



INTERNATIONAL HEALTHWAY CORPORATION LIMITED

Registration No.: 201304341E
(Incorporated in the Republic of Singapore)
(In receivership over charged shares in certain subsidiaries)

MATERIAL DIFFERENCES BETWEEN THE UNAUDITED FINANCIAL STATEMENTS AND THE PUBLISHED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The Board of Directors (the "**Board**") of International Healthway Corporation Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the announcement released by the Company on 29 February 2016 with regards to the unaudited financial statements for the financial year ended 31 December 2015 (the "**Preliminary Results**").

The Board wishes to announce that pursuant to Rule 704(5) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the following adjustments and reclassifications have been made following the finalisation of the consolidated financial statements of the Company and the Group for the financial year ended 31 December 2015 (the "**Published Financial Statements**").

A. Group's consolidated statement of profit or loss and other comprehensive income

	Preliminary Results S\$'000	Published Financial Statements S\$'000	Difference S\$'000	Note
Revenue	45,004	45,004	-	
Cost of sales	(24,011)	(23,974)	37	i/m
Gross profit	20,993	21,030	37	
Other operating income, net	48,037	56,118	8,081	1
Administrative expenses	(21,917)	(35,938)	(14,021)	2
Finance expenses	(25,928)	(26,183)	(255)	2(d)
Profit before tax	21,185	15,027	(6,158)	
Income tax expense	(13,944)	(14,561)	(617)	3
Profit after tax	7,241	466	(6,775)	
Other comprehensive income:				
Currency translation differences arising from consolidation	834	2,050	1,216	4
Total comprehensive income for the period	8,075	2,516	(5,559)	
Profit attributable to :-				
Equity holders of the Company	7,146	368	(6,778)	
Non-controlling interests	95	98	3	i/m
	7,241	466	(6,775)	
Total comprehensive (loss)/income attributable to :-				
Equity holders of the Company	8,395	2,196	(6,199)	
Non-controlling interests	(320)	320	640	
	8,075	2,516	(5,559)	

B. Group's consolidated statement of financial position

	Preliminary Results S\$'000	Published Financial Statements S\$'000	Difference S\$'000	Note
ASSETS				
Current assets				
Cash and cash equivalents	25,751	25,751	-	
Trade and other receivables	15,619	13,992	(1,627)	7(a)
Other current assets	22,801	1,839	(20,962)	1(b), 2(b), 7(b)
Inventories	911	911	-	
	<u>65,082</u>	<u>42,493</u>	<u>(22,589)</u>	
Non-current assets				
Goodwill on consolidation	36,915	37,321	406	5
Intangible assets	2,338	997	(1,341)	1(d)
Lease prepayments	6,531	6,531	-	
Investment properties	397,942	397,942	-	
Investment properties under development	146,364	146,966	602	1(c), 12
Property, plant and equipment	7,376	7,040	(336)	6
Other financial assets	551	551	-	
	<u>598,017</u>	<u>597,348</u>	<u>(669)</u>	
Total assets	<u><u>663,099</u></u>	<u><u>639,841</u></u>	<u><u>(23,258)</u></u>	
LIABILITIES				
Current liabilities				
Trade and other payables	29,756	21,878	(7,878)	7
Borrowings	231,470	231,470	-	
Income tax liabilities	2,698	1,770	(928)	3 (b)
	<u>263,924</u>	<u>255,118</u>	<u>(8,806)</u>	
Non-current liabilities				
Trade and other payables	7,258	7,258	-	
Borrowings	139,720	139,720	-	
Deferred tax liabilities	28,206	30,122	1,916	3 (a)
	<u>175,184</u>	<u>177,100</u>	<u>1,916</u>	
Total liabilities	<u><u>439,108</u></u>	<u><u>432,218</u></u>	<u><u>(6,890)</u></u>	
NET ASSETS	<u><u>223,991</u></u>	<u><u>207,623</u></u>	<u><u>(16,368)</u></u>	
EQUITY				
Share capital	192,707	192,707	-	
Currency translation reserve	(5,022)	(3,794)	1,228	4
Merger reserve	(65,742)	(65,742)	-	
Asset revaluation reserve	3,630	3,630	-	
Statutory surplus reserve	327	327	-	
Retained earnings/(Accumulated losses)	98,697	81,124	(17,573)	
	<u>224,597</u>	<u>208,252</u>	<u>(16,345)</u>	
Non-controlling interests	<u>(606)</u>	<u>(629)</u>	<u>(23)</u>	i/m
Total equity	<u><u>223,991</u></u>	<u><u>207,623</u></u>	<u><u>(16,368)</u></u>	

