HEALTHWAY MEDICAL CORPORATION LIMITED

(Co. Regn. No: 200708625C)

UNAUDITED FINANCIAL STATEMENTS AND DIVIDENDS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST. The sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

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Shareholders and potential investors should note that the contents of this announcement has not been reported on pursuant to the requirements of Rule 25 of the Singapore Code on Take-overs and Mergers ("Code"). The auditor or reporting accountant report and financial adviser report for this announcement to the extent required by the Code will be published as soon as possible, but no later than the date of the offeree circular to be despatched to shareholders of the Company in accordance with the Code.

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			12 months ended		
	31.12.16 S$'000	31.12.15 S$'000	Change %	31.12.16 S$'000	31.12.15 S$'000	Change %
Revenue	23,377	23,328	0.2	96,751	94,273	2.6
Other operating income / (loss)	720	(72)	n.m.	1,526	7,856	(80.6)
Medical supplies, consumables and laboratory expenses	(4,512)	(4,829)	(6.6)	(19,217)	(18,995)	1.2
Staff costs	(15,476)	(15,120)	2.4	(61,773)	(59,299)	4.2
Depreciation of property, plant and equipment	(313)	(345)	(9.3)	(1,328)	(1,340)	(0.9)
Amortisation of intangible assets	(243)	(74)	228.4	(296)	(295)	0.3
Other operating expenses	(44,171)	(3,796)	n.m.	(54,671)	(18,426)	196.7
Finance costs	(436)	(321)	35.8	(1,332)	(1,078)	23.6
(Loss) / profit before income tax	(41,054)	(1,229)	n.m.	(40,340)	2,696	n.m.
Income tax credit / (expense)	195	325	n.m.	185	(1,013)	(118.3)
(Loss) / Profit for the period attributable to shareholders	(40,859)	(904)	n.m.	(40,155)	1,683	n.m.
Other comprehensive income / (loss), net of tax	25	(107)	n.m.	(117)	(582)	(79.9)
Total comprehensive (loss) / income for the period	(40,834)	(1,011)	n.m.	(40,272)	1,101	n.m.

n.m. denotes not meaningful.

Explanatory notes to the income statement

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

	3 months ended			12 months ended		
	31.12.16 S$'000	31.12.15 S$'000	Change %	31.12.16 S$'000	31.12.15 S$'000	Change %
Interest income	(3)	(1)	200.0	(14)	(1,806)	(99.2)
Rental income	(81)	(82)	(1.2)	(324)	(315)	2.9
Gain on disposal of available-for-sale financial assets reclassified from equity	-	-	n.m.	-	(727)	n.m.
Interest expense	436	321	35.8	1,332	1,078	23.6
Allowance / (Reversal) for doubtful trade receivables	646	(441)	n.m.	646	(441)	n.m.
Allowance for doubtful loan and other receivables	36,569	312	n.m.	36,569	4,812	n.m.
Impairment of goodwill	3,000	-	n.m.	3,000	-	n.m.
Bad debts written off	102	-	n.m.	102	-	n.m.
Loss on disposal of property, plant and equipment	-	-	n.m.	23	80	(71.3)
Foreign exchange (gain) / loss	(297)	477	n.m.	738	(262)	n.m.
Operating lease expenses	2,089	2,083	0.3	8,334	8,228	1.3

Statement of comprehensive income

	3 months ended			12 months ended		
	31.12.16 S$'000	31.12.15 S$'000	Change %	31.12.16 S$'000	31.12.15 S$'000	Change %
(Loss) / Profit for the period	(40,859)	(904)	4,419.8	(40,155)	1,683	n.m.
Foreign exchange differences	25	(107)	n.m.	(117)	136	n.m.
Change in fair value of available-for-sale financial assets	-	-	n.m.	-	9	n.m.
Change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	n.m.	-	(727)	n.m.
Other comprehensive income / (loss) for the period, net of tax	25	(107)	n.m.	(117)	(582)	(79.9)
Total comprehensive (loss) / income for the period	(40,834)	(1,011)	3,939.0	(40,272)	1,101	n.m.

