

ISEC HEALTHCARE LTD.

(Company Registration No.201400185H)

Unaudited Financial Statement for the First Quarter Ended 31 March 2023

1(a)(i) 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		
	3 Months Ended		
	31 March 2023 (Unaudited) S\$'000	31 March 2022 (Unaudited) S\$'000	Change %
Revenue	16,912	11,787	43%
Cost of sales	(9,223)	(6,418)	44%
Gross profit	7,689	5,369	43%
Other item of income			
Other income	131	110	19%
Other items of expense			
Selling and distribution expenses	(25)	(29)	-14%
Administrative expenses	(2,935)	(2,143)	37%
Other expenses	(314)	(206)	52%
Finance costs	(188)	(97)	94%
Share of results of associate	-	(1)	-100%
Profit before income tax	4,358	3,003	45%
Income tax expense	(975)	(667)	46%
Profit for the financial period	3,383	2,336	45%
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation of subsidiaries	(516)	(175)	>100%
Other comprehensive income for the financial period, net of tax	(516)	(175)	>100%
Total comprehensive income for the financial period	2,867	2,161	33%

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	Group		
	3 Months Ended		
	31 March 2023	31 March 2022	Change
	(Unaudited)	(Unaudited)	
	S\$'000	S\$'000	%
Profit attributable to:			
Owners of the parent	3,357	2,304	46%
Non-controlling interests	26	32	-19%
Profit for the financial period	3,383	2,336	45%
Total comprehensive income attributable to:			
Owners of the parent	2,896	2,129	36%
Non-controlling interests	(29)	32	NM
Total comprehensive income for the financial period	2,867	2,161	33%

NM – Not meaningful

1(a)(ii) Notes to Consolidated Statement of Comprehensive Income

Profit before income tax is arrived after charging/(crediting) the following:

	Group		Change
	31 March 2023	31 March 2022	
	(Unaudited)	(Unaudited)	
	S\$'000	S\$'000	%
Depreciation of property, plant and equipment – cost of sales	176	160	10%
Depreciation of right-of-use assets – cost of sales	151	126	20%
Depreciation of property, plant and equipment – administrative expenses	175	94	86%
Depreciation of right-of-use assets – administrative expenses	303	287	6%
Amortisation of intangible assets – other expenses	133	133	0%
Amortisation of intangible assets – administrative expenses	1	3	-67%
Interest income	(84)	(62)	35%
Interest income – net investment in sublease	*	(1)	-100%
Other income – government grants	(36)	(38)	-5%
Other income – rental rebates	-	(3)	-100%
Interest expense – lease liabilities	114	70	63%
Interest expense – loans	31	21	48%
Loss on exchange differences, net	180	71	>100%
Allowance for expected credit losses, net	1	1	0%
Share-based compensation expense	29	13	>100%

* Less than \$1,000

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

	Group	
	31 March 2023 (Unaudited) S\$'000	31 December 2022 (Audited) S\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	16,090	16,316
Right-of-use assets	10,391	10,877
Intangible assets – goodwill	53,787	54,215
Intangible assets – others	946	1,074
Deferred tax assets	194	196
	81,408	82,678
Current assets		
Inventories	2,334	1,874
Trade receivables, net ⁽¹⁾	4,779	4,093
Other receivables and deposits	887	656
Prepayments	324	293
Net investment in sublease	35	50
Current income tax asset	-	18
Cash and cash equivalents ⁽¹⁾	23,151	20,633
	31,510	27,617
TOTAL ASSETS	112,918	110,295
EQUITY AND LIABILITIES		
Equity		
Share capital	75,484	75,484
Treasury share reserve	(105)	(105)
Other reserves	(10,993)	(10,561)
Retained earnings	18,411	15,054
Equity attributable to owners of the Company	82,797	79,872
Non-controlling interests	1,441	1,470
TOTAL EQUITY	84,238	81,342
LIABILITIES		
Non-current liabilities		
Other payables	1,038	1,040
Borrowings	1,539	1,767
Lease liabilities	9,179	9,573
Deferred tax liabilities	270	299
Provisions	178	178
	12,204	12,857

	Group	
	31 March 2023	31 December 2022
	(Unaudited)	(Audited)
	S\$'000	S\$'000
Current liabilities		
Trade payables	2,235	1,980
Other payables	4,344	4,588
Advances and contract liabilities	783	674
Accrued expenses	1,111	933
Payroll payable	3,626	3,604
Borrowings	820	826
Lease liabilities	1,593	1,652
Current income tax payable	1,963	1,829
Provisions	1	10
	16,476	16,096
TOTAL LIABILITIES	28,680	28,953
TOTAL EQUITY AND LIABILITIES	112,918	110,295

(1) Breakdown of the following in the respective currencies:

	Group	
	31 March 2023	31 December 2022
	S\$'000	S\$'000
	S\$'000	S\$'000
Trade receivables, net denominated in the following currencies:		
Singapore Dollar	1,822	1,393
Ringgit Malaysia	2,943	2,679
Myanmar Kyat	14	21
	4,779	4,093
Cash and cash equivalents denominated in the following currencies:		
Singapore Dollar	9,531	8,970
Ringgit Malaysia	12,943	10,978
Myanmar Kyat	615	623
United States Dollar	62	62
	23,151	20,633

