



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

THIRD 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 THIRD QUARTER AND PERIOD ENDED 30 SEPTEMBER 2019

	Third quarter			9 months ended		
	30/09/2019	30/09/2018	Increase/ (decrease)	30/09/2019	30/09/2018	Increase/ (decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	24,173	22,052	9.6	68,816	62,876	9.4
Cost of sales	(13,124)	(12,484)	5.1	(37,065)	(34,711)	6.8
Gross profit	11,049	9,568	15.5	31,751	28,165	12.7
Other items of income						
Financial income	34	14	142.9	66	43	53.5
Other (expenses)/income	(11)	34	N.M	59	359	(83.6)
Other items of expense						
Distribution and selling expenses	(1,152)	(1,005)	14.6	(2,974)	(2,671)	11.3
Administrative expenses	(5,667)	(4,793)	18.2	(15,891)	(13,891)	14.4
Financial expenses	(423)	(295)	43.4	(1,161)	(810)	43.3
Share of results of joint ventures and associate	38	102	(62.7)	(54)	105	N.M
Profit before tax	3,868	3,625	6.7	11,796	11,300	4.4
Income tax expense	(675)	(556)	21.4	(1,771)	(1,321)	34.1
Profit for the period	3,193	3,069	4.0	10,025	9,979	0.5
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation	(68)	(157)	(56.7)	(86)	(380)	(77.4)
Total comprehensive income for the period	3,125	2,912	7.3	9,939	9,599	3.5
Profit attributable to:						
Owners of the Company	3,135	3,157	(0.1)	9,978	9,984	(0.1)
Non-controlling interests	58	(88)	N.M	47	(5)	N.M
	3,193	3,069	4.0	10,025	9,979	0.5
Total comprehensive income attributable to:						
Owners of the Company	3,067	3,000	2.2	9,892	9,604	3.0
Non-controlling interests	58	(88)	N.M	47	(5)	N.M
	3,125	2,912	7.3	9,939	9,599	3.5

N.M: Not meaningful

Notes to the Consolidated Statement of Comprehensive Income

The profit before tax is determined after charging/(crediting) the following:

	<u>Third quarter</u>			<u>9 months ended</u>		
	<u>30/09/2019</u>	<u>30/09/2018</u>	<u>Increase/ (decrease)</u>	<u>30/09/2019</u>	<u>30/09/2018</u>	<u>Increase/ (decrease)</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>%</u>
Depreciation of property, plant and equipment	1,005	922	9.0	2,932	2,967	(1.1)
Amortisation of intangible assets	56	-	100.0	161	-	100.0
Depreciation of right-of-use assets	1,191	-	100.0	3,581	-	100.0
Expenses relating to short-term leases	147	-	100.0	286	-	100.0
Accretion of interest on lease liabilities	74	-	100.0	246	-	100.0
Operating lease expenses	-	1,438	(100.0)	-	3,841	(100.0)
Personnel expenses	8,091	7,548	7.2	22,324	20,497	8.9
Share-based compensation expense, included under personnel expenses	181	57	217.5	315	172	83.1
Loss/(Gain) on disposal of property, plant and equipment	11	-	100.0	(15)	(24)	(37.5)
Reversal of impairment loss on investment in joint venture	-	-	-	-	(167)	100.0
Under provision of income tax in respect of prior years	-	-	-	15	-	100.0