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	
	31.12.16 S$'000	31.12.15 S$'000	31.12.16 S$'000	31.12.15 S$'000
Current assets				
Cash and cash equivalents	2,436	2,884	1,368	1,947
Trade and other receivables	67,665	81,341	6,553	10,927
Inventories	2,270	2,290	-	-
Current income tax recoverable	383	-	-	-
	72,754	86,515	7,921	12,874
Non-current assets				
Other receivables	1,186	22,010	-	-
Investments in subsidiaries	-	-	201,106	197,113
Property, plant and equipment	4,999	5,897	-	-
Intangible assets	118,833	121,902	-	66
Deferred tax assets	-	18	-	43
	125,018	149,827	201,106	197,222
Total assets	197,772	236,342	209,027	210,096
Equity				
Share capital	208,214	204,430	208,214	204,430
Treasury shares	-	(3,049)	-	(3,049)
Capital reserve	(2,423)	-	(2,423)	-
Currency translation reserve	718	835	-	-
Accumulated losses	(50,645)	(10,490)	(6,131)	(6,375)
Total equity	155,864	191,726	199,660	195,006
Current liabilities				
Trade and other payables	27,726	24,326	3,737	2,184
Current income tax liabilities	208	1,296	145	328
Borrowings	10,651	12,653	4,282	8,293
	38,585	38,275	8,164	10,805
Non-current liabilities				
Borrowings	3,006	5,984	1,203	4,285
Deferred income tax liabilities	25	-	-	-
Provisions	292	357	-	-
	3,323	6,341	1,203	4,285
Total liabilities	41,908	44,616	9,367	15,090
Total equity and liabilities	197,772	236,342	209,027	210,096

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 31.12.16		As at 31.12.15	
	Secured	Unsecured	Secured	Unsecured
	S$'000	S$'000	S$'000	S$'000
Amount repayable within one year	8,649	666	9,510	1,855
Amount repayable after one year	1,461	712	3,335	1,378

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

(i) joint and several guarantees from former directors of the Company and subsidiaries;

(ii) time deposits of the Company and a subsidiary;

(iii) corporate guarantee of the Company; and

(iv) personal guarantees from a former substantial shareholder, employees and an ex-employee of the Company.

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

	As at 31.12.16	As at 31.12.15
	S$'000	S$'000
Amount repayable within one year	1,336	1,288
Amount repayable after one year	833	1,271

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		12 months ended	
	31.12.16 S$'000	31.12.15 S$'000	31.12.16 S$'000	31.12.15 S$'000
Cash flows from operating activities				
(Loss) / Profit before income tax	(41,054)	(1,229)	(40,340)	2,696
Adjustments for:				
Amortisation of intangible assets	243	74	296	295
Impairment of goodwill	3,000	-	3,000	-
Gain on disposal of available-for-sale financial assets	-	-	-	(727)
Depreciation of property, plant and equipment	313	345	1,328	1,340
Allowance for doubtful loan and other receivables	36,569	312	36,569	4,812
Loss on disposal of property, plant and equipment	-	-	23	80
Unrealised currency translation (gain) / loss	(297)	477	738	(262)
Interest expense	436	321	1,332	1,078
Interest income	(3)	(1)	(14)	(1,806)
	(793)	299	2,932	7,506
Changes in working capital:				
Inventories	562	(12)	20	103
Trade and other receivables	2,233	(601)	(1,887)	424
Trade and other payables	(1,297)	397	4,138	3,095
Provison	-	-	-	(9)
Cash generated from operations	706	83	5,203	11,119
Income tax paid	-	(4)	(1,243)	(304)
Net cash generated from operating activities	**706**	**79**	**3,960**	**10,815**
Cash flows from investing activities				
Addition to property, plant and equipment	(56)	299	(328)	(658)
Addition to intangible assets	-	-	(1)	-
Proceeds from disposal of property, plant and equipment	118	-	118	44
Loan receivables	(309)	(1,037)	(1,309)	(4,961)
Advances to third party - net	757	415	(467)	(5,790)
Proceeds from sale of available-for-sale financial assets	-	-	-	765
Interest received	3	1	14	11
Net cash used in investing activities	**513**	**(322)**	**(1,973)**	**(10,589)**
Cash flows from financing activities				
Proceeds from issuance of shares	-	-	3,999	-
Share issue expenses	-	-	(215)	-
Proceeds from re-issuance of treasury shares	-	-	626	-
Proceeds from borrowings	4,237	6,007	14,160	27,131
Repayment of borrowings	(6,072)	(6,110)	(18,750)	(25,650)
Fixed deposits pledged	(32)	-	(71)	282
Repayment of finance lease liabilities	(407)	(255)	(923)	(902)
Interest paid	(436)	(321)	(1,332)	(1,078)
Net cash used in financing activities	**(2,710)**	**(679)**	**(2,506)**	**(217)**
Net increase in cash and cash equivalents	**(1,491)**	**(922)**	**(519)**	**9**
Cash and cash equivalents				
Beginning of financial period	2,017	1,969	1,046	1,037
Effect of exchange rate fluctuations on cash held	1	(1)	-	-
End of financial period	**527**	**1,046**	**527**	**1,046**

