HEALTHWAY MEDICAL CORPORATION LIMITED

(Co. Regn. No: 200708625C)

FINANCIAL STATEMENTS AND DIVIDENDS ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014 ("2014 Q1")

This announcement has been prepared by Healthway Medical Corporation Limited (the "**Company**") and its contents have been reviewed by PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (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.

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

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.

	3 months ended		
	31.03.14 S$'000	31.03.13 S$'000	Change %
Revenue	22,016	20,263	8.7
Other operating income	1,999	1,783	12.1
Medical supplies, consumables and laboratory related expenses	(4,412)	(4,227)	4.4
Staff costs	(13,244)	(11,802)	12.2
Depreciation of property, plant and equipment	(303)	(315)	(3.8)
Amortisation of intangible assets	(73)	(73)	-
Other operating expenses	(4,428)	(3,451)	28.3
Finance costs	(263)	(694)	(62.1)
Profit before income tax	1,292	1,484	(12.9)
Income tax credit	137	42	226.2
Profit for the period attributable to shareholders	1,429	1,526	(6.4)
Other comprehensive (loss) / income, net of tax	(1,209)	269	n.m.
Total comprehensive income for the period	220	1,795	(87.8)

Explanatory notes to the income statement

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

	3 months ended		
	31.03.14	31.03.13	Change
	S$'000	S$'000	%
Interest income	(352)	(273)	28.9
Rental income	(91)	(171)	(46.8)
Loss on disposal of available-for-sale financial assets	89	-	n.m.
Loss on disposal of available-for-sale financial assets reclassified from equity	656	-	n.m.
Interest expense	263	694	(62.1)
Bad debts written off	-	40	n.m.
Property, plant & equipment written off	29	-	n.m.
Foreign exchange loss / (gain)	327	(143)	n.m.
Bad debts recovered	-	(9)	n.m.
Operating lease expenses	2,056	1,897	8.4

n.m. denotes not meaningful.

Statement of comprehensive income

	3 months ended		
	31.03.14	31.03.13	Change
	S$'000	S$'000	%
Profit for the period	1,429	1,526	(6.4)
Foreign exchange differences	(500)	269	n.m.
Change in fair value of available-for-sale financial assets	(1,365)	-	n.m.
Change in fair value of available-for-sale financial assets reclassified to profit or loss	656	-	n.m.
Other comprehensive (loss) / income for the period, net of tax	(1,209)	269	n.m.
Total comprehensive income for the period	220	1,795	(87.7)

n.m. denotes not meaningful.

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.

	Group		Company	
	31.03.14 S$'000	31.12.13 S$'000	31.03.14 S$'000	31.12.13 S$'000
Non-Current Assets				
Property, plant and equipment	6,064	5,715	-	-
Intangible assets	122,402	122,475	573	645
Investments in subsidiaries	-	-	187,386	182,214
Long term loan receivables	15,188	48,500	-	-
Trade and other receivables	1,335	1,055	-	-
	144,989	177,745	187,959	182,859
Current Assets				
Inventories	2,909	2,778	-	-
Loan receivables	33,000	-	-	-
Trade and other receivables	46,700	42,672	21,141	24,397
Available-for-sale financial assets	21,830	24,795	21,830	24,795
Cash and cash equivalents	4,449	3,761	1,402	1,675
	108,888	74,006	44,373	50,867
Total Assets	253,877	251,751	232,332	233,726
Equity				
Share capital	201,381	201,381	201,381	201,381
Reserves	(2,393)	(2,613)	(794)	290
Total Equity	198,988	198,768	200,587	201,671
Non-Current Liabilities				
Provisions	366	400	-	-
Financial liabilities	5,833	6,531	5,051	5,800
Deferred income tax liabilities	204	204	-	-
	6,403	7,135	5,051	5,800
Current Liabilities				
Financial liabilities	10,548	9,731	8,607	7,982
Trade and other payables	37,061	35,286	17,567	17,578
Current income tax liabilities	877	831	520	695
	48,486	45,848	26,694	26,255
Total Liabilities	54,889	52,983	31,745	32,055
Total Equity and Liabilities	253,877	251,751	232,332	233,726

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.

