



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 SECOND QUARTER AND HALF-YEAR ENDED 30 JUNE 2019

	Second quarter			Half-year		
	30/06/2019	30/06/2018	Increase/ (decrease)	30/06/2019	30/06/2018	Increase/ (decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	23,054	21,595	6.8	44,643	40,824	9.4
Cost of sales	(12,364)	(11,915)	3.8	(23,941)	(22,227)	7.7
Gross profit	10,690	9,680	10.4	20,702	18,597	11.3
Other items of income						
Financial income	9	9	-	32	29	10.3
Other income	60	252	(76.2)	70	325	(78.5)
Other items of expense						
Distribution and selling expenses	(902)	(913)	(1.2)	(1,822)	(1,666)	9.4
Administrative expenses	(5,315)	(4,850)	9.6	(10,224)	(9,098)	12.4
Financial expenses	(416)	(279)	49.1	(738)	(515)	43.3
Share of results of joint ventures and associate	6	15	(60.0)	(92)	3	N.M
Profit before tax	4,132	3,914	5.6	7,928	7,675	3.3
Income tax expense	(623)	(536)	16.2	(1,096)	(765)	43.3
Profit for the period	3,509	3,378	3.9	6,832	6,910	(1.1)
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation	(74)	52	N.M	(18)	(223)	(91.9)
Total comprehensive income for the period	3,435	3,430	0.1	6,814	6,687	1.9
Profit attributable to:						
Owners of the Company	3,525	3,406	3.5	6,843	6,827	0.2
Non-controlling interests	(16)	(28)	(42.9)	(11)	83	N.M
	3,509	3,378	3.9	6,832	6,910	(1.1)
Total comprehensive income attributable to:						
Owners of the Company	3,451	3,458	(0.2)	6,825	6,604	3.3
Non-controlling interests	(16)	(28)	(42.9)	(11)	83	N.M
	3,435	3,430	0.1	6,814	6,687	1.9

N.M: Not meaningful

Notes to the Consolidated Statement of Comprehensive Income

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

	<u>Second quarter</u>			<u>Half-year</u>		
	<u>30/06/2019</u>	<u>30/06/2018</u>	<u>Increase/ (decrease)</u>	<u>30/06/2019</u>	<u>30/06/2018</u>	<u>Increase/ (decrease)</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Depreciation of property, plant and equipment	938	1,100	(14.7)	1,927	2,045	(5.8)
Amortisation of intangible assets	59	-	100.0	105	-	100.0
Depreciation of right-of-use assets	1,233	-	N.M	2,390	-	N.M
Expenses relating to short-term leases	15	-	N.M	139	-	N.M
Accretion of interest on lease liabilities	82	-	N.M	172	-	N.M
Operating lease expenses	-	1,218	(100.0)	-	2,403	(100.0)
Personnel expenses	7,312	7,283	0.4	14,233	13,125	7.8
Share-based compensation expense, included under personnel expenses	45	58	(22.4)	134	115	16.5
Gain on disposal of property, plant and equipment	(26)	(28)	(7.1)	(26)	(24)	8.3
Reversal of impairment loss on investment in joint venture	-	(167)	(100.0)	-	(167)	(100.0)
Under provision of income tax in respect of prior years	-	-	-	15	-	100.0

