HEALTHWAY MEDICAL CORPORATION LIMITED

(Co. Regn. No: 200708625C)

UNAUDITED FINANCIAL STATEMENTS AND DIVIDENDS ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016 ("2016 Q1")

This announcement has been prepared by Healthway Medical 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.

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

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.

	3 months ended		
	31.03.16	31.03.15	Change
	S$'000	S$'000	%
Revenue	24,700	23,679	4.3
Other operating income	263	3,699	(92.9)
Medical supplies, consumables and laboratory expenses	(4,692)	(4,552)	3.1
Staff costs	(15,436)	(14,674)	5.2
Depreciation of property, plant and equipment	(328)	(333)	(1.5)
Amortisation of intangible assets	(18)	(74)	(75.7)
Other operating expenses	(3,506)	(3,353)	4.6
Finance costs	(293)	(246)	19.1
Profit before income tax	690	4,146	(83.4)
Income tax expense	(110)	(629)	(82.5)
Profit for the period attributable to shareholders	580	3,517	(83.5)
Other comprehensive loss, net of tax	(103)	(503)	(79.5)
Total comprehensive income for the period	477	3,014	(84.2)

n.m. denotes not meaningful.

Explanatory notes to the income statement

Profit before income tax of the Group is arrived at after charging / (crediting):

	3 months ended		
	31.03.16 S$'000	31.03.15 S$'000	Change %
Interest income	(4)	(587)	(99.3)
Rental income	(83)	(106)	(21.7)
Gain on disposal of available-for-sale financial assets reclassified from equity	-	(727)	n.m.
Interest expense	293	246	19.1
Foreign exchange loss / (gain)	691	(557)	n.m.
Loss on disposal of property, plant and equipment	-	1	n.m.
Operating lease expenses	2,089	2,081	0.4

Statement of comprehensive income

	3 months ended		
	31.03.16 S$'000	31.03.15 S$'000	Change %
Profit for the period	580	3,517	(83.5)
Foreign exchange differences	(103)	196	n.m.
Change in fair value of available-for-sale financial assets	-	28	n.m.
Change in fair value of available-for-sale financial assets reclassified to profit or loss	-	(727)	n.m.
Other comprehensive loss for the period, net of tax	(103)	(503)	(79.5)
Total comprehensive income for the period	477	3,014	(84.2)

n.m. denotes not meaningful.

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

	Group		Company	
	31.03.16 S$'000	31.12.15 S$'000	31.03.16 S$'000	31.12.15 S$'000
Current assets				
Cash and cash equivalents	3,251	2,884	1,773	1,947
Trade and other receivables	81,707	81,341	9,634	10,927
Inventories	2,458	2,290	-	-
	87,416	86,515	11,407	12,874
Non-current assets				
Other receivables	21,893	22,010	-	-
Investments in subsidiaries	-	-	196,566	197,113
Property, plant and equipment	5,737	5,897	-	-
Intangible assets	121,887	121,902	50	66
Deferred tax assets	18	18	43	43
	149,535	149,827	196,659	197,222
Total assets	236,951	236,342	208,066	210,096
Equity				
Share capital	204,430	204,430	204,430	204,430
Treasury shares	(3,049)	(3,049)	(3,049)	(3,049)
Currency translation reserve	732	835	-	-
Accumulated losses	(9,910)	(10,490)	(6,537)	(6,375)
Total equity	192,203	191,726	194,844	195,006
Current liabilities				
Trade and other payables	26,364	24,326	2,637	2,184
Current income tax liabilities	1,413	1,296	371	328
Borrowings	12,284	12,653	7,569	8,293
	40,061	38,275	10,577	10,805
Non-current liabilities				
Borrowings	4,330	5,984	2,645	4,285
Provisions	357	357	-	-
	4,687	6,341	2,645	4,285
Total liabilities	44,748	44,616	13,222	15,090
Total equity and liabilities	236,951	236,342	208,066	210,096

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

	As at 31.03.16		As at 31.12.15	
	Secured	Unsecured	Secured	Unsecured
	S$'000	S$'000	S$'000	S$'000
Amount repayable within one year	10,163	638	9,510	1,855
Amount repayable after one year	1,704	1,216	3,335	1,378

The secured borrowings of the Group relate to bank loans and bank overdrafts which are secured by the following:

(i) joint and several guarantees from former directors of the Company and subsidiaries; and

(ii) time deposits of the Company and a subsidiary.

