



TALKMED GROUP LIMITED
(Company Registration No. 201324565Z)

FINANCIAL STATEMENT ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

PART I - INFORMATION REQUIRED ANNOUNCEMENTS OF QUARTERLY Q1 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 first quarter ended 31 March 2017 (“**Q1 2017**”).

The Group	Q1 2017 \$'000 (Unaudited)	Q1 2016 \$'000 (Unaudited)	Increase / (Decrease) %
Revenue	16,236	16,007	1.4%
Other item of income			
Other income	115	111	3.6%
Other items of expense			
Employee benefits expense	(4,373)	(4,138)	5.7%
Operating lease expense	(400)	(370)	8.1%
Other operating expenses	(738)	(450)	64.0%
Share of results of associate	(549)	(712)	(22.9%)
Profit before tax	10,291	10,448	(1.5%)
Income tax expense	(1,905)	(1,915)	(0.5%)
Profit for the period, representing total comprehensive income for the period	8,386	8,533	(1.7%)
Attributable to:			
Owners of the Company	8,572	8,608	(0.4%)
Non-controlling interests	(186)	(75)	148.0%
Total comprehensive income for the period	8,386	8,533	(1.7%)

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

	Q1 2017 \$'000 (Unaudited)	Q1 2016 \$'000 (Unaudited)	Increase %
The Group			
Depreciation of plant and equipment	(77)	(57)	35.1%
Interest income	61	26	134.6%

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

	Group		Company	
	31/03/2017 \$'000 (Unaudited)	31/12/2016 \$'000 (Audited)	31/03/2017 \$'000 (Unaudited)	31/12/2016 \$'000 (Audited)
ASSETS				
Non-current assets				
Plant and equipment	435	511	-	-
Investment in subsidiaries	-	-	4,113	4,113
Investment in associate	4,455	5,004	11,524	11,524
Prepaid operating expenses	14	14	-	-
	<u>4,904</u>	<u>5,529</u>	<u>15,637</u>	<u>15,637</u>
Current assets				
Inventories	73	63	-	-
Prepaid operating expenses	193	178	13	16
Trade and other receivables	6,688	6,691	15,092	15,018
Cash and short-term deposits	72,618	63,996	7,529	7,741
	<u>79,572</u>	<u>70,928</u>	<u>22,634</u>	<u>22,775</u>
Total assets	84,476	76,457	38,271	38,412
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	1,647	1,735	8	3
Other liabilities	1,568	2,018	133	160
Income tax payable	8,721	8,571	-	19
	<u>11,936</u>	<u>12,324</u>	<u>141</u>	<u>182</u>
Net current assets	67,636	58,604	22,493	22,593
Non-current liabilities				
Other liabilities	49	28	-	-
Total liabilities	11,985	12,352	141	182
Net assets	72,491	64,105	38,130	38,230

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

	Group		Company	
	31/03/2017	31/12/2016	31/03/2017	31/12/2016
	\$'000	\$'000	\$'000	\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Equity attributable to owners of the Company				
Share capital	22,273	22,273	22,273	22,273
Merger reserve	(2,311)	(2,311)	-	-
Retained earnings	52,187	43,615	15,857	15,957
	72,149	63,577	38,130	38,230
Non-controlling interests	342	528	-	-
Total equity	72,491	64,105	38,130	38,230
Total equity and liabilities	84,476	76,457	38,271	38,412

- 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.

	Q1 2017	Q1 2016
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Operating Activities		
Profit before tax	10,291	10,448
<u>Adjustments for:</u>		
Depreciation of plant and equipment	77	57
Interest income	(61)	(26)
Share of results of associate	549	712
Operating cash flows before changes in working capital	10,856	11,191
Changes in working capital		
Increase in inventories	(10)	-
Increase in prepaid operating expenses	(15)	(103)
(Increase)/decrease in trade and other receivables	(155)	2,137
Decrease in trade and other payables	(88)	(103)
Decrease in other liabilities	(429)	(76)
Net changes in working capital	(697)	1,855

- 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.