Cash and cash equivalents comprised:

	As at 31.12.16 S$'000	As at 31.12.15 S$'000
Deposits with banks	2,436	2,884
Fixed deposits pledged as collaterals	(1,909)	(1,838)
	527	1,046

During the financial year ended 31 December 2016, the Group acquired property, plant and equipment with an aggregate cost of S$860,000 (2015: S$1,330,000), of which S$532,000 (2015: S$672,000) 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	Capital reserve	Retained earnings	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group - Current period								
At 1 January 2016	204,430	(3,049)	201,381	-	835	-	(10,490)	191,726
Profit for the period	-	-	-	-	-	-	704	704
Foreign exchange differences	-	-	-	-	(142)	-	-	(142)
Total comprehensive (loss) / income for the period	-	-	-	-	(142)	-	704	562
Issue of new shares pursuant to placement	3,999	-	3,999	-	-	-	-	3,999
Share issue expenses	(215)	-	(215)	-	-	-	-	(215)
Treasury shares re-issued	-	3,049	3,049	-	-	(2,423)	-	626
Total contributions by and distributions to owners	3,784	3,049	6,833	-	-	(2,423)	-	4,410
At 30 September 2016	208,214	-	208,214	-	693	(2,423)	(9,786)	196,698
Loss for the period	-	-	-	-	-	-	(40,859)	(40,859)
Foreign exchange differences	-	-	-	-	25	-	-	25
Total comprehensive income / (loss) for the period	-	-	-	-	25	-	(40,859)	(40,834)
At 31 December 2016	208,214	-	208,214	-	718	(2,423)	(50,645)	155,864
Group - Previous period								
At 1 January 2015	204,430	(3,049)	201,381	718	699	-	(12,173)	190,625
Profit for the period	-	-	-	-	-	-	2,587	2,587
Net change in fair value of available-for-sale financial assets	-	-	-	(718)	-	-	-	(718)
Foreign exchange differences	-	-	-	-	243	-	-	243
Total comprehensive (loss) / income for the period	-	-	-	(718)	243	-	2,587	2,112
At 30 September 2015	204,430	(3,049)	201,381	-	942	-	(9,586)	192,737
Loss for the period	-	-	-	-	-	-	(904)	(904)
Net change in fair value of available-for-sale financial assets	-	-	-	(3,509)	-	-	-	(3,509)
Foreign exchange differences	-	-	-	-	3,402	-	-	3,402
Total comprehensive (loss) / income for the period	-	-	-	(3,509)	3,402	-	(904)	(1,011)
At 31 December 2015	204,430	(3,049)	201,381	(3,509)	4,344	-	(10,490)	191,726

	<--------- Share capital ---------->							
	Ordinary shares	Treasury shares	Total	Fair value reserve	Translation reserve	Capital reserve	Retained earnings	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Company - Current period								
At 1 January 2016	204,430	(3,049)	201,381	-	-	-	(6,375)	195,006
Profit for the period	-	-	-	-	-	-	241	241
Total comprehensive loss for the period	-	-	-	-	-	-	241	241
Issue of new shares pursuant to placement	3,999	-	3,999	-	-	-	-	3,999
Share issue expenses	(215)	-	(215)	-	-	-	-	(215)
Treasury shares re-issued	-	3,049	3,049	-	-	(2,423)	-	626
Total contributions by and distributions to owners	3,784	3,049	6,833	-	-	(2,423)	-	4,410
At 30 September 2016	208,214	-	208,214	-	-	(2,423)	(6,134)	199,657
Profit for the period	-	-	-	-	-	-	3	3
Total comprehensive loss for the period	-	-	-	-	-	-	3	3
At 31 December 2016	208,214	-	208,214	-	-	(2,423)	(6,131)	199,660
Company - Previous period								
At 1 January 2015	204,430	(3,049)	201,381	718	-	-	(7,900)	194,199
Profit for the period	-	-	-	-	-	-	2,457	2,457
Net change in fair value of available-for-sale financial assets	-	-	-	(718)	-	-	-	(718)
Total comprehensive (loss) / income for the period	-	-	-	(718)	-	-	2,457	1,739
At 30 September 2015	204,430	(3,049)	201,381	-	-	-	(5,443)	195,938
Loss for the period	-	-	-	-	-	-	(932)	(932)
Total comprehensive loss for the period	-	-	-	-	-	-	(932)	(932)
At 31 December 2015	204,430	(3,049)	201,381	-	-	-	(6,375)	195,006

