



SINGAPORE MEDICAL GROUP LIMITED (Co. Reg. No.: 200503187W)

FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT

PART 1 - 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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

	3 months ended		
	31/3/2019	31/3/2018	Increase/
	S\$'000	S\$'000	(decrease)
			%
Revenue	21,589	19,229	12.3
Cost of sales	(11,577)	(10,312)	12.3
Gross profit	10,012	8,917	12.3
Financial income	23	20	15.0
Other income	10	73	(86.3)
Distribution and selling expenses	(920)	(753)	22.2
Administrative expenses	(4,909)	(4,248)	15.6
Financial expenses	(322)	(236)	36.4
Share of results of joint venture entities and associate	(98)	(12)	716.7
Profit before tax	3,796	3,761	0.9
Income tax expense	(473)	(229)	106.6
Profit for the period	3,323	3,532	(5.9)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation	56	(275)	N.M.
Total comprehensive income for the period	3,379	3,257	3.7
Profit attributable to:			
Owners of the Company	3,318	3,421	(3.0)
Non-controlling interests	5	111	(95.5)
	3,323	3,532	(5.9)
Total comprehensive income attributable to:			
Owners of the Company	3,374	3,146	7.2
Non-controlling interests	5	111	(95.5)
	3,379	3,257	3.7

N.M.: Not meaningful

Notes to the Consolidated Statement of Comprehensive Income

	<u>3 months ended</u>		<u>Increase/ (decrease)</u>
	<u>31/3/2019</u>	<u>31/3/2018</u>	
	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Profit for the period is determined after charging the following:			
Depreciation of property, plant and equipment	989	945	4.7
Amortisation of intangible assets	46	-	N.M.
Depreciation of right-of-use assets ¹	1,157	-	N.M.
Expenses relating to short-term leases ¹	124	-	N.M.
Accretion of interest on lease liabilities ¹	90	-	N.M.
Operating lease expenses	-	1,185	(100.0)
Personnel expenses	6,921	4,162	66.3
Loss on disposal of property, plant and equipment	-	4	(100.0)
Share-based compensation expense, included under personnel expenses	89	57	56.1
Under provision of income tax in respect of prior years	15	-	N.M.

¹ As disclosed in paragraph 5 of this announcement, the Group has adopted the new accounting standard, SFRS(I) 16 *Leases*, on 1 January 2019. This has resulted in additional S\$186,000 charges in the statement of comprehensive income for 1Q2019.

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

	<u>Group</u>		<u>Company</u>	
	31/3/2019	31/12/2018	31/3/2019	31/12/2018
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	13,408	13,652	2,155	2,365
Intangible assets	126,916	126,543	222	19
Right-of-use assets ²	12,014	-	4,215	-
Investment in subsidiaries	-	-	135,101	113,664
Investment in joint ventures	1,506	1,642	2,457	2,541
Investment in associate	5,723	5,714	6,045	6,045
Other receivables	3,149	2,900	1,288	1,288
Deferred tax assets	844	844	170	170
	<u>163,560</u>	<u>151,295</u>	<u>151,653</u>	<u>126,092</u>
Current assets				
Inventories	1,687	1,694	-	-
Trade receivables	5,767	6,031	-	-
Prepayments	833	1,775	214	352
Other receivables	1,414	1,037	139	93
Due from related companies	-	-	-	8,525
Cash and cash equivalents	13,429	20,012	1,210	6,071
	<u>23,130</u>	<u>30,549</u>	<u>1,563</u>	<u>15,041</u>
Total assets	<u>186,690</u>	<u>181,844</u>	<u>153,216</u>	<u>141,133</u>
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	1,688	1,648	2	2
Other payables and accruals	8,958	10,310	444	993
Contract liabilities	2,200	2,313	-	-
Deferred purchase consideration	4,607	15,538	1,000	1,000
Lease liabilities ²	5,948	1,446	2,215	281
Loans and borrowings	7,681	4,773	3,124	216
Income tax payable	1,828	1,776	-	-
	<u>32,910</u>	<u>37,804</u>	<u>6,785</u>	<u>2,492</u>
Net current (liabilities)/assets	<u>(9,780)</u>	<u>(7,255)</u>	<u>(5,222)</u>	<u>12,549</u>
Non-current liabilities				
Other payables and accruals	-	503	-	85
Deferred purchase consideration	1,335	1,335	-	-
Due to related companies	-	-	21,953	16,274
Lease liabilities ²	9,606	1,724	2,711	364
Loans and borrowings	8,852	9,980	-	-
Deferred tax liabilities	170	170	-	-
	<u>19,963</u>	<u>13,712</u>	<u>24,664</u>	<u>16,723</u>
Total liabilities	<u>52,873</u>	<u>51,516</u>	<u>31,449</u>	<u>19,215</u>
Net assets	<u>133,817</u>	<u>130,328</u>	<u>121,767</u>	<u>121,918</u>