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>	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	12,730	13,652	2,049	2,365
Intangible assets	126,766	126,543	51	19
Right-of-use assets ¹	11,088	-	3,644	-
Investment in subsidiaries	-	-	138,335	113,664
Investment in joint ventures	1,548	1,642	2,457	2,541
Investment in associate	5,613	5,714	6,045	6,045
Other receivables	3,570	2,900	1,646	1,288
Deferred tax assets	805	844	170	170
	<u>162,120</u>	<u>151,295</u>	<u>154,397</u>	<u>126,092</u>
Current assets				
Inventories	1,753	1,694	-	-
Trade receivables	6,240	6,031	-	-
Prepayments	1,143	1,775	444	352
Other receivables	1,389	1,037	103	93
Due from related companies	-	-	-	8,525
Cash and cash equivalents	25,712	20,012	10,776	6,071
	<u>36,237</u>	<u>30,549</u>	<u>11,323</u>	<u>15,041</u>
Total assets	<u>198,357</u>	<u>181,844</u>	<u>165,720</u>	<u>141,133</u>
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	1,629	1,648	2	2
Other payables and accruals	9,633	10,310	738	993
Contract liabilities	2,587	2,313	-	-
Deferred purchase consideration	3,628	15,538	-	1,000
Lease liabilities ¹	5,860	1,446	2,217	281
Convertible loan	9,752	-	9,752	-
Loans and borrowings	7,635	4,773	3,032	216
Income tax payable	1,811	1,776	-	-
	<u>42,535</u>	<u>37,804</u>	<u>15,741</u>	<u>2,492</u>
Net current (liabilities)/assets	<u>(6,298)</u>	<u>(7,255)</u>	<u>(4,418)</u>	<u>12,549</u>
Non-current liabilities				
Other payables and accruals	-	503	-	85
Deferred purchase consideration	1,335	1,335	-	-
Due to related companies	-	-	25,352	16,274
Lease liabilities ¹	8,516	1,724	2,100	364
Loans and borrowings	7,721	9,980	-	-
Deferred tax liabilities	190	170	-	-
	<u>17,762</u>	<u>13,712</u>	<u>27,452</u>	<u>16,723</u>
Total liabilities	<u>60,297</u>	<u>51,516</u>	<u>43,193</u>	<u>19,215</u>
Net assets	<u>138,060</u>	<u>130,328</u>	<u>122,527</u>	<u>121,918</u>

¹ As disclosed in paragraph 5 of this announcement, the Group has adopted SFRS(I) 16 resulting in the recognition of ROU assets, lease receivable (which is included under other receivables) and lease liabilities of S\$13.2 million, S\$0.3 million and S\$13.5 million respectively for its leases previously classified as operating leases as of 1 January 2019.

	<u>Group</u>		<u>Company</u>	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Equity attributable to owners of the Company</u>				
Share capital	119,789	118,918	119,789	118,918
Share option reserve	424	443	424	443
Equity component of convertible loan	66	-	66	-
Foreign currency translation reserve	(660)	(642)	-	-
Retained earnings	18,902	12,059	2,248	2,557
	138,521	130,778	122,527	121,918
Non-controlling interests	(461)	(450)	-	-
Total equity	138,060	130,328	122,527	121,918
Total equity and liabilities	198,357	181,844	165,720	141,133

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

Amount repayable in one year or less, or on demand

At 30/06/2019		At 31/12/2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
5,726	12,981	4,996	1,223

Amount repayable after one year

At 30/06/2019		At 31/12/2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
8,831	165	10,082	1,622

Details of any collateral

Loans and borrowings

Loans and borrowings amounting to:

- (a) S\$10,228,000 (31/12/2018: S\$11,908,000) 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 Companies²; (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
- (b) S\$1,770,000 (31/12/2018: S\$2,629,000) are secured by corporate guarantee taken by the Company.

² 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\$2,559,000 (31/12/2018: S\$3,170,000) that are secured by the Group's medical equipment with carrying amount of approximately S\$4,290,000 (31/12/2018: S\$4,695,000).