	As at 31.03.14		As at 31.12.13	
	Secured	Unsecured	Secured	Unsecured
	S$'000	S$'000	S$'000	S$'000
Amount repayable within one year	8,249	1,700	8,797	350
Amount repayable after one year	5,051	-	5,800	-

The secured borrowings of the Group relate to bank loans and bank overdrafts which are secured by the following:

(i) fixed and floating charges on the assets of certain subsidiaries;

(ii) corporate guarantees from the Company and certain subsidiaries;

(iii) joint and several guarantees from certain directors of the Company and subsidiaries; and

(iv) time deposits of the Company and a subsidiary.

The Group's borrowings presented above do not include finance lease liabilities. Finance lease liabilities of the Group are repayable as follows:

	As at 31.03.14	As at 31.12.13
	S$'000	S$'000
Amount repayable within one year	599	584
Amount repayable after one year	782	731

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.

	3 months ended	
	31.03.14	**31.03.13**
	S$'000	**S$'000**
Cash flows from operating activities		
Profit before income tax	1,292	1,484
Adjustments for:		
Amortisation of intangible assets	73	73
Loss on disposal of available-for-sale financial assets	89	-
Loss on disposal of available-for-sale financial assets reclassified from equity	656	-
Depreciation of property, plant and equipment	303	315
Allowance for doubtful receivables	-	-
Property plant and equipment written off	29	-
Interest expense	263	694
Interest income	(352)	(273)
	2,353	2,293
Changes in working capital:		
Inventories	(131)	53
Trade and other receivables	(4,298)	(298)
Trade and other payables	1,762	(1,160)
Cash (used in) / generated from operations	(314)	888
Income tax received	183	132
Net Cash (used in) / generated from operating activities	**(131)**	**1,020**
Cash flows from investing activities		
Purchase of property, plant and equipment	(476)	(89)
Loan receivables	(189)	(8,768)
Proceeds from disposal of available-for-sale financial assets	1,499	-
Interest received	352	273
Net Cash generated from / (used in) investing activities	**1,186**	**(8,584)**
Cash flows from financing activities		
Proceeds from issuance of debt instruments	-	23,400
Proceeds from borrowings	1,873	-
Repayment of borrowings	(1,726)	(1,820)
Fixed deposits pledged	(1)	-
Net repayment of finance lease liabilities	(156)	(122)
Interest paid	(263)	(694)
Net Cash (used in) / generated from financing activities	**(273)**	**20,764**
Net (decrease) / increase in cash and cash equivalents	782	13,200
Cash and cash equivalents at beginning of period	1,553	2,329
Effect of exchange rate fluctuations on cash held	(1)	-
Cash and cash equivalents at end of period	**2,334**	**15,529**

Cash and cash equivalents comprised:	As at 31.03.14 S$'000	As at 31.03.13 S$'000
Deposits with banks	4,449	17,741
Fixed deposits pledged as collaterals	(2,115)	(2,212)
	2,334	15,529
Bank overdraft	-	-
	2,334	15,529

For the three-month period ended 31 March 2014, the Group acquired property, plant and equipment with an aggregate cost of S$0.7 million (2013 Q1: S$0.6 million), of which S$0.2 million (2013 Q1: S$0.5 million) was acquired under finance lease.

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.

	←——Share capital——→						
	Ordinary shares	Treasury shares	Total	Fair value reserve	Translation reserve	Retained earnings	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group - Current period							
At 1 January 2014	204,430	(3,049)	201,381	18,776	624	(22,013)	198,768
Profit for the period	-	-	-	-	-	1,429	1,429
Net change in fair value of available-for-sale financial assets	-	-	-	(709)	-	-	(709)
Foreign exchange differences	-	-	-	-	(500)	-	(500)
Total comprehensive income for the period	-	-	-	(709)	(500)	1,429	220
At 31 March 2014	204,430	(3,049)	201,381	18,067	124	(20,584)	198,988
Group - Previous period							
At 1 January 2013	194,726	(3,049)	191,677	49,599	(284)	(28,084)	212,908
Profit for the period	-	-	-	-	-	1,526	1,526
Foreign exchange differences	-	-	-		269	-	269
Total comprehensive income for the period	-	-	-	-	269	1,526	1,795
Dividend paid	-	-	-	-	-	(1,500)	(1,500)
Total contributions by and distributions to owners	-	-	-	-	-	(1,500)	(1,500)
At 31 March 2013	194,726	(3,049)	191,677	49,599	(15)	(28,058)	213,203