1(b)(ii) Aggregate amount of group's borrowings and debt securities**Amount repayable in one year or less, or on demand**

As at 31 March 2023		As at 31 December 2022	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
820	1,593 ⁽¹⁾	826	1,652 ⁽¹⁾

Amount repayable after one year

As at 31 March 2023		As at 31 December 2022	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
1,539	9,179 ⁽¹⁾	1,767	9,573 ⁽¹⁾

(1) Unsecured borrowings relate to leases recognised under SFRS(I) 16 *Leases*.

Details of any collateral

On 6 August 2020, ISEC Penang, a wholly owned indirect subsidiary of the Company, entered into a 5-year term bank loan of RM13,000,000 (equivalent to \$4,254,000) to partially finance the acquisition of freehold land and building. The loan is repayable monthly over the 5-year term. The loan bears a floating interest rate of the bank's cost of funds + 0.5% margin per annum. The interest rate for the current financial period ended 31 March 2023 was 3.75% (FY2022: 3.75%). The borrowing balance as at 31 March 2023 was S\$1,896,000 (31 December 2022: S\$2,119,000). The loan is secured by the freehold land and building for which the loan was entered into, and the subsidiary is required to maintain certain deposits balance with the bank.

On 26 May 2022, the Group completed its acquisition of ME Centre which includes an existing 15-year bank loan of RM1,709,160 (equivalent to \$539,000) entered into on 29 January 2021 to partially finance the acquisition of building. The loan is repayable monthly over the 15-year term. The loan bears a floating interest rate of the bank's base lending rate -2.57% margin per annum for the first year and bank's base lending rate -2.30% margin per annum from the second year onwards. The interest rate for the current financial period ended 31 March 2023 was 4.17% (FY2022: 4.17%). The borrowing balance as at 31 March 2023 was S\$463,000 (31 December 2022: S\$474,000). The loan is secured by the building for which the loan was entered into.

1(c) Statement of cash flows for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Cash Flows

	Group	
	3 Months Ended	
	31 March 2023	31 March 2022
	(Unaudited)	(Unaudited)
	S\$'000	S\$'000
Cash flows from operating activities		
Profit before income tax	4,358	3,003
Adjustments for:		
Allowance for expected credit losses, net	1	1
Amortisation of intangible assets	134	136
Depreciation of property, plant and equipment	351	254
Depreciation of right-of-use assets	454	413
Interest income	(84)	(63)
Interest expense	180	97
Other income from rental rebates	-	(3)
Share of results of associate	-	1
Share-based compensation expense	29	13
Operating cash flows before working capital changes	5,423	3,852
Working capital changes:		
- Inventories	(479)	(292)
- Trade and other receivables	(801)	142
- Prepayments	(33)	55
- Trade and other payables	214	(544)
Cash generated from operations	4,324	3,213
Income tax paid	(724)	(359)
Net cash generated from operating activities	3,600	2,854
Cash flows from investing activities		
Purchase of property, plant and equipment	(324)	(669)
Interest received	84	62
Payment to vendors ⁽¹⁾	-	(577)
Net cash used in investing activities	(240)	(1,184)
Cash flows from financing activities		
Advances from non-controlling interests	21	-
Principal elements of lease payments, net	(399)	(385)
Interest paid – lease liabilities	(90)	(69)
Repayment of loan	(219)	(210)
Interest paid – loan	(31)	(21)
Net cash used in financing activities	(718)	(685)

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	Group	
	3 Months Ended	
	31 March 2023	31 March 2022
	(Unaudited)	(Unaudited)
	S\$'000	S\$'000
Net increase in cash and cash equivalents	2,642	985
Cash and cash equivalents at beginning of financial period	20,633	22,494
Effect of exchange rate changes on cash and cash equivalents	(124)	(101)
Cash and cash equivalents at end of financial period	23,151	23,378

- (1) The Group acquired Indah Specialist Eye Centre Sdn. Bhd. ("Indah Specialist") on 27 February 2020. In the financial period ended 31 March 2022 ("1Q2022"), the remaining 10% balance of the total cash consideration, amounting to RM1,793,280 (equivalent to S\$577,000) was paid to vendors as final settlement of the total cash consideration.