² As disclosed in paragraph 5 of this announcement, the Group has adopted SFRS(I) 16 resulting in the recognition of ROU assets, lease receivable (which is included under other receivables) and lease liabilities of S\$13.2 million, S\$0.3 million and S\$13.8 million respectively for its leases previously classified as operating leases as of 1 January 2019.

	<u>Group</u>		<u>Company</u>	
	31/3/2019 S\$'000	31/12/2018 S\$'000	31/3/2019 S\$'000	31/12/2018 S\$'000
<u>Equity attributable to owners of the Company</u>				
Share capital	118,944	118,918	118,944	118,918
Share option reserve	527	443	527	443
Foreign currency translation reserve	(586)	(642)	-	-
Retained earnings	15,377	12,059	2,296	2,557
	134,262	130,778	121,767	121,918
Non-controlling interests	(445)	(450)	-	-
Total equity	133,817	130,328	121,767	121,918
Total equity and liabilities	186,690	181,844	153,216	141,133

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

At 31/3/2019		At 31/12/2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
5,929	3,161	4,996	1,223

Amount repayable after one year

At 31/3/2019		At 31/12/2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
10,401	-	10,082	1,622

Details of any collateral

Loans and borrowings

Loans and borrowings amounting to:

- (a) S\$11,051,000 (31/12/2018: S\$11,908,000) are secured by: (i) a charge over the share capital of 8 wholly-owned subsidiaries; (ii) an assignment of the sale and purchase agreements and the Deed of Profit Guarantee in relation to the Astra Companies³; (iii) a first fixed charge over the consultancy agreements of certain doctors of the Group; (iv) a fixed and floating charge on all assets of the Astra Companies; and (v) corporate guarantee taken by 2 subsidiaries of the Group; and
- (b) S\$2,358,000 (31/12/2018: S\$2,629,000) are secured by corporate guarantee taken by the Company.

³ Astra Companies comprise Astra Women's Specialists (WB) Pte. Ltd., The Women's Specialist Centre (HC) Pte. Ltd., Fong's Clinic (TB) Pte. Ltd., Astra Centre for Women & Fertility Pte. Ltd., Astra Women's Specialists (JL) Pte. Ltd., TCK@Novena Pte. Ltd. and Alpha Healthcare International Pte. Ltd.

Hire purchase of medical equipment

Included in lease liabilities are hire purchases of medical equipment amounting to S\$2,921,000 (31/12/2018: S\$3,170,000) that are secured by the Group's medical equipment with carrying amount of approximately S\$4,493,000 (31/12/2018: S\$4,695,000).

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

	3 months ended	
	31/3/2019	31/3/2018
	S\$'000	S\$'000
Profit before tax	3,796	3,761
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	989	945
Amortisation of intangible assets	46	-
Depreciation of right-of-use assets	1,157	-
Loss on disposal of property, plant and equipment	-	4
Share-based compensation expense	89	57
Interest income	(19)	(20)
Accretion of interest on lease receivable	(4)	-
Interest expense	187	157
Amortisation of loan costs	11	11
Accretion of interest on deferred purchase consideration	33	68
Accretion of interest on lease liabilities	90	-
Share of results of joint venture entities and associate	98	12
Total adjustments	2,677	1,234
Operating profit before working capital change	6,473	4,995
<u>Change in working capital</u>		
Decrease/(increase) in:		
Inventories	6	99
Trade and other receivables	69	(908)
Prepayments	942	(119)
Increase/(decrease) in:		
Trade payables	38	268
Contract liabilities, other payables and accruals	(2,006)	(437)
Total change in working capital	(951)	(1,097)
Cash flow generated from operations	5,522	3,898
Interest received	19	20
Interest paid	(151)	(150)
Income tax paid	(421)	(201)
Net cash flows generated from operating activities	4,969	3,567
Cash flows from investing activities		
Purchase of property, plant and equipment	(746)	(1,235)
Purchase of intangible assets	(419)	-
Proceeds from disposal of property, plant and equipment	-	60
Net cash outflow from acquisition of subsidiaries	(11,000)	(11,000)
Investment in associate	-	(5,818)
Net cash flows used in investing activities	(12,165)	(17,993)

