

**HEALTHWAY MEDICAL CORPORATION LIMITED**

(Company Registration No.: 200708625C)  
(Incorporated in the Republic of Singapore)

**RESPONSES TO QUERIES RAISED BY THE SINGAPORE EXCHANGE REGULATION**

The Board of Directors (the “**Board**”) of Healthway Medical Corporation Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) sets out below the Company’s responses to queries raised by the Singapore Exchange Regulation Pte Ltd (the “**SGX RegCo**”) on 12 August 2021, with reference to the Company’s announcement dated 10 August 2021 on the Group’s Half Year 2021 Results (the “**Announcement**”).

<b>SGX Queries</b>	<b>Company’s Responses</b>																					
<p>(1) The non-current trade and other receivables balance is S\$1.68m. Please disclose:</p> <p>(i) the breakdown of the Group’s trade and other receivables (where applicable);</p> <p>(ii) the nature of the non-current receivables; and</p> <p>(iii) the Board’s assessment of the recoverability of the non-current trade and other receivables.</p>	<p>(i) The Group does not have any non-current trade receivables as at 30 June 2021. The Group’s non-current other receivables are summarised below:</p> <p align="center"><b>Trade &amp; Other Receivables (Non-current)</b></p> <table border="1"> <thead> <tr> <th></th> <th colspan="2"><b>Group</b></th> </tr> <tr> <th></th> <th>30.6.2021</th> <th>31.12.2020</th> </tr> <tr> <th></th> <th>S\$’000</th> <th>S\$’000</th> </tr> </thead> <tbody> <tr> <td><b>Other receivables</b></td> <td></td> <td></td> </tr> <tr> <td>Finance lease receivables</td> <td align="right">260</td> <td align="right">400</td> </tr> <tr> <td>Deposits</td> <td align="right">1,420</td> <td align="right">1,100</td> </tr> <tr> <td></td> <td align="right"><u>1,680</u></td> <td align="right"><u>1,500</u></td> </tr> </tbody> </table> <p>(ii) Non-current Trade and other receivables comprise finance lease receivables and the deposits:</p> <p>Finance lease receivables relate to subleases of premises. The Group acts as an intermediate lessor in which it subleases out commercial and office premises to third parties and a related party for monthly lease payments. Such subleases are classified as finance lease because the subleases are for a majority of or the entire remaining lease term of the head leases.</p> <p>Deposits relate to the deposit paid by the Group for leases of premises and for various utility contracts. Deposits are classified as non-current in nature as they are not due within one year from the date of the balance sheet.</p> <p>(iii) The Board does not expect significant credit losses arising from these balances as bulk of its non-current other receivables represent deposits for lease of premises.</p>		<b>Group</b>			30.6.2021	31.12.2020		S\$’000	S\$’000	<b>Other receivables</b>			Finance lease receivables	260	400	Deposits	1,420	1,100		<u>1,680</u>	<u>1,500</u>
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<p>(2) Please explain why interest income amounted to only S\$26k during 1HFY2021 when the Company has</p>	<p>The Group earns interest income on short term bank deposits. Interest income earned on the short-term bank deposits is recognised using the effective interest method. Lease interest income refers to income on the net investment in sublease during the period. The breakdown of the interest income is as below: <i>(Refer to the Note 5.1 of the 1H 2021 results announcement - Page 12)</i></p>																					