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- 1(d) A statement for the 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

Statements of Changes in Equity

Group (Unaudited)	Attributable to owners of the Company									Total equity S\$'000
	Share capital	Treasury share reserve	Foreign currency translation reserve	Merger reserve	Capital reserve	Share compensation reserve	Retained earnings	Equity attributable to owners of the Company	Non- controlling interests	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
At 1 January 2023	75,484	(105)	(2,668)	(3,572)	(4,463)	142	15,054	79,872	1,470	81,342
Profit for the financial period	-	-	-	-	-	-	3,357	3,357	26	3,383
Other comprehensive income										
Foreign currency translation	-	-	(461)	-	-	-	-	(461)	(55)	(516)
Total comprehensive income for the financial period	-	-	(461)	-	-	-	3,357	2,896	(29)	2,867
Transaction with owners of the Company										
Share-based compensation expense ⁽¹⁾	-	-	-	-	-	29	-	29	-	29
Total transaction with owners of the Company	-	-	-	-	-	29	-	29	-	29
At 31 March 2023	75,484	(105)	(3,129)	(3,572)	(4,463)	171	18,411	82,797	1,441	84,238

- (1) The Company has granted 3,809,150 options under the ISEC Healthcare Share Option Scheme on 22 April 2020 and 680,000 share awards under the ISEC Healthcare Performance Share Plan on 23 September 2022.

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Statements of Changes in Equity

Group (Unaudited)	Attributable to owners of the Company									Total equity S\$'000
	Share capital	Treasury share reserve	Foreign currency translation reserve	Merger reserve	Capital reserve	Share compensation reserve	Retained earnings	Equity attributable to owners of the Company	Non- controlling interests	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
At 1 January 2022	70,068	(105)	(245)	(3,572)	(4,463)	139	6,932	68,754	553	69,307
Profit for the financial period	-	-	-	-	-	-	2,304	2,304	32	2,336
Other comprehensive income										
Foreign currency translation	-	-	(175)	-	-	-	-	(175)	*	(175)
Total comprehensive income for the financial period	-	-	(175)	-	-	-	2,304	2,129	32	2,161
Transaction with owners of the Company										
Share-based compensation expense ⁽¹⁾	-	-	-	-	-	13	-	13	-	13
Total transaction with owners of the Company	-	-	-	-	-	13	-	13	-	13
At 31 March 2022	70,068	(105)	(420)	(3,572)	(4,463)	152	9,236	70,896	585	71,481

(1) The Company has granted 3,809,150 options under the ISEC Healthcare Share Option Scheme on 22 April 2020.

* Less than \$1,000

2. Review of comparative performance of the Group for the 3 months ended 31 March 2023 (“1Q2023”) and 31 March 2022 (“1Q2022”).

Revenue

The Group recorded revenue of S\$16.91 million in 1Q2023, an increase of S\$5.13 million, or 43%, compared to that in 1Q2022.

The Group’s specialised health services revenue increased by S\$5.19 million, from S\$10.66 million in 1Q2022 to S\$15.85 million in 1Q2023. IE Centre and Kampar Eye which were acquired by the Group in May 2022 (the “Acquisition”), contributed S\$2.11 million revenue to the Group in 1Q2023. There was a significant increase in patient visits and business activities in our eye centres as globally, many countries, including Singapore and Malaysia, lifted their respective international travel restrictions since 2Q2022 and greater confidence of the general population in leading lives in normalcy with COVID-19 treated as an endemic.

Revenue from general health services decreased by S\$0.07 million between 1Q2022 and 1Q2023, mainly due to decrease in number of COVID-19 swab tests performed by the Group’s general practitioner clinics.

Cost of sales

Cost of sales increased by 44%, or S\$2.81 million, to S\$9.22 million in 1Q2023, with increased business activities in the Group’s operations under the specialised health services segment.

Gross profit and gross profit margin

Gross profit increased by 43%, or S\$2.32 million, to S\$7.69 million in 1Q2023, due to reasons as explained above. Gross profit margins for both periods were consistent, at 45.5% and 45.6% in 1Q2023 and 1Q2022 respectively.

Profit after tax

Net profit of the Group in 1Q2023 stood at S\$3.38 million, an increase of S\$1.05 million, or 45%, from 1Q2022, mainly attributed to the reasons explained above.

Administrative expenses increased by S\$0.79 million mainly due to the increased business activities under the specialised health services segment, additional operational expenses incurred by the eye centres from the Acquisition which was absent in 1Q2022, and the increased number of employees of the Group in line with increased business activities. Exchange loss increased from S\$0.07 million in 1Q2022 to S\$0.18 million in 1Q2023, with further weakening of Ringgit Malaysia and Myanmar Kyat against Singapore Dollar in 1Q2023 compared to that in 1Q2022. The finance costs also increased mainly due to interest expenses of S\$0.05 million, from additional lease liabilities incurred by IE Centre and Kampar Eye, and the unwinding of discount of S\$0.04 million in account of deferred cash consideration payable to the vendors of the Acquisition.

- 3. 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.**

Political situation in Myanmar

Myanmar's military has extended the country's state of emergency by another six months on 1 February 2023, being the second anniversary of Myanmar's 2021 military coup, and is expected to end on 31 July 2023. The Junta leader said multi-party elections must be held. There is however no provision of a timeline for the polls, as it is known that election is prohibited to be held during the country's current state of emergency. As at the date of this announcement, ISEC Myanmar's clinic continues to be operational amidst the on-going protests.

BY ORDER OF THE BOARD

Dr Lee Hung Ming
Executive Vice Chairman
25 April 2023

This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

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