	<u>3 months ended</u>	
	31/3/2019	31/3/2018
	S\$'000	S\$'000
Cash flows from financing activities		
Proceeds from issuance of shares	21	212
Proceeds from loans and borrowings	3,000	7,856
Repayment of loans and borrowings	(1,268)	(1,084)
Principal element of lease payments	(1,140)	(882)
Net cash flows generated from financing activities	613	6,102
Net decrease in cash and cash equivalents	(6,583)	(8,324)
Cash and cash equivalents at the beginning of financial period	20,012	21,301
Cash and cash equivalents at the end of financial period	13,429	12,977

For the purpose of the consolidated cash flow statement, the cash and cash equivalents comprise the following:

	<u>3 months ended</u>	
	31/3/2019	31/3/2018
	S\$'000	S\$'000
Cash and cash equivalents as stated in the consolidated balance sheet	13,429	13,002
Less: Deposit pledged for bank facility	-	(25)
Cash and cash equivalents as stated in the consolidated statement of cash flow	13,429	12,977

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

GROUP

At 1 January 2019

Profit for the period

Foreign currency translation differences

Total comprehensive income for the period

Issue of shares

Share-based compensation expense

At 31 March 2019

At 1 January 2018

Profit for the period

Foreign currency translation differences

Total comprehensive income for the period

Issue of shares

Share-based compensation expense

At 31 March 2018

Attributable to owners of the Company						
Share capital	Share option reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
118,918	443	(642)	12,059	130,778	(450)	130,328
-	-	-	3,318	3,318	5	3,323
-	-	56	-	56	-	56
-	-	56	3,318	3,374	5	3,379
26	(5)	-	-	21	-	21
-	89	-	-	89	-	89
118,944	527	(586)	15,377	134,262	(445)	133,817
108,738	526	(112)	(869)	108,283	50	108,333
-	-	-	3,421	3,421	111	3,532
-	-	(275)	-	(275)	-	(275)
-	-	(275)	3,421	3,146	111	3,257
212	-	-	-	212	-	212
-	57	-	-	57	-	57
108,950	583	(387)	2,552	111,698	161	111,859

Company**At 31 December 2018, as previously reported**

Effects of adopting SFRS(I) 16

At 1 January 2019, as adjusted

Total comprehensive income for the period

Issue of shares

Share-based compensation expense

At 31 March 2019**At 1 January 2018**

Total comprehensive income for the period

Issue of shares

Share-based compensation expense

At 31 March 2018

Share capital	Share option reserve	Retained earnings	Total equity
S\$'000	S\$'000	S\$'000	S\$'000
118,918	443	2,557	121,918
-	-	(96)	(96)
118,918	443	2,461	121,822
-	-	(165)	(165)
26	(5)	-	21
-	89	-	89
118,944	527	2,296	121,767
108,738	526	(6,285)	102,979
-	-	251	251
212	-	-	212
-	57	-	57
108,950	583	(6,034)	103,499

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.

Share capital

	2019		2018	
	No. of shares '000	S\$'000	No. of shares '000	S\$'000
<u>Issued and fully paid ordinary shares</u>				
At 1 January	480,652	118,918	459,416	108,738
Issued upon exercise of share options (note 1)	70	26	700	212
At 31 March	480,722	118,944	460,116	108,950

Note 1

The Company issued 70,000 ordinary shares following the exercise of share options under the SMG Share Option Scheme during the financial period ended 31 March 2019.

