

ISEC HEALTHCARE LTD.

(Company Registration No.201400185H)

Unaudited Financial Statement for the First Quarter Ended 31 March 2024

1(a)(i) A consolidated Statement of Profit or Loss and Other Comprehensive Income, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	3 Months Ended		
	31 March 2024 (Unaudited) \$'000	31 March 2023 (Unaudited) \$'000	Change %
Revenue	16,910	16,912	0%
Cost of sales	(9,249)	(9,223)	0%
Gross profit	7,661	7,689	0%
Other item of income			
Other income	111	131	-15%
Other items of expense			
Selling and distribution expenses	(53)	(25)	>100%
Administrative expenses	(3,096)	(2,935)	5%
Other expenses	(287)	(314)	-9%
Finance costs	(147)	(188)	-22%
Profit before income tax	4,189	4,358	-4%
Income tax expense	(1,009)	(975)	3%
Profit for the financial period	3,180	3,383	-6%
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation of subsidiaries	(321)	(516)	-38%
Other comprehensive income for the financial period, net of tax	(321)	(516)	-38%
Total comprehensive income for the financial period	2,859	2,867	0%

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	Group		
	3 Months Ended		
	31 March 2024	31 March 2023	Change
	(Unaudited)	(Unaudited)	
	\$'000	\$'000	%
Profit attributable to:			
Owners of the parent	3,167	3,357	-6%
Non-controlling interests	13	26	-50%
Profit for the financial period	3,180	3,383	-6%
Total comprehensive income attributable to:			
Owners of the parent	2,834	2,896	-2%
Non-controlling interests	25	(29)	NM
Total comprehensive income for the financial period	2,859	2,867	0%

NM – Not meaningful

1(a)(ii) Notes to Consolidated Statement of Profit or Loss and Other Comprehensive Income

Profit before income tax is arrived after charging/(crediting) the following:

	Group		Change
	31 March 2024 (Unaudited) \$'000	3 Months Ended 31 March 2023 (Unaudited) \$'000	
Depreciation of property, plant and equipment – cost of sales	190	176	8%
Depreciation of right-of-use assets – cost of sales	163	151	8%
Depreciation of property, plant and equipment – administrative expenses	181	175	3%
Depreciation of right-of-use assets – administrative expenses	323	303	7%
Amortisation of intangible assets – other expenses	133	133	0%
Amortisation of intangible assets – administrative expenses	1	1	0%
Interest income	(73)	(84)	-13%
Interest income – net investment in sublease	(2)	*	>100%
Other income – government grants	(21)	(36)	-42%
Interest expense – lease liabilities	114	114	0%
Interest expense – loans	21	31	-32%
Loss on exchange differences, net	152	180	-16%
Allowance for expected credit losses, net	2	1	100%
Share-based compensation expense	22	29	-24%

* Less than \$1,000

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

	Group	
	31 March 2024 (Unaudited) \$'000	31 December 2023 (Audited) \$'000
ASSETS		
Non-current assets		
Property, plant and equipment	17,170	16,998
Right-of-use assets	9,631	9,843
Intangible assets – goodwill	51,961	52,242
Intangible assets – others	511	628
Net investment in sublease	93	107
Deposit	2,442	-
Deferred tax assets	277	268
	82,085	80,086
Current assets		
Inventories	2,494	2,235
Trade receivables, net ⁽¹⁾	4,506	4,302
Other receivables and deposits	672	689
Prepayments	363	334
Net investment in sublease	55	54
Current income tax asset	3	3
Cash and cash equivalents ⁽¹⁾	19,219	19,404
	27,312	27,021
TOTAL ASSETS	109,397	107,107
EQUITY AND LIABILITIES		
Equity		
Share capital	76,138	76,138
Other reserves	(13,216)	(12,905)
Retained earnings	20,643	17,476
Equity attributable to owners of the Company	83,565	80,709
Non-controlling interests	1,556	1,441
TOTAL EQUITY	85,121	82,150
LIABILITIES		
Non-current liabilities		
Borrowings	1,115	1,327
Lease liabilities	8,586	8,776
Deferred tax liabilities	139	150
Provisions	236	235
	10,076	10,488