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

	<u>Second quarter</u>		<u>Half-year</u>	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	S\$'000	S\$'000	S\$'000	S\$'000
Profit before tax	4,132	3,914	7,928	7,675
<u>Adjustments for:</u>				
Depreciation of property, plant and equipment	938	1,100	1,927	2,045
Amortisation of intangible assets	59	-	105	-
Depreciation of right-of-use assets	1,233	-	2,390	-
Interest income	(9)	(9)	(28)	(29)
Accretion of interest on lease receivable	-	-	(4)	-
Interest expense	267	206	454	363
Amortisation of loan costs	12	12	23	23
Accretion of interest on deferred purchase consideration	56	61	89	129
Accretion of interest on lease liabilities	82	-	172	-
Gain on disposal of property, plant and equipment	(26)	(28)	(26)	(24)
Impairment loss on trade receivables	1	-	1	-
Reversal of impairment loss on investment in joint venture	-	(167)	-	(167)
Share-based compensation expense	45	58	134	115
Share of results of joint venture and associate	(6)	(15)	92	(3)
Total adjustments	2,652	1,218	5,329	2,452
Operating profit before working capital change	6,784	5,132	13,257	10,127
<u>Change in working capital</u>				
(Increase)/decrease in:				
Inventories	(66)	(240)	(60)	(141)
Trade and other receivables	(508)	1,061	(439)	153
Prepayments	(279)	42	572	(77)
(Decrease)/increase in:				
Trade payables	(58)	109	(20)	377
Contract liabilities, other payables and accruals	984	(816)	(1,022)	(2,142)
Total change in working capital	73	156	(969)	(1,830)
Cash flow generated from operations	6,857	5,288	12,288	8,297
Interest received	9	9	28	29
Interest paid	(267)	(200)	(418)	(350)
Income taxes paid	(581)	(548)	(1,002)	(749)
Net cash flows generated from operating activities	6,018	4,549	10,896	7,227
Cash flows from investing activities				
Purchase of property, plant and equipment	(319)	(1,383)	(1,065)	(2,618)
Purchase of intangible assets	-	-	(328)	-
Proceeds from sale of property, plant and equipment	3	-	3	60
Net cash outflow on acquisition of subsidiaries	(1,000)	(356)	(12,000)	(11,356)
Investment in associate	-	-	-	(5,818)
Convertible loans to a joint venture	(395)	(306)	(395)	(306)
Net cash flows used in investing activities	(1,711)	(2,045)	(13,785)	(20,038)

	<u>Second quarter</u>		<u>Half-year</u>	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from financing activities				
Proceeds from issuance of shares	697	-	718	212
Share issuance expenses	-	(8)	-	(8)
Proceeds from convertible loan	10,000	-	10,000	-
Proceeds from loans and borrowings	-	244	3,000	8,100
Repayment of loans and borrowings	(1,189)	(893)	(2,457)	(1,621)
Principal element of lease payments	(1,532)	(530)	(2,672)	(879)
Net cash flows generated from/(used in) financing activities	7,976	(1,187)	8,589	5,804
Net increase/(decrease) in cash and cash equivalents	12,283	1,317	5,700	(7,007)
Cash and cash equivalents at the beginning of financial period	13,429	12,977	20,012	21,301
Cash and cash equivalents at the end of financial period	25,712	14,294	25,712	14,294

For the purpose of the consolidated statement of cash flows, the cash and cash equivalents comprise the following:

	<u>Second quarter</u>		<u>Half-year</u>	
	30/06/2019	30/6/2018	30/06/2019	30/6/2018
	S\$'000	S\$'000	S\$'000	S\$'000
Cash and cash equivalents as stated in the consolidated statement of financial position	25,712	14,319	25,712	14,319
Less: Deposit pledged for bank facility	-	(25)	-	(25)
Cash and cash equivalents as stated in the consolidated statement of cash flows	25,712	14,294	25,712	14,294

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

At 1 January 2019

Profit for the period
Foreign currency translation differences
Total comprehensive income for the period

Issuance of shares
Share-based compensation expense
Issuance of convertible loan

At 30 June 2019

At 1 January 2018

Profit for the period
Foreign currency translation differences
Total comprehensive income for the period

Issuance of shares
Share issuance expenses
Share-based compensation expense
Acquisition of subsidiary