<p>significant cash and bank balance amounting to S\$31.4m.</p>	<p><b>Interest income</b></p> <table border="1" data-bbox="507 264 1332 533"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">Group</th> <th rowspan="2">Change %</th> </tr> <tr> <th>2021 S\$'000</th> <th>2020 S\$'000</th> </tr> </thead> <tbody> <tr> <td>Interest on short-term bank deposits</td> <td>12</td> <td>99</td> <td>87.9</td> </tr> <tr> <td>Lease interest income</td> <td>14</td> <td>5</td> <td>n.m.</td> </tr> <tr> <td></td> <td><u>26</u></td> <td><u>104</u></td> <td><u>75.0</u></td> </tr> </tbody> </table> <p>Since the onset of the pandemic in 1Q 2020, interest rates on bank deposits have plummeted significantly. The Group's interest rates on bank deposits for 1H 2021 was in the range of 0.13% p.a. to 0.20% p.a. (1H 2020: 0.25% p.a. to 1.46% p.a.).</p> <p>Accordingly, the decline in the interest income is in line with the drop in bank deposit interest rates during 1H2021 as compared with 1H2020.</p>		Group		Change %	2021 S\$'000	2020 S\$'000	Interest on short-term bank deposits	12	99	87.9	Lease interest income	14	5	n.m.		<u>26</u>	<u>104</u>	<u>75.0</u>																										
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<p>(3) The Group's current trade and other receivables amount to S\$20.6m. Please disclose:</p> <p>(i) a breakdown and aging of the Group's receivables, how long are the debts outstanding and in which period the sales were reported;</p> <p>(ii) details of the Group's underlying transactions of its other receivables and the terms of the transactions;</p> <p>(iii) what were the actions taken to recover the trade and other receivables and the Company's plans to recover them;</p> <p>(iv) whether they are major customer(s) and</p>	<p>(i) and (ii) The Group's current trade receivables increased during 1H 2021 in line with an increase in revenue. Below is the breakdown of current portion of the trade and other receivables.</p> <p><b>Trade &amp; Other Receivables (Current)</b></p> <table border="1" data-bbox="507 1048 1343 1729"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">Group</th> </tr> <tr> <th>30.6.2021 S\$'000</th> <th>31.12.2020 S\$'000</th> </tr> </thead> <tbody> <tr> <td><i>Current</i></td> <td></td> <td></td> </tr> <tr> <td>Trade receivables</td> <td>22,838</td> <td>17,141</td> </tr> <tr> <td>Allowance for impairment loss</td> <td>(4,427)</td> <td>(4,482)</td> </tr> <tr> <td>Net trade receivables</td> <td><u>18,411</u></td> <td><u>12,659</u></td> </tr> <tr> <td>Other receivables</td> <td></td> <td></td> </tr> <tr> <td>- related parties</td> <td>218</td> <td>148</td> </tr> <tr> <td>- non-related parties</td> <td>4,322</td> <td>4,919</td> </tr> <tr> <td>Finance lease receivables</td> <td>288</td> <td>289</td> </tr> <tr> <td>Deposits</td> <td>1,328</td> <td>1,632</td> </tr> <tr> <td>Prepayments</td> <td>542</td> <td>451</td> </tr> <tr> <td>Allowance for impairment loss</td> <td>(4,527)</td> <td>(4,527)</td> </tr> <tr> <td></td> <td><u>2,171</u></td> <td><u>2,912</u></td> </tr> <tr> <td></td> <td><u>20,582</u></td> <td><u>15,571</u></td> </tr> </tbody> </table> <p>The current portion of trade and other receivables mainly comprise (i) trade receivables net of allowance for impairment, (ii) other receivables classified into dues from related and non-related parties net of allowance for impairment, (iii) finance lease receivables, (iv) deposits and (v) prepayments.</p>		Group		30.6.2021 S\$'000	31.12.2020 S\$'000	<i>Current</i>			Trade receivables	22,838	17,141	Allowance for impairment loss	(4,427)	(4,482)	Net trade receivables	<u>18,411</u>	<u>12,659</u>	Other receivables			- related parties	218	148	- non-related parties	4,322	4,919	Finance lease receivables	288	289	Deposits	1,328	1,632	Prepayments	542	451	Allowance for impairment loss	(4,527)	(4,527)		<u>2,171</u>	<u>2,912</u>		<u>20,582</u>	<u>15,571</u>
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whether the Company continues to transact with these customer(s);

(v) the Board's opinion on the reasonableness of the methodologies used to determine the value of the impairment of the trade and other receivables; and

(vi) the Board's assessment of the recoverability of the remaining trade and other receivables.

#### Aging of trade receivables

	Current to 365 days past due \$'000	More than 365 days past due \$'000	Total \$'000
Group			
As at 30 June 2021			
Trade receivables	19,343	3,495	22,838
As at 31 December 2020			
Trade receivables	13,492	3,649	17,141

Trade receivables are non-interest bearing and are generally on 30-90 days' terms. The bulk of the trade receivables of S\$19.3 million (current to 365 days past due) relate to sales that took place in 1H 2021. For trade receivables more than 365 days past due, full impairment provision has been made.