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 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 30 September 2016 and 31 December 2016	2,460,234,183	208,214

Convertibles

The Company did not have any outstanding convertibles as at 31 December 2016 and 31 December 2015.

Treasury shares

The Company did not have any treasury shares as at 31 December 2016 (31 December 2015: 18,698,000).

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 31.12.16	As at 31.12.15
Total number of issued shares excluding treasury shares	2,460,234,183	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 2015, 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 2016. 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		12 months ended	
	31.12.16	**31.12.15**	**31.12.16**	**31.12.15**
Basic and diluted (loss) / earnings per ordinary share (Singapore cents)	(1.66)	(0.04)	(1.71)	0.07

Basic and diluted (loss) / earnings per share of the Group for the 3 months and 12 months ended 31 December 2016 are calculated based on the weighted average number of ordinary shares in issue of 2,460,234,183 and 2,353,081,850 respectively (3 months and 12 months ended 31 December 2015: 2,308,236,183).

There were no potentially dilutive ordinary shares in existence as at 31 December 2016 and 31 December 2015, and accordingly, basic (loss) / earnings per ordinary share and diluted (loss) / earnings per ordinary share were the same for the respective periods.

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 31.12.16	As at 31.12.15	As at 31.12.16	As at 31.12.15
Net asset value per ordinary share based on total number of issued shares, excluding treasury shares (Singapore cents)	6.34	8.31	8.12	8.45

The net asset value per ordinary share of the Group and the Company as at 31 December 2016 were calculated based on the total number of issued shares, excluding treasury shares, of 2,460,234,183 (31 December 2015: 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 financial year ended 31 December 2016 ("**FY2016**") was S$96.8 million, an increase of S$2.5 million or 2.6% from S$94.3 million for the financial year ended 31 December 2015 ("**FY2015**"). The increase was mainly due to the increase in revenue of S$3.0 million from the Specialist & Wellness Healthcare segment (through greater patient load), offset by decrease in Primary Healthcare segment of S$0.5 million.

The Group's other operating income decreased by S$6.3 million or 80.6% from S$7.8 million for FY2015 to S$1.5 million for FY2016. This was mainly due to absence in FY2016 of S$0.7 million on disposal of available-for-sale financial assets, as well as absence in FY2016 of FY2015's S$1.8 million interest income due to the discontinuation of interest charge in relation to a loan receivable, management fee of S$0.9 million and S$3.3 million for the recovery of staff costs for secondment fees, from Healthway Medical Enterprises Pte. Ltd. ("**HME**" or "**Party A**"), an incubator of medical clinics in Singapore owned by an unrelated third party and managed by the Company.

Total operating costs of the Group, which included medical supplies, consumables and laboratory expenses, staff costs, depreciation of property, plant and equipment, amortisation of intangible assets, other operating expenses (which includes allowance for doubtful trade, loan and other receivables) and finance costs, increased by S$39.2 million or 39.4% from S$99.4 million for FY2015 to S$138.6 million for FY2016. The increase was mainly attributable to higher allowance for doubtful loan, trade and other receivables of S$32.8 million, allowance for impairment of goodwill of S$3.0m, higher staff costs of S$2.5 million, as well as higher finance cost of S$0.3 million due to loans undertaken in FY2016 for working capital purposes at higher interest rates. Further details in relation to the allowance for doubtful loan trade and other receivables and allowance for impairment of goodwill are elaborated on page 12 of this announcement.

The Group's net loss before income tax was S$40.3 million for FY2016 as compared to a net profit before income tax of S$2.7 million for FY2015, with the net loss attributable to shareholders after tax at S$40.2 million for FY2016 as compared to a net profit attributable to shareholders at S$1.7 million for FY2015. Total comprehensive loss for FY2016 was S$40.3 million, as compared to total comprehensive profit of S$1.1 million for FY2015.