At 30 June 2018

Attributable to owners of the Company							
Share capital	Share option reserve	Equity component of convertible loan	Foreign currency translation reserve	Retained earnings/ (accumulated losses)	Total	Non-controlling interests	Total equity
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
118,918	443	-	(642)	12,059	130,778	(450)	130,328
-	-	-	-	6,843	6,843	(11)	6,832
-	-	-	(18)	-	(18)	-	(18)
-	-	-	(18)	6,843	6,825	(11)	6,814
871	(153)	-	-	-	718	-	718
-	134	-	-	-	134	-	134
-	-	66	-	-	66	-	66
119,789	424	66	(660)	18,902	138,521	(461)	138,060
108,738	526	-	(112)	(869)	108,283	50	108,333
-	-	-	-	6,827	6,827	83	6,910
-	-	-	(223)	-	(223)	-	(223)
-	-	-	(223)	6,827	6,604	83	6,687
212	-	-	-	-	212	-	212
(8)	-	-	-	-	(8)	-	(8)
-	115	-	-	-	115	-	115
2,997	-	-	-	-	2,997	(237)	2,760
111,939	641	-	(335)	5,958	118,203	(104)	118,099

Company**At 31 December 2018, as previously reported**

Effects of adoption SFRS(I) 16

At 1 January 2019

Total comprehensive income for the period

Issuance of shares

Share-based compensation expense

Issuance of convertible loan

At 30 June 2019**At 1 January 2018**

Total comprehensive income for the period

Issuance of shares

Share issuance expenses

Share-based compensation expense

Acquisition of subsidiary

At 30 June 2018

	Share capital	Share option reserve	Equity component of convertible loan	Retained earnings/ (accumulated losses)	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 31 December 2018, as previously reported	118,918	443	-	2,557	121,918
Effects of adoption SFRS(I) 16	-	-	-	(96)	(96)
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
At 1 January 2018	108,738	526	-	(6,285)	102,979
Total comprehensive income for the period	-	-	-	534	534
Issuance of shares	212	-	-	-	212
Share issuance expenses	(8)	-	-	-	(8)
Share-based compensation expense	-	115	-	-	115
Acquisition of subsidiary	2,997	-	-	-	2,997
At 30 June 2018	111,939	641	-	(5,751)	106,829

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Share capital

	2019		2018	
	No. of shares		No. of shares	
	'000	S\$'000	'000	S\$'000
<u>Issued and fully paid ordinary shares</u>				
At 1 April	480,721	118,944	460,116	108,950
Issued for acquisition of subsidiary (note 1)	-	-	6,055	2,997
Share issuance expenses (note 2)	-	-	-	(8)
Issued upon exercise of share options (note 3)	2,300	845	-	-
At 30 June	483,021	119,789	466,171	111,939

Note 1

The Company had on 23 April 2018 issued a total of 6,055,364 ordinary shares to 2 individuals, pursuant to the sale and purchase agreement dated 22 March 2018 between the Company and the 2 individuals, to acquire 85% equity interest in Pheniks Pte. Ltd. ("**Pheniks**"). Upon the completion of the acquisition, Pheniks became an 85% owned subsidiary of the Company.

Note 2

The share issuance expenses were incurred for the issuance of shares for acquisition of subsidiary (refer to note 1).

Note 3

In the second quarter ended 30 June 2019, the Company had issued 2,300,000 ordinary shares following the exercise of share options by the Company's employees, under the SMG Share Option Scheme.

Share Option

The SMG Share Option Scheme ("**SSOS**") was approved by the shareholders at the Extraordinary General Meeting on 30 April 2014. During the second quarter ended 30 June 2019, 2,025,000 (Second quarter ended 30/06/2018: 5,380,000) share options were granted by the Company and accepted by employees. As at 30 June 2019, the number of shares that may be issued on conversion of all the outstanding share options were 10,440,000 (30/06/2018: 11,160,000).