Share Option

The SMG Share Option Scheme ("SSOS") was approved by the shareholders at the Extraordinary General Meeting on 30 April 2014. During the financial period ended 31 March 2019, no share options (31/3/2018: Nil) were granted to employees under the SSOS. As at 31 March 2019, the number of shares that may be issued on conversion of all the outstanding share options was 10,805,000 (31/3/2018: 5,780,000).

The movement of share options of the Company during the financial period is as follows:

Date of grant of options	Exercise price per share	Options outstanding at 1/1/2019	Options granted	Options exercised	Options forfeited/expired	Options outstanding at 31/3/2019	Expiry date
22/09/2016	S\$0.303	4,880,000	-	(70,000)	-	4,810,000	21/09/2021
03/04/2017	S\$0.544	675,000	-	-	-	675,000	02/04/2022
30/04/2018	S\$0.493	5,320,000	-	-	-	5,320,000	29/04/2023
		<u>10,875,000</u>	<u>-</u>	<u>(70,000)</u>	<u>-</u>	<u>10,805,000</u>	

Performance Share Plan

In addition to the SSOS, share awards can be granted to employees under the SMG Performance Share Plan ("SPSP"), which was approved by the shareholders at the Extraordinary General Meeting on 30 April 2014.

Depending on the achievement of pre-determined targets over the performance periods for the SPSP, the final number of performance shares awarded will be adjusted accordingly.

During the financial period ended 31 March 2019, no performance shares (31/3/2018: Nil) were granted to employees under the SPSP. As at 31 March 2019, the number of outstanding performance shares granted under the SPSP were 336,000 (31/3/2018: Nil).

The details of the shares granted under SPSP are as follows:

Date of grant	Number of Performance Shares				Outstanding at 31/3/2019
	Outstanding at 01/10/2019	Granted	Adjustments [#]	Vested	
30/04/2018	336,000	-	-	-	336,000
	336,000	-	-	-	336,000

[#] Adjustment will be made at the end of each performance period upon meeting pre-determined performance targets by multiplying the higher of: (i) accumulated dividend yield; or (ii) 3% per annum on a compounded basis for the respective performance period.

Save as disclosed above, there were no other outstanding options and convertibles as at 31 March 2019 and 31 March 2018.

There were no treasury shares held by the Company as at 31 March 2019 and 31 March 2018.

On 25 April 2019, the Company obtained shareholders' approval for the issuance of an aggregate of up to 23,640,662 new ordinary shares in the capital of the Company to CHA Healthcare Singapore Pte. Ltd., upon the conversion of a convertible loan (the "**Convertible Loan**") of S\$10 million pursuant to the terms and conditions of a convertible loan agreement dated 20 February 2019. To date, the Convertible Loan has not been issued and the Company will make the necessary announcement(s) on the Convertible Loan as appropriate or when there are further developments on the same.

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.

	As at 31/3/2019	As at 31/3/2018
Total number of issued shares (excluding treasury shares)	480,721,635	460,115,672

There were no treasury shares as at 31 March 2019 and 31 March 2018.

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

Not applicable as the Company did not have any treasury shares as at 31 March 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.

Not applicable as the Company did not hold any subsidiary holdings as at 31 March 2019 and 31 December 2018.

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 a matter)

Not applicable.

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

Except as disclosed in paragraph 5, the accounting policies and methods of computation have been consistently applied by the Group and the Company and are consistent with the audited financial statements for the financial year ended 31 December 2018.

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 adopted all the applicable new and revised Singapore Financial Reporting Standards (International) ("**SFRS(I)**") and SFRS(I) Interpretations ("**SFRS(I) INT**") which became effective for the accounting periods beginning on or after 1 January 2019. Except for the adoption of SFRS(I) 16 *Leases*, the adoption of the other new and revised SFRS(I) and SFRS(I) INT are currently assessed to have no material financial impact on the Group's financial statements for the current financial period reported on.

Adoption of SFRS(I) 16 *Leases*

SFRS(I) 16 *Leases* introduces a single, on-balance sheet lease accounting model for lessees where the distinction between operating and finance leases is removed. It requires a lessee to recognise a right-of-use ("**ROU**") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The accounting for lessors has not changed significantly.