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	
	30/09/2019	31/12/2018	30/09/2019	31/12/2018
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	12,047	13,652	1,884	2,365
Intangible assets	126,711	126,543	46	19
Right-of-use assets ¹	9,878	-	3,081	-
Investment in subsidiaries	-	-	137,350	113,664
Investment in joint ventures	2,816	1,642	3,639	2,541
Investment in associate	5,797	5,714	6,345	6,045
Other receivables	2,748	2,900	1,751	1,288
Deferred tax assets	635	844	170	170
	160,632	151,295	154,266	126,092
Current assets				
Inventories	1,809	1,694	-	-
Trade receivables	5,817	6,031	-	-
Prepayments	1,253	1,775	339	352
Other receivables	1,251	1,037	72	93
Due from related companies	-	-	-	8,525
Cash and cash equivalents	24,696	20,012	9,753	6,071
	34,826	30,549	10,164	15,041
Total assets	195,458	181,844	164,430	141,133
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	2,189	1,648	2	2
Other payables and accruals	9,471	10,310	660	993
Contract liabilities	2,402	2,313	-	-
Deferred purchase consideration	2,471	15,538	-	1,000
Lease liabilities ¹	5,829	1,446	2,220	281
Convertible loan	9,738	-	9,738	-
Loans and borrowings	6,670	4,773	2,000	216
Income tax payable	1,713	1,776	-	-
	40,483	37,804	14,620	2,492
Net current (liabilities)/assets	(5,657)	(7,255)	(4,456)	12,549
Non-current liabilities				
Other payables and accruals	379	503	211	85
Deferred purchase consideration	-	1,335	-	-
Due to related companies	-	-	22,569	16,274
Lease liabilities ¹	6,811	1,724	1,273	364
Loans and borrowings	6,579	9,980	-	-
Deferred tax liabilities	220	170	-	-
	13,989	13,712	24,053	16,723
Total liabilities	54,472	51,516	38,673	19,215
Net assets	140,986	130,328	125,757	121,918

¹ 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\$13.5 million respectively for its leases previously classified as operating leases as of 1 January 2019.

	<u>Group</u>		<u>Company</u>	
	30/09/2019	31/12/2018	30/09/2019	31/12/2018
	S\$'000	S\$'000	S\$'000	S\$'000
Equity attributable to owners of the Company				
Share capital	119,789	118,918	119,789	118,918
Share option reserve	605	443	605	443
Equity component of convertible loan	66	-	66	-
Foreign currency translation reserve	(728)	(642)	-	-
Retained earnings	22,037	12,059	5,297	2,557
	141,769	130,778	125,757	121,918
Non-controlling interests	(783)	(450)	-	-
Total equity	140,986	130,328	125,757	121,918
Total equity and liabilities	195,458	181,844	164,430	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 30/09/2019		At 31/12/2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
5,959	11,738	4,996	1,223

Amount repayable after one year

At 30/09/2019		At 31/12/2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
7,688	-	10,082	1,622

Details of any collateral

Loans and borrowings

Loans and borrowings amounting to:

- (a) S\$9,368,000 (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 Companies²; (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 (iv) corporate guarantee taken by 2 subsidiaries of the Group; and
- (b) S\$1,881,000 (31/12/2018: S\$2,629,000) are secured by corporate guarantee taken by the Company.

² 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\$2,398,000 (31/12/2018: S\$3,170,000) that are secured by the Group's medical equipment with carrying amount of approximately S\$4,298,000 (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

	<u>Third quarter</u>		<u>9 months ended</u>	
	<u>30/09/2019</u>	<u>30/09/2018</u>	<u>30/09/2019</u>	<u>30/09/2018</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Profit before tax	3,868	3,625	11,796	11,300
<u>Adjustments for:</u>				
Depreciation of property, plant and equipment	1,005	922	2,932	2,967
Amortisation of intangible assets	56	-	161	-
Depreciation of right-of-use assets	1,191	-	3,581	-
Interest income	(32)	(14)	(60)	(43)
Accretion of interest on lease receivable	(2)	-	(6)	-
Interest expense	325	212	779	575
Amortisation of loan costs	11	11	34	34
Accretion of interest on deferred purchase consideration	13	72	102	201
Accretion of interest on lease liabilities	74	-	246	-
Loss/(Gain) on disposal of property, plant and equipment	11	-	(15)	(24)
Impairment loss on trade receivables	-	-	1	-
Reversal of impairment loss on investment in joint venture	-	-	-	(167)
Share-based compensation expense	181	57	315	172
Share of results of joint venture and associate	(38)	(102)	54	(105)
Total adjustments	2,795	1,158	8,124	3,610
Operating profit before working capital change	6,663	4,783	19,920	14,910
<u>Change in working capital</u>				
(Increase)/decrease in:				
Inventories	(55)	(52)	(115)	(193)
Trade and other receivables	560	(592)	121	(439)
Prepayments	(123)	(66)	449	(143)
Increase/(decrease) in:				
Trade payables	560	(363)	540	14
Other payables and accruals	(349)	197	(1,371)	(1,945)
Total change in working capital	593	(876)	(376)	(2,706)
Cash flow generated from operations	7,256	3,907	19,544	12,204
Interest received	32	14	60	43
Interest paid	(325)	(223)	(743)	(573)
Income taxes paid	(573)	(398)	(1,575)	(1,147)
Net cash flows generated from operating activities	6,390	3,300	17,286	10,527
Cash flows from investing activities				
Purchase of property, plant and equipment	(111)	(291)	(1,176)	(2,909)
Purchase of intangible assets	-	-	(328)	-
Proceeds from sale of property, plant and equipment	-	-	3	60
Net cash outflow on acquisition of subsidiaries	(2,505)	(5,009)	(14,505)	(16,365)
Investment in associate	-	-	-	(5,818)
Investment in joint venture	(354)	-	(354)	-
Loan to associate	(300)	-	(300)	-
Loans to a joint venture	(125)	-	(520)	(306)
Proceeds from repayment of loan to a joint venture	103	-	103	-
Net cash flows used in investing activities	(3,292)	(5,300)	(17,077)	(25,338)