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 01/04/2019	Options granted	Options exercised	Options forfeited/expired	Options outstanding at 30/06/2019	Expiry date
22/09/2016	S\$0.303	4,810,000	-	(2,300,000)	-	2,510,000	21/09/2021
03/04/2017	S\$0.545	675,000	-	-	(90,000)	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	-	2,025,000	-	-	2,025,000	30/05/2024
		10,805,000	2,025,000	(2,300,000)	(90,000)	10,440,000	

Performance Share Plan

In addition to the SSOS, share awards can be granted to employees under the SMG Performance Share Plan ("**SPSP**"), 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 SPSP, the final number of performance shares awarded will be adjusted accordingly.

During the second quarter ended 30 June 2019, the Company granted a total of nil (Second quarter ended 30/06/2018: 336,000) performance shares to employees under the SPSP. As at 30 June 2019, the number of outstanding performance shares granted under the SPSP were 336,000 (30/06/2018: 336,000).

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

Date of grant	Number of Performance Shares				Outstanding at 30/06/2019
	Outstanding at 01/04/2019	Granted	Adjustments [#]	Vested	
30/04/2018	336,000	-	-	-	336,000
	336,000	-	-	-	336,000

[#] 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

On 25 April 2019, the Company 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 a convertible loan (the "**Convertible Loan**") of S\$10.0 million pursuant to the terms and conditions of a convertible loan agreement dated 20 February 2019. The Company has drawn down the Convertible Loan and released the announcement via SGXNET on 4 June 2019.

Save as disclosed above, there were no other outstanding options and convertibles as at 30 June 2019 and 30 June 2018.

There were no treasury shares or subsidiary holdings held by the Company as at 30 June 2019 and 30 June 2018.

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 30/06/2019	As at 31/12/2018
Total number of issued shares (excluding treasury shares)	483,021,635	480,651,635

There were no treasury shares as at 30 June 2019 and 31 December 2018.

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.

Not applicable as the Company did not have any treasury shares as at 30 June 2019 and 31 December 2018.

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 2019 and 31 December 2018.

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 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 2018.

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 2019. Except for the adoption of SFRS(I) 16 *Leases*, the adoption of the other 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.

Adoption of SFRS(I) 16 *Leases*

SFRS(I) 16 *Leases* introduces a single, on-balance sheet lease accounting model for lessees where the distinction between operating and finance leases is removed. It requires a lessee to recognise a right-of-use ("**ROU**") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The accounting for lessors has not changed significantly.

The Group adopted SFRS(I) 16 on 1 January 2019, using the modified retrospective approach, where comparative amounts for the year prior to first adoption will not be restated.

The Group applied the practical expedient to recognise amounts of ROU assets equal to its lease liabilities on 1 January 2019 and recognition exemptions for short-term leases and leases of low value items in accordance with SFRS(I) 16. Subsequent to initial recognition, ROU assets are carried at cost less accumulated depreciation and any accumulated impairment losses while the carrying amount of lease liabilities will take into account interest on the lease liabilities, lease payments made and any reassessment or lease modifications.

The adoption of SFRS(I) 16 resulted in the Group recognising ROU assets, lease receivable (which is included under other receivables) and lease liabilities of S\$13.2 million, S\$0.3 million and S\$13.8 million respectively for its leases previously classified as operating leases as of 1 January 2019. It also resulted in additional S\$0.1 million charges in the statement of comprehensive income for the current financial period.

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).

	Second quarter		Half-year	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
Net profit attributable to the owners of the Company used in the computation of basic earnings per share (S\$'000)	3,525	3,406	6,843	6,827
Earnings per share (cents per share)				
- Basic	0.73	0.73	1.42	1.48
- Diluted	0.69	0.73	1.34	1.45

The basic earnings per share for the second quarter and half year ended 30 June 2019 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 481,580,536 and 481,150,751 (second quarter and half year ended 30 June 2018: 464,707,102 and 462,118,546) respectively. The diluted earnings per share for the second quarter and half year ended 30 June 2019 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 510,775,064 and 510,751,353 (second quarter and half year ended 30 June 2018: 469,502,955 and 471,354,403) respectively. 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 and the conversion of the Convertible Loan.