Disregarding (i) allowances for doubtful, loan and other receivables and impairment of goodwill amounting to an aggregate of S$40.2 million for FY2016 (FY2015: S$4.4 million (net)); (ii) other operating income from HME (as mentioned in paragraph 2 on page 11) amounting to S$6.0 million in FY2015 (FY2016: nil); and (iii) gain on disposal of available-for-sale financial assets reclassified from equity of S$0.7 million in FY2015 (FY2016: nil), the Group's net profit before income tax would have been S$0.1 million (FY2015: net profit before income tax of S$0.3 million) and net profit attributable to shareholders would have been S$0.1 million (FY2015: net loss attributable to shareholders of S$0.7 million).

Financial position

Non-current assets (comprising other receivables, property, plant and equipment, intangible assets and deferred tax assets) were S$125.0 million as at 31 December 2016, representing a decrease of S$24.8 million from S$149.8 million as at 31 December 2015. This was mainly due to a decrease in property, plant and equipment of S$0.9 million, a decrease in intangible assets of S$3.1 million mainly due to allowance for impairment of goodwill of S$3.0 million in FY2016, a decrease in trade and other receivables of S$20.8 million as a result of allowance for doubtful loan receivables of S$21.6m for loan receivables from medical centres in China owned by an unrelated third party ("**Wei Yi Shi Ye Co. Ltd.**" or "**Wei Yi**" or "**Party B**") and managed by the Group. Wei Yi is a company incorporated in China that owns medical centres that provides healthcare services in China. The loan receivables from Party B are a result of the funding and the provision of management and related services provided by the Group to these medical centres in China, and are intended to enable the Group to achieve its objective of expanding its medical practice footprint in China.

The allowance for doubtful loan receivables from Party B amounting to S$21.6 million is largely due to a change in circumstances in FY2016. In FY2015, the owner of Party B received a Letter of Intent from a third party to acquire the shares of Party B, the sales proceeds of which were intended to be utilised for the settlement of the loan receivables due from Party B to the Group. As such, in FY2015, Management had assessed the loan receivables form Party B to be recoverable, save for a S$1.8 million impairment made in relation thereto in FY2015. In the current financial year, Management was informed by the owner of Party B that negotiations with the third party had not progressed further since the signing of the aforementioned Letter of Intent. Given the current uncertainty surrounding the recovery of this loan, Management has made a full allowance of impairment on this loan during the current financial year. Management will continue to pursue all avenues available to recover this loan.

The goodwill impairment of S$3.0 million was also made for the dentistry business unit as a result of less than satisfactory performance for FY2016. The net present value of future cash flows of the business has been used to determine the recoverable amounts of these assets.

Current assets (comprising cash and cash equivalents, trade and other receivables, inventories and current income tax recoverable) were S$72.8 million as at 31 December 2016. This was S$13.7 million lower than S$86.5 million as at 31 December 2015. The decrease was mainly due to an allowance of doubtful loan and other receivables of S$15.0 million in relation to a loan receivable from Party A, as well as a decrease in cash and cash equivalents of S$0.4 million, offset by an increase in current income tax recoverable of S$0.4 million.

The allowance for doubtful loan and other receivables of S$15.0 million from Party A is mainly due to the challenging operating environment in Singapore which resulted in an increase in operating costs and an overall underperformance in the results of Party A's clinics for the current financial year. The Group will continue to pursue all avenues available for the recovery of the outstanding loan and other receivables.

Non-current liabilities (comprising borrowings and provisions) were S$3.3 million as at 31 December 2016, a decrease of S$3.0 million from S$6.3 million as at 31 December 2015. This was mainly due to repayment of borrowings in FY2016.

Current liabilities (comprising trade and other payables, current income tax liabilities and borrowings) were S$38.6 million as at 31 December 2016, an increase of S$0.3 million from S$38.3 million as at 31 December 2015. This was mainly due to an increase in trade and other payables of S$3.4 million which was in line with the increase in operating costs, offset by a decrease in borrowings of S$2.0 million as a result of repayment of borrowings in FY2016, as well as a decrease in income tax liabilities of S$1.1 million mainly as a result of lower taxable profits in FY2016.

The Group had a positive working capital of S$34.2 million as at 31 December 2016, as compared to $48.2 million as at 31 December 2015.

Cash flow statement

As at 31 December 2016, the Group had cash and cash equivalents amounting to S$0.5 million, net of fixed deposits pledged of S$1.9 million, as compared to cash and cash equivalents amounting to S$1.0 million, net of fixed deposits pledged of S$1.8 million as at 31 December 2015.

