



TALKMED GROUP LIMITED
(Company Registration No. 201324565Z)

FINANCIAL STATEMENT ANNOUNCEMENT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

PART I - 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.

1(a)(i) The Directors of TalkMed Group Limited (the “**Company**”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the third quarter and the nine months ended 30 September 2019 (“**Q3 2019**” and “**YTD 2019**” respectively). The comparative periods in this announcement are the third quarter and the nine months ended 30 September 2018 (“**Q3 2018**” and “**YTD 2018**” respectively).

	Q3 2019	Q3 2018	Increase /	YTD 2019	YTD 2018	Increase /
	\$'000	\$'000	(Decrease)	\$'000	\$'000	(Decrease)
The Group	(Unaudited)	(Unaudited)	%	(Unaudited)	(Unaudited)	%
Revenue	18,350	16,196	13.3%	53,816	42,314	27.2%
Other items of income						
Interest income	382	170	124.7%	953	428	122.7%
Other income	28	17	64.7%	65	99	(34.3%)
Other items of expense						
Employee benefits expense	(6,066)	(5,496)	10.4%	(18,853)	(14,582)	29.3%
Cost of share-based payments to employees	(139)	(135)	3.0%	(240)	(403)	(40.4%)
Operating lease expense	(15)	(492)	(97.0%)	(27)	(1,391)	(98.1%)
Depreciation of right-of-use assets ⁽¹⁾	(488)	-	N.M	(1,475)	-	N.M
Depreciation of plant and equipment	(375)	(85)	341.2%	(1,100)	(282)	290.1%
Other operating expenses	(1,516)	(920)	64.8%	(4,519)	(2,848)	58.7%
Share of results of associate	(309)	(286)	8.0%	(800)	(693)	15.4%
Profit before tax	9,852	8,969	9.8%	27,820	22,642	22.9%
Income tax expense	(2,065)	(1,773)	16.5%	(5,866)	(4,554)	28.8%
Profit for the period	7,787	7,196	8.2%	21,954	18,088	21.4%

Note:-

⁽¹⁾ Please refer to Note 5 for more details on the adoption of SFRS(I) 16 Leases with effect from 1 January 2019.

N.M = not meaningful

1(a)(i) The Directors of TalkMed Group Limited (the “**Company**”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the third quarter and the nine months ended 30 September 2019 (“**Q3 2019**” and “**YTD 2019**” respectively). The comparative periods in this announcement are the third quarter and the nine months ended 30 September 2018 (“**Q3 2018**” and “**YTD 2018**” respectively).

The Group	Q3 2019 \$'000 (Unaudited)	Q3 2018 \$'000 (Unaudited)	Increase / (Decrease) %	YTD 2019 \$'000 (Unaudited)	YTD 2018 \$'000 (Unaudited)	Increase / (Decrease) %
Attributable to:						
Owners of the Company	8,514	7,626	11.6%	24,174	19,314	25.2%
Non-controlling interests	(727)	(430)	69.1%	(2,220)	(1,226)	81.1%
	7,787	7,196	8.2%	21,954	18,088	21.4%
Other comprehensive income: Items that may be reclassified subsequently to profit or loss						
Foreign currency translation	50	-	N.M	180	-	N.M
Share of other reserve of associate	78	-	N.M	398	-	N.M
Other comprehensive income for the period, net of tax	128	-	N.M	578	-	N.M
Total comprehensive income for the period	7,915	7,196	10.0%	22,532	18,088	24.6%
Attributable to:						
Owners of the Company	8,642	7,626	13.3%	24,752	19,314	28.2%
Non-controlling interests	(727)	(430)	69.1%	(2,220)	(1,226)	81.1%
	7,915	7,196	10.0%	22,532	18,088	24.6%

N.M = not meaningful

1(a)(ii) The net profit attributable to owners of the Company includes the following charges:

The Group	Q3 2019 \$'000 (Unaudited)	Q3 2018 \$'000 (Unaudited)	Increase / (Decrease) %	YTD 2019 \$'000 (Unaudited)	YTD 2018 \$'000 (Unaudited)	Increase / (Decrease) %
Finance costs on unwinding of discount adjustment of loans to subsidiaries	(68)	(37)	83.8%	(204)	(70)	191.4%
Finance costs on lease liabilities ⁽¹⁾	(40)	-	N.M	(83)	-	N.M

Note:-

⁽¹⁾ Please refer to Note 5 for more details on the adoption of SFRS(I) 16 Leases with effect from 1 January 2019.