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	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
Net asset value per ordinary share (cents)	28.68	27.21	25.37	25.37

Net asset value per ordinary share is calculated based on 483,021,635 and 480,651,635 ordinary shares outstanding as at 30 June 2019 and 31 December 2018, 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 increased by 6.8% from S\$21.6 million for the three-month financial period ended 30 June 2018 ("**2Q2018**") to S\$23.1 million for the three-month financial period ended 30 June 2019 ("**2Q2019**"). The increase was mainly due to increase in revenue of Health Business segment and Diagnostic & Aesthetics Business segment by S\$1.0 million and S\$0.4 million respectively mainly due to the organic growth of the existing clinics.

For the six-month financial period ended 30 June 2019 ("**HY2019**"), the Group's revenue increased by 9.4% from S\$40.8 million for the six-month financial period ended 30 June 2018 ("**HY2018**") to S\$44.6 million. The increase was mainly due to increase in revenue of Diagnostic & Aesthetics Business segment by S\$4.1 million mainly contributed by the subsidiary, Pheniks, which was acquired in April 2018. Revenue of the Health Business segment decreased by S\$0.3 million mainly due the closure of the Orthopaedic clinic as the Group restructures its non-core business to avoid competition with the imaging business, offset by increase in revenue of the existing clinics in this segment.

Gross profit

Gross profit increased by 10.4% from S\$9.7 million for 2Q2018 to S\$10.7 million for 2Q2019 as a result of increase in revenue. Gross profit margin increased by one percentage points from 45% in 2Q2018 to 46% in 2Q2019 mainly due to the change in sales mix of the Health Business segment and Diagnostic & Aesthetics Business segment.

For HY2019, gross profit increased by 11.3% from S\$18.6 million for HY2018 to S\$20.7 million mainly due to the same reasons as mentioned above. Gross profit margin remained unchanged at 46% for both HY2018 and HY2019.

Other income

Other income decreased by 76.2% from S\$252,000 for 2Q2018 to S\$60,000 for 2Q2019 mainly due to the reversal of impairment loss on the Group's investment in a joint venture in 2018.

For HY2019, other income decreased by 78.5% to S\$70,000. The decrease was mainly due to the same reason as mentioned above.

Distribution and selling expenses

Distribution and selling expenses remained fairly constant at S\$0.9 million for both 2Q2018 and 2Q2019.

For HY2019, distribution and selling expenses increased by 9.4% from S\$1.7 million for HY2018 to S\$1.8 million. The increase was mainly driven by increase in revenue and the increase in marketing expenses incurred by the aesthetics business.

Administrative expenses

Administrative expenses increased by 9.6% from S\$4.9 million for 2Q2018 to S\$5.3 million for 2Q2019. This was mainly due to increase in staff headcount arising from the acquisition of Pheniks in April 2018 and the increased number of clinics in the Group.

For HY2019, administrative expenses increased by 12.4% from S\$9.1 million for HY2018 to S\$10.2 million. The increase was mainly due to the same reason as mentioned above.

Financial expenses

Financial expenses increased by 49.1% from S\$0.3 million for 2Q2018 to S\$0.4 million for 2Q2019 mainly due to higher interest expenses incurred on bank loans, which were obtained for paying the cash consideration for the acquisition of the Astra Group and Kids Clinics³, and accretion of interest on lease liabilities arising from the adoption of SFRS(I) 16, offset by decrease in accretion of interest on deferred purchase consideration.

For HY2019, financial expenses increased by 43.3% from S\$0.5 million for HY2018 to S\$0.7 million. The increase was mainly due to the same reasons as mentioned above.

³ Kids Clinics comprise Children's Clinic Central Pte. Ltd. and Kids Clinic @ Bishan Pte. Ltd.

Share of results of joint ventures and associate

Share of profit of joint ventures and associate decreased by 60.0% from S\$15,000 for 2Q2018 to S\$6,000 for 2Q2019 mainly due to losses incurred by the associated company, CHA SMG (Australia) Pte. Ltd., and the joint venture entity, SMG International (Vietnam) Pte. Ltd., offset by improvement in financial performance of the joint venture entity, PT Ciputra SMG.