The significant cash movements during FY2016 as compared to FY2015 can be summarised as follows: -

Cash flow generated from operating activities for FY2016 amounted to S$4.0 million as compared to S$10.8 million for FY2015. The cash flow generated from operating activities for FY2016 was a result of operating profit before changes in working capital of S$2.9 million, adjusted for net working capital inflow of S$2.3 million and income tax payment of S$1.2 million. The net working capital inflow was mainly due to increase in trade and other payables of S$4.1 million, offset by increase in trade and other receivables of S$1.9 million.

Cash flow used in investing activities for FY2016 was S$2.0 million as compared to S$10.6 million for FY2015. The cash flow used in investing activities for FY2016 was mainly due to increase in loan receivables of S$1.3 million from Party B's medical centres in China. and net advances to HME's clinics managed by the Group of S$0.5 million, purchase of property, plant and equipment of S$0.3 million, offset by proceeds from disposal of property, plant and equipment of S$0.1 million. The Group's continued funding to Party B has been largely driven by the Group's intent to expand into the China market and to facilitate the continued operations of the medical centers in China in order to preserve the value of relevant licenses. The Group's continued funding to HME is on the back of a multiplicity of strategic and commercial factors including the Group's intent to acquire HME, as further elaborated in paragraph 10 of this announcement.

Cash flow used in financing activities for FY2016 was S$2.5 million as compared to S$0.2 million for FY2015. The cash flow used in financing activities in FY2016 was mainly due to S$3.8 million net proceeds raised from the issuance of shares pursuant to a placement exercise, proceeds from re-issuance of treasury shares of S$0.6 million, and S$14.2 million of loans undertaken for working capital purposes, offset by interest paid of S$1.3 million, repayment of borrowings of S$18.8 million, as well as repayment of finance lease liabilities of S$0.9 million.

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

The Company issued a profit warning on 15 February 2017 in relation to the unaudited consolidated financial results of the Group for the fourth quarter and financial year ended 31 December 2016. The expected net loss in the aforementioned announcement is in line with the actual unaudited results. Further explanations in relation to the significant impairment of certain receivables, as well as goodwill, are elaborated in section 8 of this announcement.

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.

On 7 February 2017, an announcement in relation to a voluntary conditional cash offer was made by RHB Securities Singapore Pte. Ltd. for and on behalf of Gentle Care Pte. Ltd. ("**Offeror**"), an indirect wholly-owned subsidiary of Lippo Limited, to acquire all the issued and paid-up ordinary shares in the capital of the Company ("**Shares**"), including all Shares owned, controlled or agreed to be acquired by parties acting or deemed to be acting in concert with the Offeror ("**Offer**") ("**Offer Announcement**").

In relation to the subscription agreement dated 16 January 2017 between GW Active Limited ("**Subscriber**") and the Company ("**Subscription Agreement**") for, *inter alia*, the subscription and issuance of S$10 million in convertible notes ("**CN A**") and S$60 million in non-convertible notes ("**NCN**"), (collectively, the "**Initial Notes**"), the Company had on 24 February 2017, announced the fulfilment and/or waiver of the conditions for the Subscriber to subscribe for and the Company to issue the Initial Notes on 9 March 2017, subject to fulfilment and/or waiver of certain further conditions. The

Initial Notes can be exchanged for fully convertible notes ("**CN B**") with a maturity of 5 years from the issue date of the Initial Notes. The issuance of CN B is subject to the approval of shareholders of the Company at an extraordinary general meeting to be convened. The CN B bears no coupon and is redeemable at the maturity date in cash at a Redemption Premium of 6% internal rate of return on the principal amount of CN B.

The Subscription Agreement contains change of control redemption clauses ("**Change of Control Redemption Clauses**" which provide that in the event that (a) "*any offer by any person other than the Subscriber becoming unconditional in all respects"* ("**CoC Event A**") or (b) any person (other than the Subscriber or the existing controlling shareholder of the Company) and their respective concert parties, holds more than 25% of the voting rights of the Company ("**CoC Event B**""), the Company shall redeem all outstanding Initial Notes at its Maturity Redemption Price within 30 business days after the occurrence of the event ("**Change of Control Redemption**").