	<u>Third quarter</u>		<u>9-months ended</u>	
	<u>30/09/2019</u>	<u>30/09/2018</u>	<u>30/09/2019</u>	<u>30/09/2018</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Cash flows from financing activities				
Dividend paid to non-controlling interests	(380)	-	(380)	-
Proceeds from issuance of shares	-	6,876	718	7,088
Share issuance expenses	-	(304)	-	(312)
Proceeds from convertible loan	-	-	10,000	-
Proceeds from loans and borrowings	-	2,500	3,000	10,600
Repayment of loans and borrowings	(2,153)	(2,754)	(4,610)	(4,375)
Principal element of lease payments	(1,581)	(325)	(4,253)	(1,204)
Net cash flows (used in)/generated from financing activities	(4,114)	5,993	4,475	11,797
Net (decrease)/increase in cash and cash equivalents	(1,016)	3,993	4,684	(3,014)
Cash and cash equivalents at the beginning of financial period	25,712	14,294	20,012	21,301
Cash and cash equivalents at the end of financial period	24,696	18,287	24,696	18,287

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

	<u>Third quarter</u>		<u>9 months ended</u>	
	<u>30/09/2019</u>	<u>30/09/2018</u>	<u>30/09/2019</u>	<u>30/09/2018</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Cash and cash equivalents as stated in the consolidated statement of financial position	24,696	18,312	24,696	18,312
Less: Deposit pledged for bank facility	-	(25)	-	(25)
Cash and cash equivalents as stated in the consolidated statement of cash flows	24,696	18,287	24,696	18,287

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	Attributable to owners of the Company						
	Share capital	Share option reserve	Equity component of convertible loan	Foreign currency translation reserve	Retained earnings/ (accumulated losses)	Total	Non-controlling interests
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2019	118,918	443	-	(642)	12,059	130,778	(450)
Profit for the period	-	-	-	-	9,978	9,978	47
Foreign currency translation differences	-	-	-	(86)	-	(86)	-
Total comprehensive income for the period	-	-	-	(86)	9,978	9,892	47
Issuance of shares	871	(153)	-	-	-	718	-
Share-based compensation expense	-	315	-	-	-	315	-
Dividends on ordinary shares	-	-	-	-	-	-	(380)
Issuance of convertible loan	-	-	66	-	-	66	-
At 30 September 2019	119,789	605	66	(728)	22,037	141,769	(783)
At 1 January 2018	108,738	526	-	(112)	(869)	108,283	50
Profit for the period	-	-	-	-	9,984	9,984	(5)
Foreign currency translation differences	-	-	-	(380)	-	(380)	-
Total comprehensive income for the period	-	-	-	(380)	9,984	9,604	(5)
Issuance of shares	7,088	-	-	-	-	7,088	-
Share issuance expenses	(312)	-	-	-	-	(312)	-
Share-based compensation expense	-	172	-	-	-	172	-
Acquisition of subsidiary	2,997	-	-	-	-	2,997	(237)
At 30 September 2018	118,511	698	-	(492)	9,115	127,832	(192)