For HY2019, the Group has share of loss of joint ventures and associate of S\$92,000 compared to share of profit of joint ventures and associate of S\$3,000 for HY2018. This is mainly due to the same reason as mentioned above.

Income tax expense

Income tax expense increased by 16.2% from S\$0.5 million for 2Q2018 to S\$0.6 million for 2Q2019. This is due to a higher tax payable resulting from a lower tax exemption on taxable income which is effective for the current financial period and lesser carried forward tax benefits.

For HY2019, income tax expense increased by 43.3% from S\$0.8 million for HY2018 to S\$1.1 million. The reasons for the increase are the same as mentioned above.

Statement of Financial Position

Non-current assets increased by S\$10.8 million from S\$151.3 million as at 31 December 2018 to S\$162.1 million as at 30 June 2019, mainly due to:

- (a) Increase in intangible assets arising from additions of computer software including the telemedicine platform which was launched in January 2019, offset by amortisation charged during the financial period;
- (b) Recognition of ROU assets and lease receivable (included under non-current other receivables) arising from the adoption of SFRS(I) 16; and
- (c) Increase in other receivables arising from additional loans given to a joint venture entity.

The increase is offset by: (a) decrease in property, plant and equipment arising from depreciation charged, offset by additions of assets during the financial period; and (b) decrease in investment in joint ventures and associate arising from the net share of losses of joint ventures and associate during the financial period.

Current assets increased by S\$5.7 million from S\$30.5 million as at 31 December 2018 to S\$36.2 million as at 30 June 2019, mainly due to increase in cash and cash equivalents, inventories, trade receivables and other receivables of S\$5.7 million, S\$0.1 million, S\$0.2 million and S\$0.3 million respectively, offset by decrease in prepayments of S\$0.6 million.

Current liabilities increased by S\$4.7 million from S\$37.8 million as at 31 December 2018 to S\$42.5 million as at 30 June 2019, mainly due to: (a) increase in contract liabilities of S\$0.2 million; (b) increase in the current portion of lease liabilities of S\$4.4 million mainly arising from recognition of new lease liabilities, which were previously classified as operating leases, on the adoption of SFRS(I) 16; (c) the drawdown of the convertible loan facility offered by CHS where the liability component of the Convertible Loan is S\$9.8 million; and (d) increase in the current portion of loans and borrowings of S\$2.9 million due to new short-term bank loans obtained during the financial period. The increase is offset by: (a) decrease in other payables and accruals of S\$0.7 million; and (b) decrease in the current portion of the deferred purchase consideration of S\$11.9 million as a result of payment of deferred purchase consideration.

Non-current liabilities increased by S\$4.1 million from S\$13.7 million as at 31 December 2018 to S\$17.8 million as at 30 June 2019, mainly due to increase in lease liabilities for the same reasons as mentioned above, offset by: (a) decrease in non-current other payables; and (b) 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 increase in share capital.

The Group has net current liabilities of S\$6.3 million (31/12/2018: S\$7.3 million) as at 30 June 2019 mainly due to the recognition of lease liabilities of S\$4.5 million arising from the adoption of SFRS(I) 16 and deferred purchase consideration of S\$3.6 million, which are expected to be paid within 12 months after the balance sheet date. Based on the Group's projected operating cash flows and with existing debt facilities from financial institutions, management believes 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\$6.0 million for 2Q2019 arose mainly from the operating profit before working capital changes of S\$6.8 million and inflow of working capital of S\$0.1 million, offset by interest payment of S\$0.3 million and income tax payment of S\$0.6 million. Of the operating profit before working capital changes of S\$6.8 million, approximately S\$1.3 million relates to depreciation of ROU assets and accretion of interest on lease liabilities which arise due to the adoption of SFRS(I) 16.