In view of the Offer and the Change of Control Redemption Clauses, the Board wishes to highlight to Shareholders that assuming that the Initial Notes have been issued at or prior to the time the Offer becomes unconditional in all respects (if and when it occurs) ("**Unconditional Date**"), CoC Event A will occur and the Company will incur an obligation of Change of Control Redemption to redeem the Initial Notes by repaying the outstanding principal amount, accrued and accruable interest and redemption premium in accordance with the terms of the Initial Notes.

For the avoidance of doubt, assuming that the Offeror (which currently already holds more than 15% interest in the Company) remains a controlling shareholder of the Company as at the proposed issuance of the Initial Notes to the Subscriber on 9 March 2017, CoC Event B does not apply in the event that the Offeror, whether singly or together with its concert parties, increases its the voting rights in the Company to more than 25% (and no Change of Control Redemption be incurred as a result) because the Offeror would already be an existing controlling shareholder of the Company at the time of the issuance of the Initial Notes.

The Board, taking into consideration the current uncertainty as to whether CoC Event A or the Change of Control Redemption would occur and on the assumption that the Initial Notes have been issued, is of the view that the Company is likely to be able to continue as a going concern albeit up to the Unconditional Date.

The Board will reassess the Company's ability to continue as a going concern as and when the Offer becomes unconditional, and will keep Shareholders updated as and when there are any material updates in relation to the aforementioned.

The Board will also approach and engage the Offeror as well as the Subscriber in relation to the Change of Control Redemption at the appropriate juncture.

The Board wishes to assure Shareholders that it has been using and will continue to use its best efforts to ensure that the Company remains as a going concern.

The Company also had, on 30 December 2016, announced the extension of a pre-existing option to acquire HME ("**Option**") to 31 March 2017 ("**Extension**"). The Board is of the view that the acquisition of HME is in the best interests of the Group, after taking into consideration, among others, the positive EBITDA and operating cash flows generated for the unaudited 12 months up to 31 December 2016 of the companies currently owned by HME and the ability of the Company to recover about 75% of the outstanding loan and other receivables, Further, HME, being an incubator of medical practices in Singapore with promising potential, will be synergistic with the Group's existing businesses and is expected to contribute to the Group's earnings base. The Group will comply with the Code and will seek the necessary approvals for the acquisition of HME, including the approval of shareholders of the Company, if required, in due course. Deposits, aggregating to S$3.54 million, have been made in June 2013 (S$1.1 million) and November 2014 (S$2.44 million) to facilitate extensions of the Option. The parties to the proposed acquisition of HME are currently in negotiations on the terms of the proposed acquisition, which includes the offsetting of such deposits against the agreed upon purchase consideration of HME. Based on current negotiations, the Company does not expect any further material cash outlay to undertake the acquisition of HME.

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 for the current financial period reported on.

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 Company does not have a general mandate from its shareholders for Interested Person Transactions.

There were no IPTs of S$100,000 or more entered into by the Group during FY2016.

14. Use of Proceeds

The net proceeds from the placement, which was completed on 27 September 2016, was approximately S$3,750,000 (after deducting expenses pertaining to the Placement of approximately S$249,000) ("**Net Proceeds**"). The Net Proceeds have been fully utilised on 25 October 2016 as follows:

Intended Purposes	Amount utilised (S$)	Amount unutilised (S$)
Working Capital [(1)]	1,687,500	-
Expansionary Plan in Singapore	2,062,500	-
Total	3,750,000	-

Notes:
(1) Utilised mainly for payment of salaries and loans repayments.

The above utilisations are in accordance with the intended purposes as stated in the Company's announcement dated 29 August 2016.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)

15. Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Segment information

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Maker ("**CODM**") that are used to make strategic decisions. The CODM considers the business from both a geographical and business segment perspective and regularly reviews internal management reports for each of the business units.

Business Segments

The Group has two reportable segments, as described below, which are the Group's strategic business units.

- Primary Healthcare comprising family medicine, dentistry, healthcare benefit management and investment in strategic medical related business; and
- Specialist & Wellness Healthcare which comprise paediatrics, orthopaedics, aesthetic medicine, obstetrics and gynaecology.

Major Customer

The Group does not rely on a single external customer for 10% or more of the Group's revenue.