N.M = 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	
	30/09/2019 \$'000 (Unaudited)	31/12/2018 \$'000 (Audited)	30/09/2019 \$'000 (Unaudited)	31/12/2018 \$'000 (Audited)
ASSETS				
Non-current assets				
Plant and equipment	5,219	4,227	-	-
Right-of-use assets ⁽¹⁾	4,062	-	-	-
Investment in subsidiaries	-	-	7,428	7,188
Investment in associate	3,057	3,404	11,399	11,524
Loans to subsidiaries	-	-	7,953	7,649
Prepaid operating expenses	14	4	-	-
	12,352	7,635	26,780	26,361
Current assets				
Inventories	841	282	-	-
Prepaid operating expenses	488	648	34	25
Trade and other receivables	6,974	8,714	9,378	15,851
Cash and short-term deposits	71,854	73,993	903	1,057
	80,157	83,637	10,315	16,933
Total assets	92,509	91,272	37,095	43,294
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	3,007	1,980	38	3
Other liabilities	4,280	3,980	106	150
Lease liabilities ⁽¹⁾	1,715	-	-	-
Income tax payable	6,706	6,775	-	-
	15,708	12,735	144	153
Net current assets	64,449	70,902	10,171	16,780
Non-current liabilities				
Other liabilities	140	87	-	-
Lease liabilities ⁽¹⁾	2,377	-	-	-
Loans from non-controlling shareholder to subsidiaries	5,303	5,099	-	-
	7,820	5,186	-	-
Total liabilities	23,528	17,921	144	153
Net assets	68,981	73,351	36,951	43,141

Note:-

⁽¹⁾ Please refer to Note 5 for more details on the adoption of SFRS(I) 16 Leases with effect from 1 January 2019.

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	
	30/09/2019 \$'000 (Unaudited)	31/12/2018 \$'000 (Audited)	30/09/2019 \$'000 (Unaudited)	31/12/2018 \$'000 (Audited)
Equity attributable to owners of the Company				
Share capital	22,438	22,273	22,438	22,273
Merger reserve	(2,311)	(2,311)	-	-
Share-based payments reserve	958	883	958	883
Other reserve	2,258	1,869	-	-
Foreign currency translation reserve	(315)	(495)	-	-
Retained earnings	48,495	51,547	13,555	19,985
	71,523	73,766	36,951	43,141
Non-controlling interests	(2,542)	(415)	-	-
Total equity	68,981	73,351	36,951	43,141
Total equity and liabilities	92,509	91,272	37,095	43,294

1(b)(ii) In relation to the aggregate amount of group's borrowings and debt securities, specify the following as at the end of current financial period reported on with comparative figures as at the end of the immediately preceding financial year:

(a) the amount repayable in one year or less, or on demand;

None

(b) the amount repayable after one year;

None

(c) whether the amounts are secured or unsecured; and

None

(d) details of any collaterals.

None

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.