The Group's borrowings presented above do not include finance lease liabilities. Finance lease liabilities of the Group are repayable as follows:

	As at	As at
	31.03.16	31.12.15
	S$'000	S$'000
Amount repayable within one year	1,483	1,288
Amount repayable after one year	1,410	1,271

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	
	31.03.16	**31.03.15**
	S$'000	**S$'000**
Cash flows from operating activities		
Profit before income tax	690	4,146
Adjustments for:		
Amortisation of intangible assets	18	74
Gain on disposal of available-for-sale financial assets	-	(727)
Depreciation of property, plant and equipment	328	333
Loss on disposal of property, plant and equipment	-	1
Unrealised currency translation losses/(gains)	691	(557)
Interest expense	293	246
Interest income	(4)	(587)
	2,016	2,929
Changes in working capital:		
Inventories	(168)	(170)
Trade and other receivables	(1,302)	(850)
Trade and other payables	3,020	1,401
Cash generated from operations	3,566	3,310
Income tax refund	7	130
Net cash generated from operating activities	**3,573**	**3,440**
Cash flows from investing activities		
Addition to property, plant and equipment	(43)	(106)
Addition to intangible assets	(3)	-
Loan receivables	(532)	(2,511)
Receipts from/(Advances) to third party - net	97	(2,411)
Proceeds from sale of available-for-sale financial assets	-	765
Interest received	4	3
Net cash used in investing activities	**(477)**	**(4,260)**
Cash flows from financing activities		
Proceeds from borrowings	1,999	8,517
Repayment of borrowings	(4,356)	(6,815)
Fixed deposits pledged	-	(3)
Repayment of finance lease liabilities	(79)	(172)
Interest paid	(293)	(246)
Net cash (used in) / provided by financing activities	**(2,729)**	**1,281**
Net increase in cash and cash equivalents	**367**	**461**
Cash and cash equivalents		
Beginning of financial period	1,046	1,037
End of financial period	**1,413**	**1,498**

Cash and cash equivalents comprised:	As at 31.03.16 S$'000	As at 31.03.15 S$'000
Deposits with banks	3,251	3,621
Fixed deposits pledged as collaterals	(1,838)	(2,123)
	1,413	1,498

For the three-month period ended 31 March 2016, the Group acquired property, plant and equipment with an aggregate cost of S$168,000 (2015 Q1: S$106,000), of which S$125,000 (2015 Q1: S$nil) was acquired under finance lease.

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.

	←——Share capital ——→						
	Ordinary shares	Treasury shares	Total	Fair value reserve	Translation reserve	Retained earnings	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group - Current period							
At 1 January 2016	204,430	(3,049)	201,381	-	835	(10,490)	191,726
Profit for the period	-	-	-	-	-	580	580
Foreign exchange differences	-	-	-	-	(103)	-	(103)
Total comprehensive income for the period	-	-	-	-	(103)	580	477
At 31 March 2016	204,430	(3,049)	201,381	-	732	(9,910)	192,203
Group - Previous period							
At 1 January 2015	204,430	(3,049)	201,381	718	699	(12,173)	190,625
Profit for the period	-	-	-	-	-	3,517	3,517
Net change in fair value of available-for-sale financial assets	-	-	-	(699)	-	-	(699)
Foreign exchange differences	-	-	-	-	196	-	196
Total comprehensive income for the period	-	-	-	(699)	196	3,517	3,014
At 31 March 2015	204,430	(3,049)	201,381	19	895	(8,656)	193,639