The Group adopted SFRS(I) 16 on 1 January 2019, using the modified retrospective approach, where comparative amounts for the year prior to first adoption will not be restated.

The Group applied the practical expedient to recognise amounts of ROU assets equal to its lease liabilities on 1 January 2019 and recognition exemptions for short-term leases and leases of low value items in accordance with SFRS(I) 16. Subsequent to initial recognition, ROU assets are carried at cost less accumulated depreciation and any accumulated impairment losses while the carrying amount of lease liabilities will take into account interest on the lease liabilities, lease payments made and any reassessment or lease modifications.

The adoption of SFRS(I) 16 resulted in the Group recognising ROU assets, lease receivable (which is included under other receivables) and lease liabilities of S\$13.2 million, S\$0.3 million and S\$13.8 million respectively for its leases previously classified as operating leases as of 1 January 2019. It also resulted in additional S\$0.2 million charges in the statement of comprehensive income for the current financial period.

6. **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-**

- (a) based on the weighted average number of ordinary shares on issue; and
(b) on a fully diluted basis (detailing any adjustments made to the earnings).

	3 months ended	
	31/3/2019	31/3/2018
Profit attributable to the owners of the Company (S\$'000)	3,318	3,421
Earnings per share (cents per share)		
- Basic	0.69	0.74
- Diluted	0.68	0.74

The basic earnings per share for the financial period ended 31 March 2019 is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue of 480,716,190 (31/3/2018: 459,501,228). The diluted earnings per share for the financial period ended 31 March 2019 is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue of 485,103,805 (31/3/2018: 465,415,179). The weighted average number of ordinary shares for diluted earnings per share computation has taken into consideration the share options granted to the employees under the existing employee share option plan.

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	
	31/3/2019	31/12/2018	31/3/2019	31/12/2018
Net asset value per ordinary share (cents)	27.93	27.21	25.33	25.37

Net asset value per ordinary share is calculated based on 480,721,635 and 480,651,635 ordinary shares outstanding as at 31 March 2019 and 31 December 2018, respectively.

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, asset or liabilities of the group during the current financial period reported on**

Income statement

Revenue

For the financial period ended 31 March 2019 ("1Q2019"), the Group's revenue increased by 12.3% from S\$19.2 million for the financial period ended 31 March 2018 ("1Q2018") to S\$21.6 million. The increase was mainly due to increase in revenue of Diagnostic & Aesthetics Business segment by S\$2.4 million mainly contributed by the subsidiary, Pheniks Pte. Ltd. ("Pheniks"), which was acquired in April 2018. Revenue of the Health Business segment remains fairly constant with that of 1Q2018 as the increase in revenue of the clinics in this segment is offset by the closure of the Orthopaedic clinic as the Group restructures its non-core business to avoid competition with the imaging business.

Gross profit

Gross profit increased by 12.3% from S\$8.9 million for 1Q2018 to S\$10.0 million for 1Q2019 as a result of increase in revenue. Gross profit margin remained constant at 46% for both 1Q2018 and 1Q2019.

Other income

Other income decreased by 86.3% to S\$10,000 mainly due to lower miscellaneous income such as government grant.

Distribution and selling expenses

Distribution and selling expenses increased by 22.2% from S\$0.8 million for 1Q2018 to S\$0.9 million for 1Q2019 mainly driven by increase in revenue and the Group's marketing efforts.

Administrative expenses

Administrative expenses increased by 15.6% from S\$4.2 million for 1Q2018 to S\$4.9 million for 1Q2019. This is mainly due to increase in staff costs arising from the acquisition of Pheniks in April 2018 and the increase in the number of clinics of the Group. Further, depreciation and amortisation expense during the financial period has increased due to asset additions such as renovations and medical equipment arising from the setting up of new clinics and the completion and rolling out of the telemedicine platform under HiDoc Pte. Ltd. in January 2019.

