earmarked for development and hence there were no revenue contribution from this business segment for the current quarter.

Gross profit increased by S\$0.7 million from S\$3.9 million in Q2 2013 to S\$4.6 million in Q2 2014, due mainly to increased profit attributed from the Japan Nursing Facilities.

(b) Other operating income

Other operating income decreased by S\$33.9 million from S\$39.9 million in Q2 2013 to S\$6.0 million in Q2 2014, attributed mainly to gains recorded in Q2 2013 but not Q2 2014, namely the fair value gains on the Investment properties of S\$30.3 million and on the Investment properties under development of S\$8.0 million, S\$0.4 million gain on disposal of a subsidiary company, decrease of interest income by S\$0.1 million due to maturity of the loan granted to a related company, as well as a net exchange loss of S\$0.4 million in Q2 2014 as compared to a net exchange gain of S\$0.4 million in Q2 2013. This decrease was offset by S\$5.3 million income from a consultancy service contract on a China project recorded in the current period.



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(c) Administrative expenses

Administrative expenses decreased by S\$1.5 million from S\$6.3 million in Q2 2013 to S\$4.8 million in Q2 2014. The decrease was due mainly to S\$4.2 million decrease in legal and professional fee pursuant to the completion of the IPO, offset by increases in staff costs by S\$0.7 million, recognition of project management fee of S\$1.3 million in relation to the consultancy service rendered for a China project and S\$0.2 million operating expenses incurred by the Japan Nursing Facilities.

(d) Finance expenses

Finance expenses increased by S\$0.9 million from S\$2.5 million in Q2 2013 to S\$3.4 million in Q2 2014, due mainly to the interest expense incurred on the borrowings utilised to finance capital expenditure for the acquisition of Investment properties and Investment properties under development, as well as for working capital needs.

(e) Income tax expense

Income tax expense incurred in the current quarter relates to the provision of healthcare services through the operation of a hospital in Wuxi City, Jiangsu Province, the People's Republic of China (the "Wuxi Hospital").

Profit after taxation

The Group recorded a profit after tax of S\$2.2 million in Q2 2014 as compared to S\$28.7 million in Q2 2013.

Statement of Financial Position

- (a) Non-current assets (comprising Intangible assets, Property, plant and equipment, Investment properties, Investment properties under development and Lease Prepayments) increased by S\$12.5 million from S\$361.1 million at 31 December 2013 to S\$373.6 million at 30 June 2014. The increase was due mainly to S\$4.3 million increase in Investment properties which was attributed to appreciation of Japanese Yen against Singapore Dollar for the Group's Japan assets, and S\$9.1 million increase in Investment properties under development. The increase in Investment properties under development was due mainly to the acquisition of IHC Shanghai Medical Village Pte Ltd ("HSMV") in Q1 2014 amounting to S\$3.6 million and approximately S\$5.5 million project costs capitalised in Investment properties under development. This is offset by S\$0.6 million decrease in Lease prepayments and S\$0.4 million of depreciation charge on Property, plant and equipment.
- (b) Current assets (comprising Cash and cash equivalents, Trade and other receivables, Other current assets and Inventories) increased by S\$38.4 million from S\$53.0 million at 31 December 2013 to S\$91.4 million at 30 June 2014. The increase was mainly attributed by an increase of S\$36.9 million in Other current assets and an increase of S\$1.7 million in Cash and cash equivalents. The increase in Other current assets was due mainly to S\$30.6 million deposits that had been paid for the Shanghai properties project and S\$6.4 million deposits paid for the acquisition of three freehold commercial properties in Australia during the 6 months ended 30 June 2014.
- (c) Non-current liabilities (comprising Trade and other payables, Borrowings and Deferred tax liabilities) decreased by S\$10.2 million from S\$227.1 million at 31 December 2013 to S\$216.9 million at 30 June 2014, attributed mainly to net decrease in borrowings on reclassification of a S\$25.0 million loan from Non-current liabilities to Current liabilities in accordance with the repayment period, offset by an increase in borrowings of S\$11.3 million pursuant to the acquisition of HSMV by the Company in Q1 2014.
- (d) Current liabilities (comprising Trade and other payables, Borrowings and Income tax liabilities) increased by S\$49.4 million from S\$24.0 million at 31 December 2013 to S\$73.4 million at 30 June 2014 due mainly to the increases of S\$19.8 million in Trade and other payables and S\$29.5 million in Borrowings. The increase in Trade and other payables was mainly attributed to increases of S\$6.0 million pursuant to the acquisition of HSMV in Q1 2014, S\$8.0 million loan contribution from financing arrangement from a non-related party and S\$3.2 million of shareholder loan by a non-controlling shareholder of a subsidiary as part of the capital injection to a subsidiary. The increase in borrowings was mainly due to S\$6.2 million loan undertaken for the acquisition of three freehold commercial properties in Australia and S\$25.0 million loan reclassified from Non-current liabilities to Current liabilities.
- (e) Shareholders' equity increased by S\$11.9 million from S\$158.8 million at 31 December 2013 to S\$170.7 million at 30 June 2014, due mainly to new shares issued and merger reserve recognised pursuant to the acquisition of HSMV and the net profit of S\$3.2 million generated during the 6 months ended 30 June 2014, offset by currency translation loss.