	<---------- Share capital ---------->						
	Ordinary shares	Treasury shares	Total	Translation reserve	Translation reserve	Retained earnings	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Company - Current period							
At 1 January 2014	204,430	(3,049)	201,381	18,776	-	(18,486)	201,671
Profit for the period	-	-	-	-	-	(375)	(375)
Net change in fair value of available-for-sale financial assets	-	-	-	(709)	-	-	(709)
Total comprehensive income for the period	-	-	-	(709)	-	(375)	(1,084)
At 31 March 2014	204,430	(3,049)	201,381	18,067	-	(18,861)	200,587
Company - Previous period							
At 1 January 2013	194,726	(3,049)	191,677	49,599	-	(52,349)	188,927
Profit for the period	-	-	-	-	-	1,698	1,698
Total comprehensive income for the period	-	-	-	-	-	1,698	1,698
Dividend paid	-	-	-	-	-	(1,500)	(1,500)
Total contributions by and distributions to owners	-	-	-	-	-	(1,500)	(1,500)
At 31 March 2013	194,726	(3,049)	191,677	49,599	-	(52,151)	189,125

(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, 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

	Number of shares	Amount S$'000
Ordinary shares excluding treasury shares as at 31 December 2013 and 31 March 2014	2,308,236,183	201,381

There was no change in the Company's share capital from 1 January 2014 to 31 March 2014.

Convertibles

Save as disclosed below, the Company did not have any outstanding convertibles as at 31 March 2014 and 31 March 2013.

During FY2013 Q1, the Group issued convertible debt instruments amounting to $23.4 million ("Convertible Debt Instruments'). These Convertible Debt Instruments were settled using the Group's available-for-sale financial assets in June 2013. Assuming all the Convertible Debt Instruments were fully converted into new shares in the Company based on a 10% discount to the volume weighted average price of the previous five (5) trading days with the last trading day falling on 28 March 2013 (being the last trading day prior to 31 March 2013) of S$0.0958, the number of new ordinary shares in the Company to be issued pursuant to the Convertible Debt Instruments would be approximately 274,868,939, representing approximately a 12.43% increase over the total number of issued shares of the Company (excluding treasury shares) as at 31 March 2013.

1(d)(iii) 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 31.03.14	As at 31.12.13
Total number of issued shares excluding treasury shares	2,308,236,183	2,308,236,183

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. There were no sales, transfers, disposals, cancellation and/or use of treasury shares during and as at the end of the current financial period reported on.

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 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.

Save as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those used in the most recently audited annual financial statements.

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 applied the same accounting policies and methods of computation in the preparation of financial statements for the current financial year compared with the audited financial statements as at 31 December 2013, except for the adoption of the Financial Reporting Standards (FRS) and Interpretation of FRS ("INT FRS") that are mandatory for financial years beginning on or after 1 January 2014. The adoption of these new FRS and INT FRS has no significant impact on the financial statements for the current and prior reporting periods.

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.

	3 months ended	
	31.03.14	**31.03.13**
Basic & diluted earnings per ordinary share (Singapore cents)	0.06	0.07

Basic earnings per share of the Group for the 3 months ended 31 March 2014 ("FY2014 Q1") and 31 March 2013 ("FY2013 Q1") are calculated based on the weighted average number of ordinary shares in issue of 2,308,236,183 and 2,210,736,183 respectively.

There were no potentially dilutive ordinary shares in existence during 2014 Q1 and accordingly, basic earnings per ordinary share and diluted earnings per ordinary share for 2014 Q1 were the same.