The Group	Q3 2019 \$'000 (Unaudited)	Q3 2018 \$'000 (Unaudited)	YTD 2019 \$'000 (Unaudited)	YTD 2018 \$'000 (Unaudited)
Operating Activities				
Profit before tax	9,852	8,969	27,820	22,642
<u>Adjustments for:</u>				
Depreciation of plant and equipment	375	85	1,100	282
Depreciation of right-of-use assets ⁽¹⁾	488	-	1,475	-
Cost of share-based payments	139	135	240	403
Finance costs on unwinding of discount adjustment of loans to subsidiaries	68	37	204	70
Finance costs on lease liabilities ⁽¹⁾	40	-	83	-
Interest income	(382)	(170)	(953)	(428)
Share of results of associate	309	286	800	693
Operating cash flows before changes in working capital	10,889	9,342	30,769	23,662
Changes in working capital				
Increase in inventories	(141)	(6)	(559)	(123)
Decrease/(increase) in prepaid operating expenses	51	(688)	150	(957)
Decrease in trade and other receivables	992	98	1,537	2,943
Increase in trade and other payables	780	76	1,027	136
Increase in other liabilities	389	448	353	846
Net changes in working capital	2,071	(72)	2,508	2,845
Cash flows generated from operations	12,960	9,270	33,277	26,507
Interest received	382	170	1,156	598
Interest paid on lease liabilities ⁽¹⁾	(40)	-	(83)	-
Income tax paid	(2,539)	(2,195)	(5,935)	(5,881)
Net cash flows generated from operating activities	10,763	7,245	28,415	21,224
Investing Activities				
Purchase of plant and equipment	(46)	(153)	(2,092)	(318)
Proceeds from return of capital from associate	-	-	125	-
Net cash flows used in investing activities	(46)	(153)	(1,967)	(318)
Financing Activities				
Dividends paid on ordinary shares	(13,145)	(10,002)	(27,142)	(28,008)
Loan from non-controlling shareholder to a subsidiary	-	-	-	2,000
Payment for principal portion of lease liabilities ⁽¹⁾	(472)	-	(1,445)	-
Net cash flows used in financing activities	(13,617)	(10,002)	(28,587)	(26,008)
Net decrease in cash and cash equivalents	(2,900)	(2,910)	(2,139)	(5,102)
Cash and cash equivalents at beginning of the period	74,754	68,859	73,993	71,051
Cash and cash equivalents at end of the period	71,854	65,949	71,854	65,949

Note:-

⁽¹⁾ Please refer to Note 5 for more details on the adoption of SFRS(I) 16 Leases with effect from 1 January 2019.

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.

The Group (Unaudited)	Share capital	Merger reserve	Share- based payments reserve	Other reserve	Foreign currency translation reserve	Retained earnings	Non- controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2019	22,273	(2,311)	883	1,869	(495)	51,547	(415)	73,351
Profit for the period	-	-	-	-	-	6,980	(725)	6,255
<u>Other comprehensive income</u>								
Foreign currency translation	-	-	-	-	50	-	-	50
Share of other reserve of associate	-	-	-	320	-	-	-	320
Other comprehensive income for the period, net of tax	-	-	-	320	50	-	-	370
Total comprehensive income for the period	-	-	-	320	50	6,980	(725)	6,625
<u>Contributions by owners</u>								
Share-based payments	-	-	133	-	-	-	-	133
Balance at 31 March 2019	22,273	(2,311)	1,016	2,189	(445)	58,527	(1,140)	80,109
Profit for the period	-	-	-	-	-	8,680	(768)	7,912
<u>Other comprehensive income</u>								
Foreign currency translation	-	-	-	-	80	-	-	80
Other comprehensive income for the period, net of tax	-	-	-	-	80	-	-	80
Total comprehensive income for the period	-	-	-	-	80	8,680	(768)	7,992
<u>Distributions to and contributions by owners</u>								
Dividend paid to shareholders	-	-	-	-	-	(13,997)	-	(13,997)
Share-based payments	-	-	(32)	-	-	-	-	(32)
Vesting of performance shares	165	-	(165)	-	-	-	-	-
<u>Changes in ownership interests in subsidiary</u>								
Acquisition of non-controlling interests without a change in control	-	-	-	(9)	-	(46)	55	-
Balance at 30 June 2019	22,438	(2,311)	819	2,180	(365)	53,164	(1,853)	74,072

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.

The Group (Unaudited)	Share capital \$'000	Merger reserve \$'000	Share- based payments reserve \$'000	Other reserve \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000	Non- controlling interests \$'000	Total equity \$'000
Balance at 30 June 2019	22,438	(2,311)	819	2,180	(365)	53,164	(1,853)	74,072
Profit for the period	-	-	-	-	-	8,514	(727)	7,787
<u>Other comprehensive income</u>								
Foreign currency translation	-	-	-	-	50	-	-	50
Share of other reserve of associate	-	-	-	78	-	-	-	78
Other comprehensive income for the period, net of tax	-	-	-	78	50	-	-	128
Total comprehensive income for the period	-	-	-	78	50	8,514	(727)	7,915
<u>Distributions to and contributions by owners</u>								
Dividend paid to shareholders	-	-	-	-	-	(13,145)	-	(13,145)
Share-based payments	-	-	139	-	-	-	-	139
<u>Changes in ownership interests in subsidiary</u>								
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	(38)	38	-
Balance at 30 September 2019	22,438	(2,311)	958	2,258	(315)	48,495	(2,542)	68,981

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.