Other receivables are unsecured, interest-free, and repayable on demand.

The movement in allowance for impairment loss for trade and other receivables is as follows:

	Group	
	30.6.2021 S\$'000	31.12.2020 S\$'000
Beginning of financial year	9,009	12,103
Provision for impairment loss	40	973
Utilised	(95)	(4,067)
End of financial period / year	8,954	9,009

(iii) The Group has a dedicated team, which follows up with the customers for collection of receivables on an ongoing basis. Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group after various attempts to engage the debtor.

During the past few years, cumulative provision for impairment loss on trade and other receivables have gradually reduced due to the concerted effort put in by the management. As a result, overall impairment loss on trade and other receivables during 1H 2021 have reduced to S\$0.04 million (1H 2020: S\$0.74 million).

(iv) Among the total trade receivables, there are sales with customers who represent 5% or more of the total revenue reported during 1H 2021. The customers are primarily the hospital operators, third party administrators, other service providers and the government agencies. As at 1H 2021, we have 4 debtors who each make up more than 5% of the trade and other receivables. The Group continues to engage with them on a regular basis

and considering their payment track record, the Group does not expect any significant impairment arising from the amount due from these customers.

(v) and (vi) - Board's opinion on recoverability assessment and methodology used in deriving the impairment loss of trade and other receivables:

**a) Trade receivables:**

In respect of the expected credit loss assessment for the Group's trade receivables amounting to S\$22.38 million, management uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group then makes a provision in full for the financial asset when a debtor fails to make payments more than 365 days past due. In the meantime, the Company continues to engage in collection efforts to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

The table below provides information of the Group's credit exposure in relation to trade receivables under SFRS(I) 9 as at 30 June 2021 and 31 December 2020.

	Current to 365 days past due	More than 365 days past due	Total
	\$'000	\$'000	\$'000
<b>Group</b>			
<b>As at 30 June 2021</b>			
<b>Sales of medical services</b>			
Weighted-average expected loss rate	4.8%	100%	
Trade receivables	19,343	3,495	22,838
Loss allowance	(932)	(3,495)	(4,427)
<b>As at 31 December 2020</b>			
<b>Sales of medical services</b>			
Weighted-average expected loss rate	6.2%	100%	
Trade receivables	13,492	3,649	17,141
Loss allowance	(833)	(3,649)	(4,482)

**b) Other receivables:**

The Group does not expect any significant credit losses arising from other receivables in addition to the amount provided for in the prior years.

In accordance with the expected credit loss assessment methodology adopted by the management in the assessment of the recoverability of the trade and other receivables, if there is any indication of impairment, appropriate provisions would be made. Based on the information available as at the date of the unaudited interim financial statement, the Board has adopted the assessment on the recoverability of the trade and other receivables made by the management and is satisfied with the reasonableness of the methodologies used to determine the value of the impairment of the trade and other receivables, and concurs with the management's view that there is no indication to further impair the remaining trade and other receivables as at 30 June 2021.

(4) The Group's current trade and other payables amount to S\$21.2m. Please disclose:

(i) a breakdown of trade and other payables.

(ii) For other payables, please disclose the aging and nature of these other payables and whether the counterparties are related parties.

(i) Below is the breakdown of current portion of the Trade and other payables:

**Trade and other payables**

	<b>Group</b>	
	30.6.2021 S\$'000	31.12.2020 S\$'000
<i>Current</i>		
Trade payables to:		
- non-related parties	10,406	6,667
Other payables to:		
- non-related parties	2,452	2,387
- related parties	3	19
	2,455	2,406
Deferred income	377	485
Accruals for operating expenses	7,953	8,219
	21,191	17,777

Trade payables are non-interest bearing and are generally on 30-90 days' terms.