The segment information provided to the CODM for the reportable segments are as follows:

	← Singapore →		China	
	Primary Healthcare	Specialist & Wellness Healthcare	Specialist & Wellness Healthcare	Total
2016	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Sales				
Total segment sales and sales to external parties	50,032	46,657	62	96,751
EBITDA	(18,456)	3,772	(22,714)	(37,398)
Depreciation of property, plant and equipment	625	699	4	1,328
Amortisation of intangible assets	291	-	5	296
Segment assets	118,926	76,473	72	195,471
Segment assets includes:				
- Additions to property, plant and equipment	317	544	-	861
Segment liabilities	15,512	12,075	432	28,019

2015	← Singapore → Primary Healthcare S$'000	Specialist & Wellness Healthcare S$'000	China Specialist & Wellness Healthcare S$'000	Total S$'000
Sales				
Total segment sales and sales to external parties	50,596	43,420	257	94,273
EBITDA	1,088	4,289	(1,774)	3,603
Less: Net gain on disposal of available-for-sale financial asset	(727)	-	-	(727)
Adjusted EBTDA	361	4,289	(1,774)	2,876
Depreciation of property, plant and equipment	604	731	5	1,340
Amortisation of intangible assets	290	-	5	295
Segment assets	137,934	75,452	21,089	234,475
Segment assets includes:				
- Additions to property, plant and equipment	1,237	93	-	1,330
Segment liabilities	14,533	9,714	436	24,683

(a) Reconciliation

(i) a reconciliation of EBITDA to profit before income tax is as follows:

	Group 2016 S$'000	2015 S$'000
EBITDA for reportable segments	(37,398)	2,876
Gain on disposal of available-for-sale financial assets	-	727
Depreciation	(1,328)	(1,340)
Amortisation	(296)	(295)
Interest income	14	1,806
Finance expenses	(1,332)	(1,078)
(Loss) / Profit before income tax	(40,340)	2,696

Geographical information

The Group predominantly operates in Singapore and China.

(b) Geographical information

	Sales for continuing operations 2016 S$'000	2015 S$'000
Singapore	96,689	94,016
China	62	257
	96,751	94,273

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

Performance by business segment

For FY2016, Primary healthcare segment continues to contribute a higher proportion to the Group's revenue compared to Specialist and Wellness segment. Revenue for Specialist and Wellness segment had increased by 7.5% over the same period mainly as a result of the increase in patient load.

The CODM assesses the performance of the operating segments based on a measure of Earnings before interest, tax, depreciation and amortisation ("**EBITDA**") for continuing operations. The EBITDA for the Specialist and Wellness segment and Primary Healthcare segment had decreased by S$21.5 million and S$18.8 million in FY2016 respectively. The overall decrease for Specialist and Wellness segment was mainly due to an allowance for doubtful loan receivables of S$21.6 million for loan receivables from medical centres in China owned by Party B and managed by the Group. The overall decrease for Primary Healthcare segment was mainly due to an allowance of doubtful loan and other receivables of S$15.0 million in relation to a loan receivable from Party A, as well as an impairment loss on goodwill of S$3.0m.

Performance by geographical segment

There are no significant changes in the contribution to the Group's revenue by Singapore and China operations in FY2016 as compared to FY2015. Revenue from Singapore operations improved by S$2.7 million year-on-year mainly due to increase in revenue from Specialist and Wellness segment by S$3.2 million, offset by a decrease from Primary Healthcare segment by S$0.5 million. The increase in revenue was mainly due to increase in patient load for Specialist & Wellness Healthcare segment.

17. A breakdown of sales.

Breakdown of sales

	Group		
	2016	**2015**	**Change**
	S$'000	**S$'000**	**%**
Sales reported for first half-year	47,888	47,738	0.3
Profit reported for first half-year	635	5,566	(88.6)
Sales reported for second half-year	48,863	46,535	5.0
Loss reported for second half-year	(40,790)	(3,883)	n.m.

n.m. denotes not meaningful.

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not applicable.

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (10). If there are no such persons, the issuer must make an appropriate negative statement.

Pursuant to Rule 704(10) of the Catalist Rules, there is no person occupying a managerial position in the Company or any of its principal subsidiaries who is related to a director or chief executive officer or substantial shareholder of the Company as at 31 December 2016.

20. Confirmation pursuant to Rule 720 (1) of the SGX-ST Listing Manual

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7H) pursuant to Rule 720 (1) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited.

Responsibility Statement

The Directors of the Company (including those who have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this announcement are fair and accurate, and that there are no material facts not contained in this announcement, the omission of which would make any statement in this announcement misleading, and they jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors of the Company has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, accurately reflected or reproduced in this announcement.

BY ORDER OF THE BOARD

Veronica Chan
President
24 February 2017