The Group (Unaudited)	Share capital	Merger reserve	Share- based payments reserve	Other reserve	Foreign currency translation reserve	Retained earnings	Non- controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2018	22,273	(2,311)	346	2,006	(632)	50,647	181	72,510
Profit for the period, representing total comprehensive income for the period	-	-	-	-	-	5,381	(323)	5,058
<u>Contributions by owners</u>								
Share-based payments	-	-	134	-	-	-	-	134
Balance at 31 March 2018	22,273	(2,311)	480	2,006	(632)	56,028	(142)	77,702
Profit for the period, representing total comprehensive income for the period	-	-	-	-	-	6,307	(473)	5,834
<u>Distributions to and contributions by owners</u>								
Dividend paid to shareholders	-	-	-	-	-	(18,006)	-	(18,006)
Share-based payments	-	-	134	-	-	-	-	134
Fair value adjustment for loan from non-controlling shareholder to a subsidiary	-	-	-	-	-	-	457	457
Other adjustment	-	-	-	(137)	137	-	-	-
Balance at 30 June 2018	22,273	(2,311)	614	1,869	(495)	44,329	(158)	66,121
Profit for the period, representing total comprehensive income for the period	-	-	-	-	-	7,626	(430)	7,196
<u>Distributions to and contributions by owners</u>								
Dividend paid to shareholders	-	-	-	-	-	(10,002)	-	(10,002)
Share-based payments	-	-	135	-	-	-	-	135
Balance at 30 September 2018	22,273	(2,311)	749	1,869	(495)	41,953	(588)	63,450

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.

The Company (Unaudited)	Share capital \$'000	Share-based payments reserve \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 January 2019	22,273	883	19,985	43,141
Loss for the period, representing total comprehensive income for the period	-	-	(263)	(263)
<u>Contributions by owners</u>				
Share-based payments	-	133	-	133
Balance at 31 March 2019	22,273	1,016	19,722	43,011
Profit for the period, representing total comprehensive income for the period	-	-	11,968	11,968
<u>Distributions to and contributions by owners</u>				
Dividend paid to shareholders	-	-	(13,997)	(13,997)
Share-based payments	-	(32)	-	(32)
Vesting of performance shares	165	(165)	-	-
Balance at 30 June 2019	22,438	819	17,693	40,950
Profit for the period, representing total comprehensive income for the period	-	-	9,007	9,007
<u>Distributions to and contributions by owners</u>				
Dividend paid to shareholders	-	-	(13,145)	(13,145)
Share-based payments	-	139	-	139
Balance at 30 September 2019	22,438	958	13,555	36,951

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.

The Company (Unaudited)	Share capital \$'000	Share-based payments reserve \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 January 2018	22,273	346	20,447	43,066
Loss for the period, representing total comprehensive income for the period	-	-	(342)	(342)
<u>Contributions by owners</u>				
Share-based payments	-	134	-	134
Balance at 31 March 2018	22,273	480	20,105	42,858
Profit for the period, representing total comprehensive income for the period	-	-	9,921	9,921
<u>Distributions to and contributions by owners</u>				
Dividend paid to shareholders	-	-	(18,006)	(18,006)
Share-based payments	-	134	-	134
Balance at 30 June 2018	22,273	614	12,020	34,907
Profit for the period, representing total comprehensive income for the period	-	-	5,979	5,979
<u>Distributions to and contributions by owners</u>				
Dividend paid to shareholders	-	-	(10,002)	(10,002)
Share-based payments	-	135	-	135
Balance at 30 September 2018	22,273	749	7,997	31,019

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.

There are no changes in the Company’s share capital since 30 June 2019. As at 30 September 2019 and 30 September 2018, there were no treasury shares held by the Company and there were no subsidiary holdings.