	Group	
	31 March 2024 (Unaudited) \$'000	31 December 2023 (Audited) \$'000
Current liabilities		
Trade payables	1,793	1,825
Other payables	2,057	1,855
Advances and contract liabilities	363	412
Advances from non-controlling interests	2,003	1,557
Accrued expenses	903	1,105
Payroll payable	2,986	3,838
Borrowings	835	843
Lease liabilities	1,634	1,614
Current income tax payable	1,626	1,420
	14,200	14,469
TOTAL LIABILITIES	24,276	24,957
TOTAL EQUITY AND LIABILITIES	109,397	107,107

(1) Breakdown of the following in the respective currencies:

	Group	
	31 March 2024 \$'000	31 December 2023 \$'000
Trade receivables, net denominated in the following currencies:		
Singapore Dollar	1,865	1,683
Ringgit Malaysia	2,613	2,598
Myanmar Kyat	28	21
	4,506	4,302
Cash and cash equivalents denominated in the following currencies:		
Singapore Dollar	5,690	4,958
Ringgit Malaysia	12,554	13,466
Myanmar Kyat	797	862
United States Dollar	178	118
	19,219	19,404

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

Amount repayable in one year or less, or on demand

As at 31 March 2024		As at 31 December 2023	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
835	1,634 ⁽¹⁾	843	1,614 ⁽¹⁾

Amount repayable after one year

As at 31 March 2024		As at 31 December 2023	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
1,115	8,586 ⁽¹⁾	1,327	8,776 ⁽¹⁾

(1) Unsecured borrowings relate to leases recognised under SFRS(I) 16 *Leases*.

Details of any collaterals

On 6 August 2020, ISEC (Penang) Sdn. Bhd., a wholly owned indirect subsidiary of ISEC Healthcare Ltd. (the "Company" and together with its subsidiaries, the "Group"), entered into a 5-year term bank loan of RM13,000,000 (equivalent to \$4,254,000) to partially finance the acquisition of freehold land and building. The loan is repayable monthly over the 5-year term. The loan bears a floating interest rate of the bank's cost of funds + 0.5% margin per annum. The interest rate for the current financial period ended 31 March 2024 was 4.06% (FY2023: 4.05%). The borrowing balance as at 31 March 2024 was \$1,052,000 (31 December 2023: \$1,249,000). The loan is secured by the freehold land and building for which the loan was entered into, and the subsidiary is required to maintain certain deposits balance with the bank.

On 26 May 2022, the Group completed its acquisition of ME Centre Sdn. Bhd. which includes an existing 15-year bank loan of RM1,709,160 (equivalent to \$539,000) entered into on 29 January 2021 to partially finance the acquisition of building. The loan is repayable monthly over the 15-year term. The loan bears a floating interest rate of the bank's base lending rate -2.57% margin per annum for the first year and bank's base lending rate -2.30% margin per annum from the second year onwards. The interest rate for the current financial period ended 31 March 2024 was 4.42% (FY2023: 4.42%). The borrowing balance as at 31 March 2024 was \$415,000 (31 December 2023: \$424,000). The loan is secured by the building for which the loan was entered into.

On 21 May 2023, TE Centre Sdn. Bhd., an indirect subsidiary of the Company, entered into a 7-year term bank loan of RM1,774,483 (equivalent to \$507,000) to finance partially the construction cost of a building. The loan bears a floating interest rate of the bank's base financing rate -2.50% margin per annum. The interest rate for the current financial period ended 31 March 2024 was 4.15% (FY2023: 4.15%). The borrowing balance as at 31 March 2024 was \$483,000 (31 December 2023: \$497,000). The loan is secured by the land and building for which the loan was entered into.