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Cashflow and Working Capital

- (a) Net cash generated from operating activities of S\$12.8 million in Q2 2014 arose from profit after tax of S\$2.2 million, adjusted for non-cash items amounting to S\$4.5 million, cash inflow from a net increase in working capital of S\$6.1 million attributed mainly on increases in Other current assets of S\$6.0 million and Trade and other payables of S\$8.9 million, offset by decrease in Trade and other receivables of S\$3.2 million, and the net payment of interest and tax amounted to S\$3.0 million.

Net cash used in investing activities of S\$2.9 million in Q2 2014 comprised of additions to Investment properties under development of S\$2.7 million and S\$0.2 million for purchase of Property, plant and equipment.

Net cash used in financing activities of S\$2.9 million in Q2 2014 comprised mainly of S\$4.2 million repayment of Borrowings, offset by S\$1.3 million of advances from related parties.

Based on the above, Cash and cash equivalents increased by S\$4.3 million (including S\$0.3 million currency translation difference) from S\$29.0 million at 31 March 2014 to S\$33.3 million at 30 June 2014, excluding S\$3.75 million pledged in fixed deposits.

- (b) As at 30 June 2014, the Group had net positive working capital of S\$18.0 million.

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

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

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The development of the integrated medical real estate projects in the Group's portfolio is still ongoing. We will continue developing our Asia-centric portfolio of healthcare services and integrated medical real estates. The Group believes that the outlook for the integrated healthcare services and facilities industry in Malaysia, Japan, China and Australia remains positive as demand is primarily driven by both organic growth and increasing private healthcare consumption, fuelled by rising affluence and improved standard of living.

The Group will continue to pursue the implementation of its business strategies and future plans to enlarge its asset portfolio of healthcare services and facilities, including Real Estate Investment Trust plan as previously announced.

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

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

None.

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

Not applicable.



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(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) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect

No dividend has been declared or recommended for the financial period ended 30 June 2014.

13. If the Group has obtained a general mandate from shareholders for 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.

Other than the Restructuring Exercise and interested person transactions as disclosed on pages 103 and 104; and pages 171 and 174 of the offer document dated 1 July 2013 respectively, there were no other interested person transactions of S\$100,000 and above during the financial period under review.

The Group does not have a general mandate from shareholders for the recurrent interested person transactions.

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14. Use of IPO net proceeds

	Amount allocated (as disclosed in the offer document dated 1 July 2013) S\$'000	Amount utilised as at the date of this Announcement S\$'000	Balance of net proceeds as at the date of this Announcement S\$'000
Development and redevelopment of our existing projects	10,000	10,000	-
Acquisition of our pending projects	8,000	8,000	-
Purchase and/or upgrade of medical equipment	500	-	500
Working capital *	4,230	4,230	-
	22,730	22,230	500

Note:-

* Amount for working capital has been utilised for the repayment of borrowings and interest expense.

The above utilisations are in accordance with the intended use of the IPO net proceeds and percentage allocated, as stated in the offer document dated 1 July 2013.



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Confirmation of Negative Assurance by the Board of Directors Pursuant to Rule 705(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited

We, Jong Hee Sen and Yip Yuen Leong, being two of the directors of International Healthway Corporation Limited (the "Company"), do hereby confirm on behalf of the board of directors of the Company that, to the best of our knowledge, nothing has come to the attention of the board of directors of the Company which may render the unaudited financial results for the 3 months and 6 months ended 30 June 2014 to be false or misleading in any material aspect.

On behalf of the board of directors

Jong Hee Sen
Executive Chairman and Group President
International Healthway Corporation Limited

14 August 2014