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.

	Number of ordinary shares	
	30/09/2019	31/12/2018
Total number of issued shares	1,314,501,723	1,314,286,000

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no shares held as treasury shares as at 30 September 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.

There were no subsidiary holdings.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by our auditors.

3. Where the figures have been audited or reviewed, the auditors’ report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer’s most recently audited annual financial statements have been applied.

Except for the adoption of the SFRS(I)s and Amendments to SFRS(I)s applicable for the financial period beginning on or after 1 January 2019 and as disclosed in paragraph 5 below, the same accounting policies and methods of computation have been applied. Except as disclosed in paragraph 5, the adoption of new SFRS(I)s and Amendments to SFRS(I)s did not have any effect on the financial performance or position of the Group and the Company.

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 accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for the financial period beginning on or after 1 January 2019.

The Group adopted SFRS(I) 16 *Leases* on 1 January 2019, using the modified retrospective approach, without restating prior years' information. On adoption of SFRS(I) 16, the Group has chosen, on a lease-by-lease basis, to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019. The effects of the adoption of SFRS(I) 16 have been reflected in the financial statements for the financial period ended 30 September 2019.

The Group has recognised right-of-use assets of \$2.49 million and lease liabilities of \$2.49 million for its leases previously classified as operating leases as of 1 January 2019. The net book value of right-of-use assets and lease liabilities amounted to \$4.06 million and \$4.09 million respectively as of 30 September 2019. Except for the adoption of SFRS(I) 16, the adoption of the other new standards that are effective on 1 January 2019 has no material impact on the financial statements.

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.

The Group	Q3 2019 (Unaudited)	Q3 2018 (Unaudited)	YTD 2019 (Unaudited)	YTD 2018 (Unaudited)
Profit attributable to owners of the Company (\$'000)	8,514	7,626	24,174	19,314
Weighted average number of ordinary shares used in the computation of basic earnings per share	1,314,501,723	1,314,286,000	1,314,395,837	1,314,286,000
Basic earnings per share (cents)	0.65	0.58	1.84	1.47
Weighted average number of ordinary shares used in the computation of diluted earnings per share	1,314,717,440	1,314,798,335	1,314,717,440	1,314,798,335
Diluted earnings per share (cents)	0.65	0.58	1.84	1.47

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	
	30/09/2019 (Unaudited)	31/12/2018 (Audited)	30/09/2019 (Unaudited)	31/12/2018 (Audited)
Net asset value attributable to owners of the Company (\$'000)	71,523	73,766	36,951	43,141
Net asset value per ordinary share at end of the financial period (cents)	5.44 ⁽¹⁾	5.61 ⁽²⁾	2.81 ⁽¹⁾	3.28 ⁽²⁾

⁽¹⁾ The calculation of net asset value per ordinary share was based on 1,314,501,723 shares as at 30 September 2019.

⁽²⁾ The calculation of net asset value per ordinary share was based on 1,314,286,000 shares as at 31 December 2018.

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.**

Performance Review

Revenue

The Group's revenue for Q3 2019 was \$18.35 million, an increase of \$2.15 million or 13.3% from \$16.20 million in Q3 2018. The increase was mainly attributed to the increase in the number of patient visits compared to the same corresponding period last year.

Interest income

Interest income increased by \$0.21 million or 124.7% from \$0.17 million in Q3 2018 to \$0.38 million in Q3 2019. The increase was mainly due to the higher interest earned on fixed deposits.

Other items of expense

Employee benefits expense

Employee benefits expense comprised remuneration paid to doctors, nurses as well as other support staff. These included salaries and wages, allowances, CPF contributions, bonuses and staff benefits.

Employee benefits increased by \$0.57 million or 10.4% from \$5.50 million in Q3 2018 to \$6.07 million in Q3 2019. The increase was mainly due to increase in headcounts, staff salaries and provision of staff bonuses.

Cost of share-based payments to employees

Share-based payments to employees related mainly to:

- Options that were granted on 11 May 2017 and 10 May 2019 under the Company's employee share option scheme; and
- Performance shares that were granted on 11 May 2017 under the Company's performance share plan.