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

Effects of adoption SFRS(I) 16

At 1 January 2019

Total comprehensive income for the period

Issuance of shares

Share-based compensation expense

Issuance of convertible loan

At 30 September 2019**At 1 January 2018**

Total comprehensive income for the period

Issuance of shares

Share issuance expenses

Share-based compensation expense

Acquisition of subsidiary

At 30 September 2018

	Share capital	Share option reserve	Equity component of convertible loan	Retained earnings/ (accumulated losses)	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
	118,918	443	-	2,557	121,918
	-	-	-	(96)	(96)
	118,918	443	-	2,461	121,822
	-	-	-	2,836	2,836
	871	(153)	-	-	718
	-	315	-	-	315
	-	-	66	-	66
	119,789	605	66	5,297	125,757
	108,738	526	-	(6,285)	102,979
	-	-	-	1,148	1,148
	7,088	-	-	-	7,088
	(312)	-	-	-	(312)
	-	172	-	-	172
	2,997	-	-	-	2,997
	118,511	698	-	(5,137)	114,072

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		No. of shares	
	'000	S\$'000	'000	S\$'000
<u>Issued and fully paid ordinary shares</u>				
At 1 July	483,021	119,789	466,171	111,939
Issued for Rights Issue (note 1)	-	-	14,256	6,843
Share issuance expenses (note 2)	-	-	-	(304)
Issued upon exercise of share options (note 3)	-	-	225	33
At 30 September	483,021	119,789	480,652	118,511

Note 1

The Company had on 18 June 2018 lodged an Offer Information Statement with Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), acting as agent on behalf of the Monetary Authority of Singapore, for the renounceable non-underwritten rights issue of up to 23,341,800 new ordinary shares in the issued share capital of the Company, at an issue price of S\$0.48 for each rights share, on the basis of one rights share for every twenty existing ordinary shares in the issued share capital of the Company held by entitled shareholders (the “**Rights Issue**”). Following the completion of the Rights Issue on 10 July 2018, the share capital of the Company has increased from S\$111.9 million to S\$118.6 million and the total number of issued shares has increased from 466,171,036 shares to 480,426,635 shares.

Note 2

The share issuance expenses were incurred for the issuance of shares for the Rights Issue (refer to note 1) and the acquisition of a subsidiary, Pheniks Pte. Ltd. (“**Pheniks**”), on 23 April 2018.

Note 3

In the third quarter ended 30 September 2019, no ordinary shares (Third quarter ended 30/09/2018: 225,000) were issued following the exercise of share options by the Company's employees, under the SMG Share Option Scheme.

Share Option

The SMG Share Option Scheme (“**SSOS**”) was approved by the shareholders at the Extraordinary General Meeting on 30 April 2014. During the third quarter ended 30 September 2019, no share options (Third quarter ended 30/09/2018: Nil) were granted to employees under the SSOS. As at 30 September 2019, the number of shares that may be issued on conversion of all the outstanding share options were 10,350,000 (30/09/2018: 10,935,000).

The movement of share options of the Company during the financial period from July to September 2019 is as follows:

Date of grant of options	Exercise price per share	Options outstanding at 01/07/2019	Options granted	Options exercised	Options forfeited/expired	Options outstanding at 30/09/2019	Expiry date
22/09/2016	S\$0.303	2,510,000	-	-	-	2,510,000	21/09/2021
03/04/2017	S\$0.545	585,000	-	-	-	585,000	02/04/2022
30/04/2018	S\$0.493	5,320,000	-	-	-	5,320,000	29/04/2023
31/05/2019	S\$0.393	1,935,000	-	-	-	1,935,000	30/05/2024
		<u>10,350,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,350,000</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 third quarter ended 30 September 2019, no performance shares (Third quarter ended 30/09/2018: Nil) were granted to employees under the SPSP. As at 30 September 2019, the number of outstanding performance shares granted under the SPSP were 336,000 (30/09/2018: 336,000).

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

Date of grant	Number of Performance Shares				
	Outstanding at 01/07/2019	Granted	Adjustments [#]	Vested	Outstanding at 30/09/2019
30/04/2018	336,000	-	-	-	336,000
	<u>336,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>336,000</u>

[#] 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.

Convertible Loan

The Company had, on 25 April 2019, 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. ("CHS"), upon the conversion of the convertible loan of S\$10.0 million (the "Convertible Loan") pursuant to the terms and conditions of a convertible loan agreement dated 20 February 2019. The Company had drawn down the Convertible Loan and released the announcement via SGXNET on 4 June 2019.

Save as disclosed above, there were no other outstanding options and convertibles as at 30 September 2019 and 30 September 2018.

There were no treasury shares or subsidiary holdings held by the Company as at 30 September 2019 and 30 September 2018.