Financial expenses

Financial expenses increased by 36.4% from S\$0.2 million for 1Q2018 to S\$0.3 million for 1Q2019 mainly due to higher interest expenses incurred on bank loans, which were obtained mainly for paying the cash consideration for the acquisition of the Astra Companies and Kids Clinics⁴, and accretion of interest on lease liabilities arising from the adoption of SFRS(I) 16, offset by decrease in accretion of interest on deferred purchase consideration.

⁴ Kids Clinics comprises Children's Clinic Central Pte. Ltd. and Kids Clinic @ Bishan Pte. Ltd.

Share of results of joint ventures and associate

Share of loss of joint venture entities and associate increased by 716.7% from S\$12,000 for 1Q2018 to S\$98,000 for 1Q2019 mainly due to losses incurred by the joint venture entity, SMG International (Vietnam) Pte. Ltd., and the associated company, CHA SMG (Australia) Pte. Ltd., offset by improvement in the financial performance of the joint venture entity, PT Ciputra SMG.

Income tax expense

Income tax expense increased by 106.6% from S\$0.2 million for 1Q2018 to S\$0.5 million for 1Q2019. This is mainly due to a higher tax payable resulting from a lower tax exemption on taxable income which is effective for the current financial period and lesser carried forward tax benefits.

Consolidated Balance Sheet

Non-current assets increased by S\$12.3 million from S\$151.3 million as at 31 December 2018 to S\$163.6 million as at 31 March 2019, mainly due to:

- (a) Increase in intangible assets arising from additions of computer software, offset by amortisation charged during the financial period; and
- (b) Recognition of ROU assets and lease receivable (included under non-current other receivables) arising from the adoption of SFRS(I) 16.

The increase is offset by: (a) decrease in property, plant and equipment arising from depreciation charged, offset by additions of assets during the financial period; and (b) decrease in investment in joint ventures arising from the net share of losses of joint ventures during the financial period.

Current assets decreased by S\$7.4 million from S\$30.5 million as at 31 December 2018 to S\$23.1 million as at 31 March 2019, mainly due to decrease in cash and cash equivalents, trade receivables and prepayments by S\$6.6 million, S\$0.3 million and S\$0.9 million respectively, offset by increase in other receivables by S\$0.4 million.

Current liabilities decreased by S\$4.9 million from S\$37.8 million as at 31 December 2018 to S\$32.9 million as at 31 March 2019, mainly due to:

- (a) Decrease in other payables and accruals of S\$1.4 million; and
- (b) Decrease in the current portion of the deferred purchase consideration of S\$10.9 million as a result of payment of deferred purchase consideration.

The decrease is offset by:

- (a) Increase in the current portion of loans and borrowings of S\$2.9 million due to new short-term bank loans obtained during the financial period; and
- (b) Increase in the current portion of lease liabilities (previously presented as obligations under finance leases) of S\$4.5 million mainly arising from recognition of new lease liabilities, which were previously classified as operating leases, on the adoption of SFRS(I) 16.

Non-current liabilities increased by S\$6.3 million from S\$13.7 million as at 31 December 2018 to S\$20.0 million as at 31 March 2019, mainly due to increase in lease liabilities for the same reasons as mentioned above, offset by: (a) decrease in non-current other payables; and (b) decrease in loans and borrowings as a result of reclassification from non-current to current during the financial period.

Please refer to paragraph 1(d)(ii) for details of increase in share capital.

The Group has net current liabilities of S\$9.8 million (31/12/2018: S\$7.3 million) as at 31 March 2019 mainly due to the recognition of lease liabilities of S\$4.5 million arising from the adoption of SFRS(I) 16 and deferred purchase consideration of S\$4.6 million, which are expected to be paid within 12 months after the balance sheet date. Based on the Group's projected operating cash flows and with existing debt facilities from financial institutions and the convertible loan facility from CHA Healthcare Singapore Pte. Ltd., which was approved by the shareholders during the Extraordinary General Meeting on 25 April 2019, management believes that the Group will have sufficient funds from its operations to meet its financial obligations as and when they fall due.