Share-based payments to employees increased by \$4,000 or 3.0% in Q3 2019.

Performance Review (cont'd)

Other items of expense (cont'd)

Operating lease expense

Operating lease expense decreased by approximately \$0.47 million or 97.0% from \$0.49 million in Q3 2018 to \$0.02 million in Q3 2019. The decrease was due to the adoption of SFRS(I) 16 on 1 January 2019.

Depreciation of right-of-use assets

Following the adoption of SFRS(I) 16 on 1 January 2019, the Group recorded depreciation of right-of-use assets of \$0.49 million in Q3 2019.

Depreciation of plant and equipment

Depreciation of plant and equipment increased by \$0.29 million or 341.2% from \$0.09 million in Q3 2018 to \$0.38 million in Q3 2019. The increase was due to the purchase of plant and equipment subsequent to Q3 2018.

Other operating expenses

Other operating expenses comprised mainly legal and professional fees, overseas travel expenses, utilities expenses, repair and maintenance costs as well as laboratory consumables and services fees.

Other operating expenses increased by \$0.60 million or 64.8% from \$0.92 million in Q3 2018 to \$1.52 million in Q3 2019. This increase was mainly due to the overhead expenses incurred by a subsidiary, CellVec Pte. Ltd. (“**CellVec**”), which was incorporated in August 2018.

Share of results of associate

The Group's share of loss after tax of its associate, Hong Kong Integrated Oncology Centre Holdings Limited was \$0.31 million in Q3 2019. This was an increase of \$0.02 million as compared to \$0.29 million in Q3 2018.

Income tax expense

Income tax expense increased by \$0.30 million or 16.5% from \$1.77 million in Q3 2018 to \$2.07 million in Q3 2019 due to higher profits in Q3 2019. The effective tax rate for Q3 2019 was 21.0% as compared to 19.8% in Q3 2018.

Profit after tax

The Group recorded profit after tax of \$7.79 million in Q3 2019 as compared to \$7.20 million in Q3 2018, an increase of \$0.59 million or 8.2%. This was mainly due to an increase in revenue offset by an increase in employee benefits expense and other operating expenses.

Review of the Group's financial position

Non-current assets

The Group's non-current assets comprised plant and equipment, right-of-use assets, investment in associate and prepaid operating expenses. Non-current assets increased by \$4.71 million which was attributable to the following:

- Increase in the carrying amount of plant and equipment of \$0.99 million;
- Increase in right-of-use assets of \$4.06 million; and
- Increase in prepaid operating expenses of \$0.01 million.

These were partially offset by the decrease in the carrying amount of investment in associate of \$0.35 million which arose mainly from the share of loss of associate for YTD 2019.

Current assets

Current assets comprised inventories, prepaid operating expenses, trade and other receivables and cash and short-term deposits. Current assets decreased by \$3.48 million which was attributable to the decrease in prepaid operating expenses of \$0.16 million, trade and other receivables of \$1.74 million and cash and short-term deposits of \$2.14 million, offset by an increase in inventories of \$0.56 million.

The decrease in trade and other receivables and cash and short-term deposits was mainly attributable to payments received from trade debtors and cash flows used in financing activities respectively.

Current liabilities

Current liabilities comprised trade and other payables, other liabilities, lease liabilities and income tax payable. Current liabilities increased by \$2.98 million. Trade and other payables increased by \$1.03 million mainly due to higher trade payables. Other liabilities increased by \$0.30 million due to higher accrued operating expenses. Lease liabilities increased by \$1.72 million with the adoption of SFRS(I) 16 on 1 January 2019. Income tax payable decreased by \$0.07 million due to the payment of income tax for the financial year ended 31 December 2018 offset by the income tax provision in respect of the first three quarters of 2019.

Non-current liabilities

Non-current liabilities comprised other liabilities, lease liabilities and loans from non-controlling shareholder to subsidiaries. Non-current liabilities increased by \$2.63 million mainly due to an increase in other liabilities of \$0.05 million, an increase in lease liabilities of \$2.38 million and an increase in loans from a non-controlling shareholder to subsidiaries of \$0.20 million (due to the unwinding of discount adjustment of loans from a non-controlling shareholder to subsidiaries).