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

Consolidated Statement of Cash Flows

	Group	
	3 Months Ended	
	31 March 2024	31 March 2023
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Cash flows from operating activities		
Profit before income tax	4,189	4,358
Adjustments for:		
Allowance for expected credit losses, net	2	1
Amortisation of intangible assets	134	134
Depreciation of property, plant and equipment	371	351
Depreciation of right-of-use assets	486	454
Interest income	(75)	(84)
Interest expense	147	180
Share-based compensation expense	22	29
Operating cash flows before working capital changes	5,276	5,423
Working capital changes:		
- Inventories	(266)	(479)
- Trade and other receivables	(216)	(801)
- Prepayments	(31)	(33)
- Trade and other payables	(748)	214
Cash generated from operations	4,015	4,324
Income tax paid, net	(820)	(724)
Net cash generated from operating activities	3,195	3,600
Cash flows from investing activities		
Purchase of property, plant and equipment	(688)	(324)
Purchase of intangible assets	(19)	-
Interest received	73	84
Deposit for intended acquisition of property, plant and equipment	(2,445)	-
Net cash used in investing activities	(3,079)	(240)
Cash flows from financing activities		
Advances from non-controlling interests	460	21
Subscription of shares in a subsidiary by non-controlling interests	90	-
Principal elements of lease payments, net	(429)	(399)
Interest paid – lease liabilities	(114)	(90)
Repayment of loan	(198)	(219)
Interest paid – loan	(21)	(31)
Net cash used in financing activities	(212)	(718)

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	3 Months Ended	
	31 March 2024	31 March 2023
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Net (decrease)/increase in cash and cash equivalents	(96)	2,642
Cash and cash equivalents at beginning of financial period	19,404	20,633
Effect of exchange rate changes on cash and cash equivalents	(89)	(124)
Cash and cash equivalents at end of financial period	19,219	23,151

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- 1(d) A statement for the 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**

Statements of Changes in Equity

Group (Unaudited)	Attributable to owners of the Company									Total equity \$'000
	Share capital	Treasury share reserve	Foreign currency translation reserve	Merger reserve	Capital reserve	Share compensation reserve	Retained earnings	Equity attributable to owners of the Company	Non- controlling interests	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
At 1 January 2024	76,138	-	(4,998)	(3,572)	(4,463)	128	17,476	80,709	1,441	82,150
Profit for the financial period	-	-	-	-	-	-	3,167	3,167	13	3,180
Other comprehensive income										
Foreign currency translation	-	-	(333)	-	-	-	-	(333)	12	(321)
Total comprehensive income for the financial period	-	-	(333)	-	-	-	3,167	2,834	25	2,859
Transaction with owners of the Company										
Share-based compensation expense ⁽¹⁾	-	-	-	-	-	22	-	22	-	22
Total transaction with owners of the Company	-	-	-	-	-	22	-	22	-	22
Transaction with non-controlling interest										
Subscription of share in a subsidiary by non-controlling interest ⁽²⁾	-	-	-	-	-	-	-	-	90	90
Total transaction with non-controlling interest	-	-	-	-	-	-	-	-	90	90
At 31 March 2024	76,138	-	(5,331)	(3,572)	(4,463)	150	20,643	83,565	1,556	85,121

- (1) The Company has granted 3,809,150 options under the ISEC Healthcare Share Option Scheme on 22 April 2020 and 680,000 share awards under the ISEC Healthcare Performance Share Plan on 23 September 2022.
- (2) During the 3 months' financial period ended 31 March 2024, ISEC (Klang) Sdn. Bhd. ("ISEC Klang"), a 65%-owned indirect subsidiary of the Company through its wholly-owned subsidiary, ISEC Sdn. Bhd. ("ISEC KL"), increased its share capital from \$29,000 (equivalent to RM100,000) to \$285,000 (equivalent to RM1,000,000), through issuance of shares allotted to the existing shareholders of ISEC Klang in equal proportion to their existing shareholdings.