	<--------- Share capital ---------->						
	Ordinary shares	Treasury shares	Total	Fair value reserve	Translation reserve	Retained earnings	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Company - Current period							
At 1 January 2016	204,430	(3,049)	201,381	-	-	(6,375)	195,006
Profit for the period	-	-	-	-	-	(162)	(162)
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	(162)	(162)
At 31 March 2016	204,430	(3,049)	201,381	-	-	(6,537)	194,844
Company - Previous period							
At 1 January 2015	204,430	(3,049)	201,381	718	-	(7,900)	194,199
Profit for the period	-	-	-	-	-	1,112	1,112
Net change in fair value of available-for-sale financial assets	-	-	-	(699)	-	-	(699)
Total comprehensive income for the period	-	-	-	(699)	-	1,112	413
At 31 March 2015	204,430	(3,049)	201,381	19	-	(6,788)	194,612

(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Ordinary shares

	Number of shares	Amount S$'000
Ordinary shares excluding treasury shares as at 31 December 2015 and 31 March 2016	2,308,236,183	201,381

There was no change in the Company's share capital from 1 January 2016 to 31 March 2016.

Convertibles

The Company did not have any outstanding convertibles as at 31 March 2016 and 31 March 2015.

Treasury shares

The Company had 18,698,000 treasury shares as at 31 March 2016 and 31 March 2015.

1(d)(iii) 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 31.03.16	As at 31.12.15
Total number of issued shares excluding treasury shares	2,308,236,183	2,308,236,183

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

Not applicable. There were no sales, transfers, disposals, cancellation and/or use of treasury shares during and as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The financial information as set out in sections 1, 4, 5, 6 and 7 of this announcement have been extracted from the consolidated condensed interim financial information that have been reviewed in accordance with Singapore Standard on Review Engagement 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

There is no qualification or emphasis of matter in the auditor's report. Please see the review report from the Independent Auditor as enclosed in Annexure I.

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

Save as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those used in the most recently audited annual financial statements.

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 applied the same accounting policies and methods of computation in the preparation of financial statements for the current financial year compared with the audited financial statements as at 31 December 2015, except for the adoption of the Financial Reporting Standards (FRS) and Interpretation of FRS ("INT FRS") that are mandatory for financial years beginning on or after 1 January 2016. The adoption of these new FRS and INT FRS has no significant impact on the financial statements for the current and prior reporting periods.

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.

	3 months ended	
	31.03.16	**31.03.15**
Basic and diluted earnings per ordinary share (Singapore cents)	0.03	0.15

Basic and diluted earnings per share of the Group for the 3 months ended 31 March 2016 and 31 March 2015 are calculated based on the weighted average number of ordinary shares in issue of 2,308,236,183.

There were no potentially dilutive ordinary shares in existence as at 31 March 2016 and 31 March 2015, and accordingly, basic earnings per ordinary share and diluted earnings per ordinary share were the same for the respective periods.

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	
	As at 31.03.16	As at 31.12.15	As at 31.03.16	As at 31.12.15
Net asset value per ordinary share based on total number of issued shares, excluding treasury shares (Singapore cents)	8.33	8.31	8.44	8.45

The net asset value per ordinary share of the Group and the Company as at 31 March 2016 were calculated based on the total number of issued shares, excluding treasury shares, of 2,308,236,183 (31 December 2015: 2,308,236,183).

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:-
a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

Review of performance

The Group's turnover for the quarter ended 31 March 2016 ("FY2016 Q1") was S$24.7 million, an increase of S$1.0 million or 4.3% from S$23.7 million for the quarter ended 31 March 2015 ("FY2015 Q1"). The increase was mainly due to increase in revenue from the Specialist & Wellness Healthcare segment by S$0.9 million, from S$10.9 million in FY2015 Q1 to S$11.8 million in FY2016 Q1 and from the Primary Healthcare segment by S$0.1 million, from S$12.8 million in FY2015 Q1 to S$12.9 million in FY2016 Q1.