Diluted earnings per share of the Group for 2013 Q1 were calculated based on the weighted average number of ordinary shares of 2,333,539,343, assuming all the Convertible Debt Instruments were fully converted into new shares in the Company during the financial period.

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 31.03.14	As at 31.12.13	As at 31.03.14	As at 31.12.13
Net asset value per ordinary share based on total number of issued shares, excluding treasury shares (Singapore cents)	8.62	8.61	8.69	8.74

The net asset value per ordinary share of the Group and the Company as at 31 March 2014 were calculated based on the total issued number of shares, excluding treasury shares, of 2,308,236,183 (31 December 2013: 2,308,236,183).

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 performance

The Group's turnover for the quarter ended 31 March 2014 ("FY2014 Q1") was S$22.0 million, an increase of $1.8 million or 8.7% from S$20.3 million for the quarter ended 31 March 2013 ("FY2013 Q1"). The increase was mainly due to increase in revenue from the Specialist & Wellness Healthcare segment by S$2.4 million, from S$7.3 million in FY2013 Q1 to S$9.7 million in FY 2014 Q1, partially offset by decrease in revenue from Primary Healthcare segment by S$0.6 million, from S$13.0 million in FY2013 Q1 to S$12.4 million in FY2014 Q1.

The Group's other operating income increased slightly by S$0.2 million or 12.1% from S$1.8 million for FY2013 Q1 to S$2.0 million for FY2014 Q1. The increase is mainly due to wage credit received and higher recovery of staff cost.

Total operating costs for the Group, which included medical supplies, consumables and laboratory related expenses, staff costs, depreciation of property, plant and equipment, amortisation of intangible assets and other operating expenses, increased by S$2.6 million or 13.% from S$19.9 million for FY2013 Q1 to S$22.5 million for FY2014 Q1. The increase was mainly due to higher medical supplies, consumables and laboratory expenses of S$0.2 million, higher staff remuneration of S$1.4 million and higher other operating expenses of S$1.1 million as compared to FY2013 Q1. The higher staff costs were mainly due to $1.3 million of doctors' incentives and salaries for FY2013 Q1 paid and accounted for in FY2013 Q2. Higher other operating expenses were mainly due to $0.4 million unrealised foreign exchange loss and $0.7 million loss on disposal of available-for-sale financial assets.

The finance costs for the Group decreased by S$0.4 million or 62.1% from S$0.7 million for FY2013 Q1 to S$0.3 million for FY2014 Q1. This was mainly due to less outstanding loans in FY2014 Q1.

The Group's net profit before income tax for FY2014 Q1 was S$1.3 million as compared to S$1.5 million in FY2013 Q1 and the net profit attributable to shareholders for FY2014 Q1 was S$1.4 million as compared to net profit attributable to shareholders of S$1.5 million for FY2013 Q1.

Financial position

Non-current assets (comprising property, plant and equipment, intangible assets, investments in subsidiaries, long term loan receivables and trade and other receivables) were S$145.0 million as at 31 March 2014, compared to S$177.7 million as at 31 December 2013. This was mainly due to an increase in property, plant and equipment of S$0.3 million and increase in trade and other receivables of S$0.3 million, offset by a decrease of $33.0 million of loan receivables due to reclassification to current assets. The reason for the reclassification is because the $33 million loan receivables are due for repayment in January 2015 and hence, is considered a current asset from FY2014 Q1 perspective.

Current assets (comprising inventories, loan receivables, trade and other receivables, available-for-sale financial assets and cash and cash equivalents) were S$108.9 million as at 31 March 2014. This was S$34.9 million higher than S$74.0 million as at 31 December 2013. The increase was mainly due to $33.0 million of loan receivables reclassified from non-current assets, increase of inventories of S$0.1 million, increase in trade and other receivables of $4.0 million, as a result of $2.7 million increase in recovery of staff costs and $1.3 million increase in trade receivables, increase in cash and bank balances of S$0.7 million, offset by decrease in available-for-sale financial assets of S$3.0 million following the disposal of a portion of available-for-sale financial assets in the open market.