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 30/09/2019	As at 31/12/2018
Total number of issued shares (excluding treasury shares)	483,021,635	480,651,635

There were no treasury shares as at 30 September 2019 and 31 December 2018.

1(d)(iv) A statement showing all sales, transfer, 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 30 September 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 30 September 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\$13.5 million respectively for its leases previously classified as operating leases as of 1 January 2019. It also resulted in a charge to the statement of comprehensive income with the effect of reducing the profit for the current financial period by S\$0.3 million.

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:-

(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).

	Third quarter		9 months ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
Net profit attributable to the owners of the Company used in the computation of basic earnings per share (S\$'000)	3,135	3,157	9,978	9,984
Net profit attributable to the owners of the Company used in the computation of diluted earnings per share (S\$'000)	3,230	3,157	10,073	9,984
Earnings per share (cents per share)				
- Basic	0.65	0.66	2.07	2.13
- Diluted	0.63	0.66	1.98	2.13

The basic earnings per share for the third quarter and 9 months ended 30 September 2019 is calculated by dividing the net profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue of 483,031,635 and 481,781,232 (Third quarter and 9 months ended 30 September 2018: 479,125,000 and 467,849,659) respectively. The diluted earnings per share for the third quarter and 9 months ended 30 September 2019 is calculated by dividing the net profit for the period attributable to owners of the Company adjusted for interest expense on the Convertible Loan by the weighted average number of ordinary shares in issue of 509,172,297 and 509,174,714 (Third quarter and 9 months ended 30 September 2018: 480,369,321 and 468,468,232) respectively. 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 and the conversion of the Convertible Loan.

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	
	30/09/2019	31/12/2018	30/09/2019	31/12/2018
Net asset value per ordinary share (cents)	29.35	27.21	26.04	25.37

Net asset value per ordinary share is calculated based on 483,021,635 and 480,651,635 ordinary shares outstanding as at 30 September 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**

Statement of Comprehensive Income

Revenue

The Group's revenue increased by 9.6% from S\$22.1 million for the three-month financial period ended 30 September 2018 ("**3Q2018**") to S\$24.2 million for the three-month period ended 30 September 2019 ("**3Q2019**"). The increase was due to increase in revenue of Health Business segment and Diagnostic & Aesthetics Business segment by S\$1.1 million and S\$1.0 million respectively mainly arising from the organic growth of the existing clinics.

For the nine-month financial period ended 30 September 2019 ("**YTD2019**"), the Group's revenue increased by 9.4% from S\$62.9 million for the nine-month period ended 30 September 2018 ("**YTD2018**") to S\$68.8 million. The increase was mainly due to:

- (a) Increase in revenue of Diagnostic & Aesthetics Business segment by S\$5.2 million mainly contributed by the subsidiary, Pheniks, which was acquired in April 2018; and
- (b) Increase in revenue of Health Business segment by S\$0.7 million mainly due to the organic growth of the existing clinics, offset by the decrease in revenue from 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 15.5% from S\$9.6 million for 3Q2018 to S\$11.0 million for 3Q2019 as a result of increase in revenue. Gross profit margin increased by three percentage point from 43% in 3Q2018 to 46% in 3Q2019 mainly due to the change in sales mix of the Health Business segment and Diagnostic & Aesthetics Business segment.

For YTD2019, gross profit increased by 12.7% from S\$28.2 million for YTD2018 to S\$31.8 million while gross profit margin increased by one percentage point from 45% in YTD2018 to 46% in YTD2019. The increase was mainly due to the same reasons as mentioned above.

Other income

The Group has other expenses of S\$11,000 for 3Q2019 compared to other income of \$34,000 for 3Q2018. The expenses arise due to the recognition of loss from disposal of property, plant and equipment in 3Q2019 which is netted against the gain recognised in the first half of 2019.

For YTD2019, other income decreased by 83.6% to S\$59,000. The decrease was mainly due to the one-off reversal of impairment loss on the Group's investment in a joint venture recognised in 2018.

Distribution and selling expenses

Distribution and selling expenses increased by 14.6% from S\$1.0 million for 3Q2018 to S\$1.2 million for 3Q2019 mainly driven by increase in revenue and increase in marketing expenses incurred by the aesthetics business.