	Q1 2017 \$'000 (Unaudited)	Q1 2016 \$'000 (Unaudited)
Cash flows from operations	10,159	13,046
Interest received	219	116
Income tax paid	(1,755)	(20)
Net cash flows from operating activities	<u>8,623</u>	<u>13,142</u>
Investing activities		
Purchase of plant and equipment	(1)	(4)
Net cash flows used in investing activities	<u>(1)</u>	<u>(4)</u>
Net increase in cash and cash equivalents	8,622	13,138
Cash and cash equivalents at beginning of the period	63,996	49,562
Cash and cash equivalents at end of the period	<u>72,618</u>	<u>62,700</u>

- 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	Retained earnings \$'000	Non- controlling interests \$'000	Total equity \$'000
Balance at 1 January 2017	22,273	(2,311)	43,615	528	64,105
Profit for the period, representing total comprehensive income for the period	-	-	8,572	(186)	8,386
Balance at 31 March 2017	<u>22,273</u>	<u>(2,311)</u>	<u>52,187</u>	<u>342</u>	<u>72,491</u>
Balance at 1 January 2016	22,273	(2,311)	36,354	1,038	57,354
Profit for the period, representing total comprehensive income for the period	-	-	8,608	(75)	8,533
Balance at 31 March 2016	<u>22,273</u>	<u>(2,311)</u>	<u>44,962</u>	<u>963</u>	<u>65,887</u>

- 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	Merger reserve \$'000	Retained earnings \$'000	Non- controlling interests \$'000	Total equity \$'000
Balance at 1 January 2017	22,273	-	15,957	-	38,230
Loss for the period, representing total comprehensive income for the period	-	-	(100)	-	(100)
Balance at 31 March 2017	22,273	-	15,857	-	38,130
Balance at 1 January 2016	22,273	-	16,501	-	38,774
Loss for the period, representing total comprehensive income for the period	-	-	(119)	-	(119)
Balance at 31 March 2016	22,273	-	16,382	-	38,655

- 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.**

Not applicable.

- 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	
	31/03/2017	31/12/2016
Total number of issued shares excluding treasury shares	657,143,000	657,143,000

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

There are no shares held as treasury shares as at 31 March 2017 and 31 December 2016.

- 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 FRSs and Amendments to FRSs applicable for the financial period beginning on or after 1 January 2017, the same accounting policies and methods of computation have been applied. The adoption of new FRSs and Amendments to FRSs 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 Group and the Company have adopted all the new FRSs and Amendments to FRSs that are effective for the periods beginning on or after 1 January 2017. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

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	Q1 2017 (Unaudited)	Q1 2016 (Unaudited)
Profit attributable to owners of the Company (\$'000)	8,572	8,608
Weighted average number of ordinary shares used in the computation of basic and diluted earnings per share	657,143,000	657,143,000
Basic and fully diluted earnings per share (cents)	1.30	1.31

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	
	31/03/2017 (Unaudited)	31/12/2016 (Audited)	31/03/2017 (Unaudited)	31/12/2016 (Audited)
Net asset value attributable to owners of the Company (\$'000)	72,149	63,577	38,130	38,230
Net asset value per ordinary share at end of financial period (cents) *	10.98	9.67	5.80	5.82

*The calculation of net asset value per ordinary share was based on 657,143,000 shares for all periods.

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

Revenue grew by \$0.23 million or 1.4% from \$16.01 million in the quarter ended 31 March 2016 ("**Q1 2016**") to \$16.24 million in Q1 2017. The increase was mainly attributable to increase in revenue from patients of \$0.08 million and revenue from stem cells processing and culturing services of \$0.15 million derived from our subsidiary, Stem Med Pte. Ltd. ("**Stem Med**").

Other item of income

Other income

The Group's other income comprised interest received on fixed deposit, government-paid childcare and maternity leave and grant from government under the Wage Credit Scheme and Special Employment Credit.

Other income grew by \$4,000 or 3.6% in Q1 2017. The increase was mainly due to interest earned on fixed deposit.

Other items of expense

Employee benefits expense

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

Employee benefits increased by \$0.23 million or 5.7% from \$4.14 million in Q1 2016 to \$4.37 million in Q1 2017. The increase was mainly due to increase in staff salaries and provision for staff bonuses.

Operating lease expense

Operating lease expense increased by \$0.03 million or 8.1% from \$0.37 million in Q1 2016 to \$0.40 million in Q1 2017. The increase was due to a new operating lease that was effected in October 2016.

Other operating expenses

Other operating expenses comprised mainly professional and legal fees, directors' fees, expenses from marketing activities, depreciation, overseas travel, and laboratory consumable and services.

Other operating expenses increased by \$0.29 million or 64.0% from \$0.45 million in Q1 2016 to \$0.74 million in Q1 2017. The increase was mainly due to increase in overhead expenses incurred by Stem Med.