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Statements of Changes in Equity

Group (Unaudited)	Attributable to owners of the Company									Total equity \$'000
	Share capital	Treasury share reserve	Foreign currency translation reserve	Merger reserve	Capital reserve	Share compensation reserve	Retained earnings	Equity attributable to owners of the Company	Non- controlling interests	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
At 1 January 2023	75,484	(105)	(2,668)	(3,572)	(4,463)	142	15,054	79,872	1,470	81,342
Profit for the financial period	-	-	-	-	-	-	3,357	3,357	26	3,383
Other comprehensive income										
Foreign currency translation	-	-	(461)	-	-	-	-	(461)	(55)	(516)
Total comprehensive income for the financial period	-	-	(461)	-	-	-	3,357	2,896	(29)	2,867
Transaction with owners of the Company										
Share-based compensation expense ⁽¹⁾	-	-	-	-	-	29	-	29	-	29
Total transaction with owners of the Company	-	-	-	-	-	29	-	29	-	29
At 31 March 2023	75,484	(105)	(3,129)	(3,572)	(4,463)	171	18,411	82,797	1,441	84,238

(1) The Company has granted 3,809,150 options under the ISEC Healthcare Share Option Scheme on 22 April 2020 and 680,000 share awards under the ISEC Healthcare Performance Share Plan on 23 September 2022.

2. Review of comparative performance of the Group for the 3 months ended 31 March 2024 (“1Q2024”) and 31 March 2023 (“1Q2023”).

Revenue

The Group’s revenue in 1Q2024 was generally consistent compared to that in 1Q2023, at approximately \$16.91 million.

The Group’s specialised health services revenue increased by \$0.17 million, from \$15.85 million in 1Q2023 to \$16.02 million in 1Q2024. The increase in the number of procedures performed in Malaysia contributed to the Group’s increase in specialised health services revenue.

Revenue from general health services decreased by \$0.17 million between 1Q2023 and 1Q2024, mainly due to reduced COVID-19 swab tests performed and decreased business activities at the general practitioner clinics.

Cost of sales

Cost of sales was also generally consistent for both periods, increased slightly by \$0.03 million to \$9.25 million in 1Q2024.

Gross profit and gross profit margin

Gross profit decreased slightly by \$0.03 million to \$7.66 million in 1Q2024. Gross profit margins for both periods were consistent, at 45.3% and 45.5% in 1Q2024 and 1Q2023 respectively.

Profit after tax

Net profit of the Group in 1Q2024 stood at \$3.18 million, a decrease of \$0.20 million, or 6%, from 1Q2023.

Administrative expenses increased by \$0.16 million mainly due to the increased business activities under the specialised health services segment and the increased number of employees of the Group in line with increased business activities.

3. 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.

Option to subscribe shares in ISEC Klang by the Approved New Doctor

Reference is made to the announcement in relation to the entry into a joint venture to operate an ophthalmology centre in Klang dated 15 August 2023. Capitalised terms herein made are in reference to this announcement. The Group has engaged the Approved New Doctor and signed an employment contract as well as an Option to Subscribe Agreement with the New Approved Doctor on 5 April 2024. The Option to Subscribe Agreement grants the Approved New Doctor an option to subscribe for up to a maximum of 250,000 new Ordinary Shares in the capital of ISEC Klang, at an option price to be determined based on the Auditor's Value, during the period of six (6) years commencing from the date the Approved New Doctor commenced his employment with ISEC Klang.

ISEC KL status of the purchase of certain strata-title units

ISEC KL had entered into a Sales and Purchase Agreement ("SPA") to purchase certain strata-title units or parcels in a new building to be constructed by the vendor of the SPA (under the category of use of medical care) in Kuala Lumpur, Malaysia, as announced on 29 December 2023. As of the date of this announcement, the Group is still in the stage of fulfilling the condition precedents of the SPA together with the vendor. The Group will make the necessary announcements as and when there are further material developments on the aforementioned proposed acquisition and other key related matters that may be contemplated moving forward.

Political situation in Myanmar

Myanmar's military has further extended the country's state of emergency by another six months until 31 July 2024. The latest extension further delays the country's election, as it is known that election is prohibited to be held during the country's current state of emergency. As at the date of this announcement, ISEC Myanmar's clinic continues to be operational.

BY ORDER OF THE BOARD

Dr Lee Hung Ming
Executive Vice Chairman
19 April 2024

This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

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