(ii) Aging of other payables as at 30 June 2021:

**Aging - Other Payables**

	Non - related parties	Related parties	Total
	S\$'000	S\$'000	S\$'000
Group			
Current	1,539	3	1,542
0-30	268		268
31-60	340		340
61-90	90		90
91+	215		215
	2,452	3	2,455

Other payables are unsecured, interest-free and repayable on demand. Other payables to non-related parties, mainly comprise amount due to suppliers other than the drugs, consumables and medical supplies, deferred government grants, contingent consideration payable within one year, deposits received and the statutory dues. As can be seen from the

	<p>breakdown of the Trade and other payables above, the amount due to related parties was insignificant as at 1H2021.</p> <p>Deferred income relates to unsatisfied contracts of a period of one year or less and/or relates to fixed-price medical services.</p>
<p>(5) Please provide the reason(s) for the borrowings (current and non-current) of S\$1.95m by the Group when the Group recorded a cash and cash equivalent of S\$31.4m as at 30 Jun 2021.</p> <p>Please disclose:</p> <p>(i) details of the amount of loan and the material terms of the loan, including the maturity date, interest on the loan and terms of repayment;</p> <p>(ii) a breakdown of the lenders and their identities (and its ultimate beneficial shareholders and directors if this is not a bank);</p> <p>(iii) when were the loans obtained and approved by the</p>	<p>The current management and controlling shareholders took over the Group in 2H2017 and have been committed to turning the operations around since then. During FY2018, the Group undertook rebranding of its business and launched a brand new look for its clinics island-wide in line with patient centric strategy.</p> <p>As a part of the rebranding strategy, the majority of its clinics were refurbished and renovated during FY2018 and FY2019. The Group borrowed S\$3.8 million in total via a hire purchase arrangement during FY2019 to fund the required cash outlay, and to enhance its working capital.</p> <p>While the Group had cash and cash equivalents in excess of S\$20 million during FY2019, it borrowed funds to establish credit relationship with lender and re-build its track record after the change in the management and controlling shareholders.</p> <p>Other than the borrowing to fund the rebranding strategy as mentioned above, the Group has not borrowed any other new funds since. In the meantime, the Group has been consistently repaying the borrowed funds during FY2020 and 6 months ended 30 June 2021, totalling S\$1.43 million. <i>(Refer to the Annual Report FY2020 – Pg. 70 and 1H FY2021 results announcement – Pg. 7 for further information)</i></p> <p>(i) The details of the facility is summarised as below:</p> <ul style="list-style-type: none"> <li>• Type of facility: Hire Purchase</li> <li>• Total amount borrowed: S\$3.8 million</li> <li>• Current amount outstanding as at 30 June 2021: S\$1.95 million.</li> <li>• Period of Hire Purchase facility: up to 48 months to 60 months</li> <li>• Repayment: Repayment through monthly instalment spread over a period of 48 to 60 months</li> <li>• Interest rate: 4.50% p.a. effective rate of interest.</li> <li>• Security: Borrowings are effectively secured over property, plant and equipment, as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of these secured borrowings.</li> </ul> <p>(ii) The facility was secured from an independent third party leasing company - Tokyo Century Leasing (Singapore) Pte Ltd. The details of their directors and shareholders are as presented below:</p>

Board including the Audit Committee; and  (iv) the use of proceeds from the loan.	<b>Name</b>	<b>Position Held</b>
	Foo Siang Seng	Director
	Hirakawa Hiroaki	CEO and Managing Director
	Makoto Honda	Director
	Toshio Kitamura	Director
	Tokyo Century Corporation, Japan	Shareholder

Source: ACRA Biz File

(iii) The loan was taken in FY2019. Approval from the Board including the members representing the Audit committee was sought and obtained on 1 February 2019.

(iv) As mentioned above, the proceeds from the loan were used to fund the rebranding effort, including paying for the clinics renovation, replacement of medical equipment and IT peripherals.

**BY ORDER OF THE BOARD**

Chew Pei Tsing  
Company Secretary

16 August 2021

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*This announcement has been reviewed by the Company’s sponsor, PrimePartners Corporate Finance Pte. Ltd. (the “Sponsor”). This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (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 Foo Jien Jieng, 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, sponsorship@ppcf.com.sg*