For YTD2019, distribution and selling expenses increased by 11.3% from S\$2.7 million for YTD2018 to S\$3.0 million. The increase was mainly due to the same reason as mentioned above.

Administrative expenses

Administrative expenses increased by 18.2% from S\$4.8 million for 3Q2018 to S\$5.7 million for 3Q2019. This was mainly due to increase in staff headcount arising from the increase in the number of clinics.

For YTD2019, administrative expenses increased by 14.4% from S\$13.9 million for YTD2018 to S\$15.9 million. The increase was mainly due to the same reasons as mentioned above.

Financial expenses

Financial expenses increased by 43.4% from S\$0.3 million for 3Q2018 to S\$0.4 million for 3Q2019 mainly due to higher interest expenses incurred on bank loans, which were obtained for paying the cash consideration for the acquisition of the Astra Group and Kids Clinics³, 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.

For YTD2019, financial expenses increased by 43.3% from S\$0.8 million for YTD2018 to S\$1.2 million. The increase was mainly due to the same reasons as mentioned above.

³ Kids Clinics comprise Children's Clinic Central Pte. Ltd. ("**CCC**") and Kids Clinic @ Bishan Pte. Ltd. ("**KCB**").

Share of results of joint ventures and associate

Share of profit of joint ventures and associate decreased by 62.7% from S\$102,000 for 3Q2018 to S\$38,000 for 3Q2019 mainly due to losses incurred by the associated company, CHA SMG (Australia) Pte. Ltd. ("**CSA**"), and the joint venture entity, SMG International (Vietnam) Pte. Ltd. ("**SMGIV**"), offset by improvement in financial performance of the joint venture entity, PT Ciputra SMG ("**PTCS**").

For YTD2019, the Group has share of loss of joint ventures and associate of S\$54,000 compared to share of profit of joint ventures and associate of S\$105,000 for YTD2018. This is mainly due to the same reason as mentioned above.

Income tax expense

Income tax expense increased by 21.4% from S\$0.6 million for 3Q2018 to S\$0.7 million for 3Q2019. This is 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.

For YTD2019, income tax expense increased by 34.1% from S\$1.3 million for YTD2018 to S\$1.8 million. The reason for the increase is the same as mentioned above.

Statement of Financial Position

Non-current assets increased by S\$9.3 million from S\$151.3 million as at 31 December 2018 to S\$160.6 million as at 30 September 2019, mainly due to:

- (a) Increase in intangible assets arising from additions of computer software including the telemedicine platform which was launched in January 2019, offset by amortisation charged during the financial period;
- (b) Recognition of ROU assets and lease receivable (included under non-current other receivables) arising from the adoption of SFRS(I) 16; and
- (c) Increase in investment in joint ventures and associate mainly due to: (i) conversion of convertible loan given to a joint venture entity into ordinary shares during the financial period; (ii) purchase of additional shares in a joint venture entity; and (iii) additional shareholder's loan given to CSA in July 2019, offset by repayment of shareholder's loan by PTCS and the net share of losses of joint ventures and associate during the financial period.

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; (b) decrease in other receivables arising from the conversion of the convertible loan given to a joint venture entity into ordinary shares, offset by additional loans given to a joint venture entity; and (c) decrease in deferred tax assets arising from the utilisation of the carried forward tax benefits.

Current assets increased by S\$4.3 million from S\$30.5 million as at 31 December 2018 to S\$34.8 million as at 30 September 2019, mainly due to increase in cash and cash equivalents, inventories and other receivables of S\$4.7 million, S\$0.1 million and S\$0.2 million respectively, offset by decrease in trade receivables and prepayments of S\$0.2 million and S\$0.5 million respectively.

Current liabilities increased by S\$2.7 million from S\$37.8 million as at 31 December 2018 to S\$40.5 million as at 30 September 2019, mainly due to: (a) increase in trade payables of S\$0.5 million; (b) increase in the current portion of lease liabilities of S\$4.4 million mainly arising from recognition of new lease liabilities, which were previously classified as operating leases, on the adoption of SFRS(I) 16; (c) the drawdown of the convertible loan facility offered by CHS where the liability component of the Convertible Loan is S\$9.8 million; and (d) increase in the current portion of loans and borrowings of S\$1.9 million due to new short-term bank loans obtained during the financial period. The increase is offset by: (a) decrease in other payables and accruals of S\$0.8 million; and (b) decrease in the current portion of the deferred purchase consideration of S\$13.1 million as a result of payment of deferred purchase consideration.