Non-current liabilities (comprising provisions, financial liabilities and deferred income tax liabilities) were S$6.4 million as at 31 March 2014, a decrease of S$0.7 million from S$7.1 million as at 31 December 2013, mainly due to the repayment of borrowings during FY2014 Q1.

Current liabilities (comprising financial liabilities, trade and other payables and current income tax liabilities) were S$48.5 million as at 31 March 2014, an increase of S$2.6 million from S$45.8 million as at 31 December 2013, mainly due to increase in financial liabilities of S$0.8 million as a result of additional loans drawn down and increase in trade and other payables of S$1.8 million.

The Group had a positive working capital of S$27.4 million as at 31 March 2014, as compared to S$28.2 million as at 31 December 2013.

Cash flow statement

As at 31 March 2014, the Group had cash and cash equivalents amounting to S$2.3 million, net of fixed deposits pledged of S$2.1 million, as compared to cash and cash equivalents amounting to S$15.5 million, net of fixed deposits pledged of S$2.2 million as at 31 March 2013.

The significant cash movements during FY2014 Q1 as compared to FY2013 Q1 can be summarised as follows : -

Cash flow used in operating activities for FY2014 Q1 amounted to S$0.1 million as compared to cash flow generated from operating activities of S$1.0 million for FY2013 Q1. The cash flow used in operating activities for FY2014 Q1 was mainly due to the changes in working capital resulting from increase in trade and other receivables of S$4.3 million, increase in trade and other payables of S$1.8 million, offset by decrease in inventories of S$0.1 million. The increase in trade and other receivables was mainly due to additional balances due from third party clinics operated and managed by the Group whereas decrease in trade and other payables was mainly due to settlement of accrued expenses and other payables.

Cash flow generated from investing activities for FY2014 Q1 was S$1.2 million as compared to cash flow used in investing activities of S$8.6 million for FY2013 Q1. The cash flow generated from investing activities for FY2014 Q1 was mainly due to proceeds from disposal of available-for-sale financial assets of $1.5 million and interest received of S$0.4 million, offset by increase in loan receivables of S$0.2 million and the purchase of property, plant and equipment of S$0.5 million.

Cash flow used in financing activities was S$0.3 million for FY2014 Q1 as compared to cash flow generated from financing activities of S$20.8 million for FY2013 Q1. The cash flow used in financing activities in FY2014 Q1 was mainly due to repayment of loan of S$1.7 million, net repayment of finance lease liabilities of S$0.2 and interest paid of S$0.3 million, offset by S$1.4 million proceeds of loan from shareholders and $0.5 million increase in bank borrowings

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 had been previously disclosed to shareholders for the current reporting 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 demand for private healthcare services continues to grow in Singapore, as the government provide improved healthcare programmes for Singaporeans, influx of medical tourism and increased affluence. We are continuing to expand our specialist clinics within the community so that we can serve our patients better.

The operations continued to face costs pressures. We continue to put in place measures that can improve productivity and care for our patients.

We have undertaken a review of our investment commitments in China, resulting in limiting further investments and over time a phased exit from our management of clinics in China.

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

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

No dividends have been declared or recommended for the current reporting period.

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

Not applicable.

(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) Book closure date

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect.

No dividends have been declared or recommended.

13. If the Group has obtained a general mandate from shareholders for Interested Person Transactions (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.

The following is the interested person transactions between the Group and Healthway Medical Development (Private) Limited ("**HMD**") for FY2014 Q1.

	Aggregate value of all interested person transactions conducted under shareholder's mandate pursuant to Rule 920 (excluding transactions < S$100,000) during FY2014 Q1
	S$'000
HMD	4,443

14. Confirmation pursuant to Rule 705(5).

The Board of Directors (the "**Board**") has confirmed that to the best of their knowledge, nothing has come to the attention of the Board which may render the unaudited interim financial results for the quarter ended 31 March 2014 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Mr Fan Kow Hin
Chairman
5 May 2014