Performance Review (cont'd)

Share of results of associate

The Group's share of loss after tax of associate, Hong Kong Integrated Oncology Centre Holdings Limited ("HKH") was \$0.55 million in Q1 2017 as compared to \$0.71 million in Q1 2016, which represented an improvement of \$0.16 million.

Income tax expense

Income tax expense decreased by \$0.01 million or 0.5% from \$1.92 million in Q1 2016 to \$1.91 million in Q1 2017 due to marginally lower profits in Q1 2017. The effective tax rate for Q1 2017 and Q1 2016 were 18.5% and 18.3% respectively.

Profit after tax

The Group recorded profit after tax of \$8.39 million in Q1 2017 as compared to \$8.53 million in Q1 2016. The decrease of \$0.14 million or 1.7% was mainly due to higher operating expenses partially offset by an increase in revenue and a decrease in the share of loss of associate.

Review of the Group's financial position

Non-current assets

The Group's non-current assets comprised plant and equipment, investment in an associate and prepaid operating expenses. Non-current assets decreased by \$0.63 million which was mainly attributable to a decrease in the carrying amount of our investment in associate pursuant to taking up the share of loss of associate of \$0.55 million in Q1 2017.

Current assets

Current assets comprised inventories, prepaid operating expenses, trade and other receivables and cash and short-term deposits. Current assets increased by \$8.64 million which was mainly attributed to the increase in cash and short-term deposits of \$8.62 million. The increase in cash and short-term deposits was mainly attributable to cash flows from operating activities.

Current liabilities

Current liabilities comprised trade and other payables, other liabilities and income tax payable. Current liabilities decreased by \$0.39 million. Trade and other payables and other liabilities decreased by \$0.09 million and \$0.45 million respectively due to lower GST payable and accrued operating expenses. Income tax payable increased by \$0.15 million due to income tax provision for Q1 2017 offset by payment of income tax in respect of financial year ended 31 December 2016.

Non-current liabilities

Non-current liabilities comprised other liabilities of \$0.05 million which is related to deferred revenue in respect of the fees charged by Stem Med for the storage of stem cells which would be recognised over the period of storage.

Equity attributable to owners of the Company

The increase was mainly attributable to profits earned during the period.

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

Non-controlling interests

This is related to the 40% non-controlling interests' share of Stem Med's net equity.

Review of the Group's cash flow

Operating activities

Net cash flows from operating activities amounted to \$8.62 million. This comprised operating cash flows before changes in working capital of \$10.86 million and interest received of \$0.22 million less net changes in working capital of \$0.70 million, and income tax paid of \$1.76 million. The net increase in working capital of \$0.70 million was mainly due to increase in inventories of \$0.01 million, prepaid operating expenses of \$0.01 million and trade and other receivables of \$0.16 million and a decrease in trade and other payables and other liabilities of \$0.09 million and \$0.43 million respectively.

Investing activities

Net cash used in investing activities of \$1,000 was attributable to purchase of plant and equipment.

Net increase in cash and cash equivalents

The above resulted in net increase in cash and cash equivalents of \$8.62 million.

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 strength of the Singapore dollar vis-à-vis the currencies as well as the economic conditions of the neighbouring countries.

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

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

The Company has not recommended or declared any dividend for Q1 2017.

(b) (i) Amount per share

Not applicable.

(ii) Previous corresponding period

Not applicable.

11. (c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated)

Not applicable.

- (d) The date the dividend is payable

Not applicable.

- (e) 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.

No dividend has been declared or recommended for Q1 2017.

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. Use of IPO proceeds

As at the date of this announcement, the use of IPO proceeds are as follows:-

	Amount Allocated \$'000	Amount Utilised \$'000	Amount Unutilised \$'000
Use of proceeds from the IPO			
Expanding repertoire of talent pool / healthcare services	10,381	6,404 ⁽¹⁾	3,977
Overseas expansion / improving quality of medical services	6,920	6,920 ⁽²⁾	-
Total	17,301	13,324	3,977

Note:-

(1) Comprised investments in Stem Med and Hong Kong Integrated Oncology Centre Holdings Limited ("**HKH**") of \$1.80 million and \$4.60 million ⁽²⁾ respectively

(2) Total investment in HKH by the Company amounted to \$11.52 million

15. Confirmation pursuant to Rule 720(1)

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

16. 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 Q1 2017 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Ang Peng Tiam
Chief Executive Officer
25 April 2017

*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**"). The Sponsor has not independently verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.*

The contact person for the Sponsor is Mr Tang Yeng Yuen, Vice President, Head of Corporate Finance. Telephone number: (65) 6415 9886