Net cash flows used in investing activities of S\$1.7 million for 2Q2019 were mainly attributed to the purchase of property, plant and equipment of S\$0.3 million, payment of deferred purchase consideration from the acquisition of Pheniks of S\$1.0 million, and convertible loan given to a joint venture of S\$0.4 million.

Net cash flows generated from financing activities of S\$8.0 million for 2Q2019 were mainly from proceeds from issuance of shares and the Convertible Loan of S\$0.7 million and S\$10.0 million respectively, offset by repayment of loans and borrowings and lease payments of S\$1.2 million and S\$1.5 million respectively.

Cash and cash equivalents was S\$25.7 million as at 30 June 2019, compared to S\$20.0 million as at 31 December 2018.

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 continues to execute its growth initiatives in key specialist verticals such as Obstetrics and Gynaecology ("O&G") and Paediatrics. The Group opened a new Paediatrics clinic and a new O&G clinic in HY2019 and further complement its O&G and oncology segments with the opening of a new breast care clinic in May 2019. With continued demand being seen for women's and children's health, the Group will be adding a new gynecologist and two new Paediatricians the second half of 2019. Further, an additional radiologist will also come onboard in September 2019. The Group will continue its recruitment initiatives to hire more specialists in key complementary verticals as it targets to onboard an additional ten to twelve specialists in 2019.

The Group had expanded its aesthetics segment with the opening of a second SW1 Clinic in Singapore and a new 4,000 square feet aesthetics centre in Ho Chi Minh City in HY2019. While the Group see year-on-year growth in the aesthetics segment, we remain cautious on the growth of this business segment due to global uncertainty.

Overseas, the Group will focus on its various growth strategies for its overseas market and remains optimistic on the continued growth of its joint ventures. The Group has increased its equity interest in its Vietnam joint venture as the Group taps on the growth potential of the Vietnam market which is expected to contribute positively to the Group's financial performance in the mid-term. Beyond its existing footprints in Singapore, Vietnam, Indonesia and Australia, the Group is exploring new areas for growth in Vietnam, Cambodia, Thailand and Malaysia.

The Group will look to strengthen its strategic partnership with CHA Healthcare Co., Ltd., which was built upon the premise of exploring near-term projects in Vietnam, Singapore and other key Asian markets. Any material developments on future corporate actions will be announced to shareholders accordingly.

The Group will also continue to explore various avenues to enhance shareholders' value.

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 three-month financial period ended 30 June 2019 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 during the financial period under review	
	30/06/2019 S\$'000	30/06/2018 S\$'000
K S Beng Pte Ltd - Rental	98	98
MW Medical Holdings Pte Ltd - Rental	85	85
MW Medical Pte Ltd - Nursing services	2	8

14. **Negative confirmation pursuant to Rule 705(5)**

The Board of Directors confirms that, to the best of its knowledge, nothing has come to its attention which may render the unaudited financial results of the Group for the six-month financial period ended 30 June 2019 presented in this announcement, to be false or misleading in any material aspect.

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**

Convertible Loan

The net proceeds from the Convertible Loan (refer to paragraph 1(d)(ii)), which was drawdown on 4 June 2019 was approximately S\$9.7 million, out of which the following amount had been utilised as at 7 August 2019:

<u>Use of Net Proceeds</u>	Allocation of Net Proceeds	Net Proceeds as at 4 June 2019	Net Proceeds utilised from 4 June 2019 to 7 August 2019	Balance of Net Proceeds as at 7 August 2019
	S\$ million	S\$ million	S\$ million	S\$ million
(i) Merger and acquisitions	7.8	7.8	-	7.8
(ii) General business purposes	1.9	1.9	-	1.9
	9.7	9.7	-	9.7

The above use of proceeds is in accordance with the intended use as stated in the announcement relating to the Convertible Loan.

BY ORDER OF THE BOARD

Dr Beng Teck Liang
Chief Executive Officer
7 August 2019

*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 Catalist Rules. 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.*

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