i/m: immaterial

C. Group's consolidated statement of cash flow

	Preliminary Results S\$'000	Published Financial Statements S\$'000	Difference S\$'000	Note
Cash flow from operating activities				
Profit after tax	7,241	466	(6,775)	1,2,3
Adjustments for:				
- Income tax expense	13,944	14,561	617	3
- Depreciation of property, plant and equipment	1,149	1,185	36	i/m
- Amortisation of lease prepayments	294	294	-	
- Loss on disposal of property, plant and equipment	2	4	2	i/m
- Allowance for impairment on trade receivables	-	19	19	i/m
- Allowance for impairment on other receivables and deposit	17,734	19,642	1,908	1,8
- Amortisation of intangible assets	588	251	(337)	1(d)
- Allowance for impairment of other asset	4,383	4,171	(212)	5
- Allowance for impairment of goodwill	10,000	10,000	-	
- Gain on disposal of a subsidiary	(12,328)	(3)	12,325	8
- Interest income	(42)	(43)	(1)	i/m
- Interest expense	25,928	25,150	(778)	2
- Issuance of shares pursuant to a settlement of financing arrangement	7,488	-	(7,488)	9
- Negative goodwill	(857)	-	857	1
- Fair value gain on investment properties	(15,106)	(15,106)	-	
- Fair value gain on investment properties under development	(39,540)	(50,732)	(11,192)	1
- Foreign currency translation differences	(560)	1,075	1,995	4
	20,318	10,934	9,384	
Changes in working capital:				
- Inventories	(261)	(265)	(4)	i/m
- Trade and other receivables	(5,814)	(2,570)	3,244	7(a)
- Other current assets	19,093	564	(18,529)	10
- Trade and other payables	(7,993)	(1,927)	6,066	9
Cash generated from operations	25,343	6,736	(18,607)	
Interest paid	(21,991)	(25,352)	(3,361)	11(b)
Income tax paid	(192)	(196)	(4)	i/m
Net cash provided by/(used in) operating activities	3,160	(18,812)	(21,972)	
Cash flows from investing activities				
Additions to investment properties	(27,271)	(27,271)	-	
Additions to investment properties under development	(8,074)	(6,449)	1,625	2(c)
Deposit refunded for purchase of assets	319	9,164	8,845	10,11(a)
Purchase of property, plant and equipment	(246)	(289)	(43)	i/m
Net cash outflow from acquisition of subsidiaries	(1,979)	(1,980)	(1)	i/m
Net cash outflow from disposal of a subsidiary	(11)	(11)	-	
Interest received	42	43	1	i/m
Net cash used in investing activities	(37,220)	(26,793)	10,427	

C. Group's consolidated statement of cash flow (Continued)

	Preliminary Results S\$'000	Published Financial Statements S\$'000	Difference S\$'000	Note
Cash flows from financing activities				
Repayment to related parties	(19,535)	(22,409)	(2,874)	7(a)
Proceeds from borrowings	140,714	140,259	(455)	5
Repayment of borrowings	(93,744)	(78,868)	14,876	11
Decrease in bank deposits pledged	3,750	3,750	-	
Net cash provided by financing activities	31,185	42,732	11,547	
Net decrease in cash and cash equivalents				
Cash and cash equivalents at beginning of financial year	(2,875)	(2,873)	2	i/m
Effects of currency translation on cash and cash equivalents	27,275	27,275		
	1,351	1,349	(2)	i/m
Cash and cash equivalents at end of financial year	25,751	25,751		

i/m: immaterial

D. Restatement of Consolidated Statement of financial position as at 31 December 2014 (Note 12)

	As restated S\$'000	As previously stated S\$'000	Variance S\$'000
<u>As at 31 December 2014</u>			
Investment properties under development	96,839	107,150	(10,311)
Deferred tax liabilities	(14,834)	(15,160)	(90)
Retained earnings	(77,136)	(87,626)	(10,490)
Currency translation reserve	6,182	6,271	(89)
Borrowings (current)	139,026	127,830	11,196
Borrowings (non-current)	169,942	181,138	(11,196)
<u>As at 1 January 2014</u>			
Investment properties under development	78,313	82,294	(3,981)
Deferred tax liabilities	(6,741)	(6,303)	(438)
Retained earnings	(45,966)	(50,396)	4,430
Currency translation reserve	2,136	2,147	(11)