Equity attributable to owners of the Company

The decrease was mainly attributable to final and interim dividends paid to shareholders in respect of FY2018 and the financial year ending 31 December 2019 ("FY2019") respectively, offset by profits earned during the year.

Review of the Group's financial position (cont'd)

Non-controlling interests

This related to the:-

- (i) 40%, 46% and 64%⁽¹⁾ non-controlling interests' share in the net equity of Stem Med Pte. Ltd. ("**Stem Med**"), Stem Med Indonesia Pte. Ltd. and DrSG Cellular Wellness Pte. Ltd. ("**DrSG**") respectively; and
- (ii) 43% non-controlling interests' share in the net equity of CellVec.

Note:-

- (1) *Stem Med owns 60% of DrSG. By virtue of the Company's 60% interest in Stem Med, the Company effectively owns 36% of DrSG and the remaining 64% falls within the definition of non-controlling interests.*

During the quarter, the Company's wholly-owned subsidiary, TalkMed China Pte. Ltd., had acquired 25 ordinary shares of its subsidiary, TalkMed Chongqing Pte. Ltd. ("TMCQ"), representing 25% of the total issued and paid-up share capital of TMCQ, from its minority shareholder, ZXJ2 Holdings Pte. Ltd.. As a result, the Group now owns and controls 100% of TMCQ.

Review of the Group's cash flows

Operating activities

Net cash flows from operating activities amounted to \$10.76 million. This comprised operating cash flows before changes in working capital of \$10.89 million, net changes in working capital of \$2.07 million and interest received of \$0.38 million, less interest paid of \$0.04 million and income tax paid of \$2.54 million.

The net decrease in working capital of \$2.07 million was mainly due to the following:

- Decrease in prepaid operating expenses of \$0.05 million;
- Decrease in trade and other receivables of \$0.99 million;
- Increase in trade and other payables of \$0.78 million; and
- Increase in other liabilities of \$0.39 million.

These were partially offset by the increase in inventories of \$0.14 million.

Investing activities

Net cash flows used in investing activities of \$0.05 million was attributable to the purchase of plant and equipment by CellVec and Stem Med.

Financing activities

Net cash flows used in financing activities amounted to \$13.62 million. This was attributable to the payment of interim dividends of \$13.15 million to shareholders in respect of FY2019 and the payment for principal portion of lease liabilities of \$0.47 million.

Net decrease in cash and cash equivalents

The above resulted in a net decrease in cash and cash equivalents of \$2.90 million for Q3 2019. Cash and cash equivalents totalled \$71.85 million as at 30 September 2019.

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

Not applicable.

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.**

Our business is dependent to a large extent on the economic performance of Singapore and countries in South East Asia.

The Group is facing pressure on revenue from the competition arising from lower medical costs in our neighbouring countries.

11. **If a decision regarding dividend has been made, the required information has been disclosed.**

(a) Any dividend declared or recommended for the current financial period reported on

The Company does not recommend or declare any dividend for the financial period ended 30 September 2019.

(b) Any dividend declared for the corresponding period of the immediately preceding financial year

No.

(c) The date the dividend is payable

Not applicable.

(d) The date on which Registrable Transfers received by the Company (up to 5.00 pm) 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.**

The Company generally reviews its dividend policy semi-annually. As such, no dividend has been declared or recommended for the financial period ended 30 September 2019.

13. **If the Group has obtained a general mandate from the shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group does not have a general mandate from its shareholders for Interested Person Transactions pursuant to Rule 920(1)(a)(ii).

14. Confirmation pursuant to Rule 720(1)

TalkMed Group Limited confirms that undertakings under Rule 720(1) have been obtained from all directors and executive officers in the format set out in form Appendix 7H.

15. Confirmation pursuant to Rule 705(5)

The Board of Directors hereby confirms that to the best of their knowledge, nothing has come to their attention which may render the unaudited interim financial statements of the Group and the Company for the period ended 30 September 2019 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Ang Peng Tiam
Chief Executive Officer
12 November 2019

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Hong Leong Finance Limited (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). 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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