Cash Flow Statement

Net cash flows generated from operating activities of S\$5.0 million arose mainly from the operating profit before working capital changes of S\$6.5 million, offset by outflow of working capital of S\$1.0 million and interest and income tax payment of S\$0.1 million and S\$0.4 million respectively. Of the operating profit before working capital changes of S\$6.5 million, approximately S\$1.2 million relate to depreciation of ROU assets and accretion of interest on lease liabilities which arise due to the adoption of SFRS(I) 16.

Net cash flows used in investing activities of S\$12.2 million were mainly attributed to the purchase of property, plant and equipment and intangible assets of S\$0.8 million and S\$0.4 million respectively, and payment of deferred purchase consideration from the acquisition of the Astra Companies of S\$11.0 million.

Net cash flows generated from financing activities of S\$0.6 million were mainly from proceeds from loans and borrowings of S\$3.0 million, offset by repayment of loans and borrowings and lease payments of S\$1.3 million and S\$1.1 million respectively.

Cash and cash equivalents was S\$13.4 million as at 31 March 2019, compared to S\$20.0 million as at 31 December 2018.

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

No forecast or prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group continues to execute its growth initiatives in key specialist verticals such as Obstetrics and Gynaecology ("O&G") and Paediatrics. Accordingly, the Group has opened a new Paediatrics clinic and a new O&G clinic in Punggol in January 2019. In addition, the Group opened a new breast care clinic on 2 May 2019.

The Group expects recruitment initiatives to garner momentum throughout the remainder of 2019. Within the women's health segment, the Group plans to hire two to three more O&G specialists and two to three more Paediatricians. Furthermore, the Group plans to hire an additional radiologist and other specialists in key complementary verticals. Overall, the Group targets to onboard an additional ten to twelve specialists in 2019. The Group expects profit margins to be temporarily affected by the opening of new clinics and the hiring of additional specialists. However, with additional scale and continued improvements to operational efficiency, these organic growth efforts will translate positively to the Group's performance in the medium term.

Within its Aesthetics segment, the Group has opened a second SW1 Clinic at OUE Downtown Gallery in January 2019 and has officially launched SW1 Vietnam in April 2019 with the opening of a new 4,000 square feet aesthetics centre in Ho Chi Minh City.

Overseas, the Group will focus on its various growth strategies for its overseas market and remains optimistic on the continued growth of its joint ventures. Beyond its existing footprints in Singapore, Vietnam, Indonesia and Australia, the Group is exploring new areas for growth in Vietnam, Cambodia, Thailand and Malaysia.

The Group will look to strengthen its strategic partnership with CHA Healthcare Co., Ltd., which was built upon the premise of exploring near-term projects in Vietnam, Singapore and other key Asian markets. Any material developments on future corporate actions will be announced to shareholders accordingly.

The Group will also continue to explore various avenues to enhance shareholders' value.

11. Dividend

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

No dividend has been declared or recommended for the current financial period.

(b) Corresponding Period of the Immediately Preceding Financial Year

No dividend has been declared or recommended for the corresponding period of the immediately preceding financial year.

(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 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 p.m.) 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

No dividend has been declared or recommended for the three-month financial period ended 31 March 2019 in view of the funding needs of the Group for future business development and expansion.

13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transaction 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 for interested person transactions. The aggregate value of the interested person transactions conducted during the current financial period reported on is disclosed below.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review	
	31/3/2019 S\$'000	31/3/2018 S\$'000
K S Beng Pte Ltd - Rental	49	49
MW Medical Holdings Pte Ltd - Rental	43	43
MW Medical Pte Ltd - Nursing services	1	4

14. Negative confirmation pursuant to Rule 705(5).

The Board of Directors confirms that, to the best of its knowledge, nothing has come to its attention which may render the unaudited financial results of the Group for the three-month financial period ended 31 March 2019 presented in this announcement, to be false or misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1).

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H of the Catalist Rules) under Rule 720(1) of the Catalist Rules.

BY ORDER OF THE BOARD

Dr Beng Teck Liang
Chief Executive Officer
9 May 2019

*This announcement has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("**Sponsor**") in accordance with Rule 226(2)(b) of the Catalist Rules. 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. Eric Wong, Director, Investment Banking, Singapore. The contact particulars are 50 Raffles Place #09-01 Singapore Land Tower Singapore 048623, Telephone: +65 6337 5115.