E. Restatement of Consolidated Statement of profit or loss and other comprehensive income for financial year ended 31 December 2014 (Note 12)

	As restated S\$'000	As previously stated S\$'000	Variance S\$'000
Fair value (loss)/ gain on investment properties under development	(1,660)	4,748	(6,408)
Profit before tax	39,810	46,209	(6,408)
Income tax expense	(8,445)	(8,793)	348
Profit after tax	31,356	37,416	(6,060)

Notes:

- 1) The variance was mainly due to the following:-
 - (a) Reclassification of allowance for impairment of goodwill of S\$10 million and other losses of S\$1.82 million from Other operating income to Administrative expenses ("Admin expense");
 - (b) Additional allowance for impairment of other current asset of S\$14.3 million being provided subsequent to the Preliminary Results;
 - (c) Additional fair value gain recognised for Malaysia and China properties, amounting to S\$11.2 million upon finalisation of valuation reports from international independent professional valuers; and
 - (d) Reversal of negative goodwill of S\$0.8 million arising from acquisition of a China's subsidiary in FY2015 upon finalisation of Purchase Price Allocation report subsequent to Preliminary Results. The reversal is mainly due to adjustment on the fair value of the drug distribution licence of the subsidiary, which amounted to S\$1.3 million.
- 2) Increase is due to the following:-
 - (a) Reclassification of expenses as mentioned in Note 1(a);
 - (b) Written off capitalised transaction costs of S\$1.3 million for setting up of REIT in Singapore and Australia, which was abandoned subsequent to Preliminary Results;
 - (c) Adjustment to expenses of the project management fees of S\$1.6 million that are not wholly attributable to investment properties under development ("IPUD"); and
 - (d) Partial reduction due to reclassification of the amortisation of the Company's Medium Term Note's arrangement fees from Admin expenses to Finance expenses.
- 3) Increase of income tax expenses mainly due to the following:-
 - (a) Additional deferred tax liability of S\$1.6 million resulted from adjustment in Note 1 (c); and
 - (b) Reduction of income tax expense of S\$0.9 million of an Australia subsidiary upon completion of tax computation.
- 4) Consequential changes to currency translation differences mainly due to the above adjustments.
- 5) The variance is mainly due to different closing exchange rate used for translation.
- 6) The decrease is due to adjustment to expenses of the incidental costs incurred and capitalised by the Group when transferring assets among the subsidiaries of the Group.
- 7) Decrease of trade and other payables mainly due to the following:-
 - (a) Reclassification of account from amount due to related parties of S\$2.5 million to other receivables; and
 - (b) Reclassification of other payables of S\$5.3 million to other current assets.

- 8) Changes due to reclassification of account to set off with the changes in current assets as mentioned in Note 1(b).
- 9) The variance is due to the set-off of proceeds from issuance of shares against the trade and other payable.
- 10) The variance is mainly due to reclassification of the deposit refunded for purchase of assets from Changes in working capital to investing activities. It was partially mitigated by the classification as mentioned in Note 7(b).
- 11) The variance is due to the following:-
 - (a) Reclassification of the additional deposit paid amounting to S\$10.8 million during the year from repayment of borrowings in financing activities to net off with deposit refunded for purchase of asset in investing activities; and
 - (b) Reclassification the payment for interest expenses of S\$3.3 million to operating activities.
- 12) In the previous financial years, the Group's accounting treatment was to capitalise certain costs incurred in connection with an investment property under development in Kuala Lumpur, Malaysia in addition to recognising the fair value of the land which resulted in an overstatement of the fair value of this investment property under development as at 31 December 2014 and 1 January 2014. This overstatement has been corrected in the current year and the comparative figures have been retrospectively adjusted.

*Shareholders of the Company are advised to refer to the entire **Published Financial Statements** included in the Company's annual report for FY2015, which will be dispatched in due course.*

Shareholders of the Company are advised to exercise caution when trading in shares of the Company. When in doubt as to the action they should take, shareholders should consult their stock brokers, bank manager, solicitor, accountant, tax adviser or other professional advisers.

By Order of the Board
Lim Beng Choo
Executive Director

6 June 2016

*This announcement has been prepared by International Healthway 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.*

The contact person for the Sponsor is Ms Gillian Goh, Director, Head of Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.