Non-current liabilities increased by S\$0.3 million from S\$13.7 million as at 31 December 2018 to S\$14.0 million as at 30 September 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, and deferred purchase consideration 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\$5.7 million (31/12/2018: S\$7.3 million) as at 30 September 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\$2.5 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, management believes that the Group will have sufficient funds from its operations to meet its financial obligations as and when they fall due.

Statement of Cash Flows

Net cash flows generated from operating activities of S\$6.4 million for 3Q2019 arose mainly from the operating profit before working capital changes of S\$6.7 million and inflow of working capital of S\$0.6 million, offset by interest payment of S\$0.3 million and income tax payment of S\$0.6 million.

Net cash flows used in investing activities of S\$3.3 million for 3Q2019 were mainly attributed to the purchase of property, plant and equipment of S\$0.1 million, payment of deferred purchase consideration from the acquisition of CCC and KCB of S\$2.5 million, investment in joint venture of S\$0.4 million, and loans given to associate and a joint venture of S\$0.3 million and S\$0.1 million respectively, offset by repayment of loan by a joint venture of S\$0.1 million.

Net cash flows used in financing activities of S\$4.1 million for 3Q2019 arose mainly from payment of dividend to non-controlling interests of S\$0.4 million, and repayment of loans and borrowings and lease payments of S\$2.1 million and S\$1.6 million respectively.

Cash and cash equivalents was S\$24.7 million as at 30 September 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 with its growth initiatives in key specialist verticals such as Obstetrics and Gynaecology (“O&G”) and Paediatrics. The Group opened two new paediatrics clinics, a new O&G clinic, a new aesthetic clinic and a breast care clinic in YTD2019 and added a new paediatrician and radiologist in 3Q2019. With continued demand being seen for women’s and children’s health, barring unforeseen circumstances, the Group expects to add a new gynaecologist and two new paediatricians in the last quarter of 2019. The Group intends to continue its recruitment initiatives to hire more specialists in key complementary verticals.

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. The Group opened a new 4,000 square feet aesthetics centre in Ho Chi Minh City in YTD2019 and increased its equity interest in its Vietnam joint venture in 3Q2019 as the Group taps on the growth potential of the Vietnam market which is expected to contribute positively to the Group’s financial performance in the mid-term. The Group also ventured into Malaysia providing cardiac monitoring and reporting services through its joint venture entity, SMG Cardioscan Pte. Ltd., in 3Q2019. Beyond its existing footprints in Singapore, Vietnam, Indonesia, Australia and Malaysia, the Group continues to explore 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 30 September 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 period under review	
	30/09/2019 S\$'000	30/09/2018 S\$'000
K S Beng Pte Ltd - Rental	143	146
MW Medical Holdings Pte Ltd - Rental	123	128
MW Medical Pte Ltd - Nursing services	3	9
CHA Healthcare Singapore Pte Ltd - Interest on Convertible Loan	115	-

- 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 consolidated financial statements of the Group for the nine-month financial period ended 30 September 2019 as presented in this announcement, to be false or misleading in any material aspect.

On behalf of the Board

Dr Beng Teck Liang
Executive Director and Chief Executive Officer

Mr Ho Lon Gee
Lead Independent Director

- 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.

16. Use of proceeds from the Convertible Loan

As at the date of this announcement, the net proceeds from the Convertible Loan (as defined in paragraph 1(d)(ii) of this announcement) of approximately S\$9.7 million have been utilised as follows:

<u>Use of Net Proceeds</u>	<u>Allocation of Net Proceeds</u> S\$ million	<u>Balance of unutilised Net Proceeds as at 26 August 2019 (being date of the last update)</u> S\$ million	<u>Utilisation of Net Proceeds from 27 August 2019 to the date hereof</u> S\$ million	<u>Balance of unutilised Net Proceeds as at the date hereof</u> S\$ million
(i) Merger and acquisitions	7.8	7.4	-	7.4
(ii) General business purposes	1.9	1.9	-	1.9
	9.7	9.3	-	9.3

The above use of proceeds is in accordance with the intended use as stated in the announcement relating to the Convertible Loan.

BY ORDER OF THE BOARD

Dr Beng Teck Liang
Chief Executive Officer
11 November 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 Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst. 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.