The Group's other operating income decreased by S$3.4 million or 92.9% from S$3.7 million for FY2015 Q1 to S$0.3 million for FY2016 Q1. This was mainly due to absence in FY2016 Q1 of S$0.7 million gain on disposal of available-for-sale financial assets reclassified from equity which occurred in FY2015 Q1, absence of recovery of staff costs of $1.1 million in FY2016 Q1 due to absence of secondment fees from third party clinics managed by the Group, decrease in FY2016 Q1 of S$0.6 million interest income, decrease in unrealised foreign exchange gain by S$1.2 million from a gain of S$0.5 million to loss of $0.7 million from loan receivables denominated in RMB and offset by higher other operating income of $0.2 million.

Total operating costs for the Group, which included medical supplies, consumables and laboratory expenses, staff costs, depreciation of property, plant and equipment, amortisation of intangible assets and other operating expenses, increased by S$1.0 million or 4.3% from S$23.0 million for FY2015 Q1 to S$24.0 million for FY2016 Q1. The increase was mainly due to higher staff costs by S$0.7 million, higher medical supplies, consumables and laboratory expenses by S$0.1 million which was in line with the increase in revenue and higher other operating expenses by S$0.2 million.

The finance costs for the Group increased by S$0.05 million or 19.1% from S$0.25 million for FY2015 Q1 to S$0.3 million for FY2016 Q1.

The Group's net profit before income tax for FY2016 Q1 was S$0.7 million as compared to S$4.1 million in FY2015 Q1 and the net profit attributable to shareholders for FY2016 Q1 was S$0.6 million as compared to net profit attributable to shareholders of S$3.5 million for FY2015 Q1.

Financial position

Non-current assets (comprising other receivables, property, plant and equipment, intangible assets and deferred tax assets) were S$149.5 million as at 31 March 2016, representing a decrease of S$0.3 million from S$149.8 million as at 31 December 2015. This was mainly due to a decrease in trade and other receivables of S$0.1 million and decrease in property, plant and equipment of S$0.2 million.

Current assets (comprising inventories, trade and other receivables and cash and cash equivalents) were S$87.4 million as at 31 March 2016. This was S$0.9 million higher than S$86.5 million as at 31 December 2015. The increase was mainly due to increase of inventories of S$0.1 million, increase in trade and other receivables of S$0.4 million and increase in cash and bank balances of S$0.4 million.

Non-current liabilities (comprising provisions and borrowings) were S$4.7 million as at 31 March 2016, a decrease of S$1.6 million from S$6.3 million as at 31 December 2015, mainly due to repayment of bank loans during FY2016 Q1.

Current liabilities (comprising borrowings, trade and other payables and current income tax liabilities) were S$40.1 million as at 31 March 2016, an increase of S$1.8 million from S$38.3 million as at 31 December 2015, mainly due to increase in trade payables of $3.5 million largely attributable to the timing difference in payment of trade payables and decrease in other payables of $1.4 million as a result of earlier settlement of debts, increase in current income tax liabilities of S$0.1 million, offset by decrease in borrowings of S$0.4 million as a result of repayment of bank loans during FY2016 Q1.

The Group had a positive working capital of S$47.3 million as at 31 March 2016, as compared to S$48.2 million as at 31 December 2015.

Cash flow statement

As at 31 March 2016, the Group had cash and cash equivalents amounting to S$1.4 million, net of fixed deposits pledged of S$1.8 million, as compared to cash and cash equivalents amounting to S$1.5 million, net of fixed deposits pledged of S$2.1 million as at 31 March 2015.

The significant cash movements during FY2016 Q1 as compared to FY2015 Q1 can be summarised as follows: -

Cash flow generated from operating activities for FY2016 Q1 amounted to S$3.6 million as compared to S$3.4 million for FY2015 Q1. The cash flow generated from operating activities for FY2016 Q1 was a result of operating profit before changes in working capital of S$2.0 million, adjusted for net working capital inflow of S$1.5 million. The net working capital inflow was mainly due to increase in inventories of S$0.2 million, increase in trade and other receivables of S$1.3 million and increase in trade and other payables of S$3.0 million,.

Cash flow used in investing activities for FY2016 Q1 was S$0.5 million as compared to cash flow used in investing activities of S$4.3 million for FY2015 Q1. Cash used in investing activities were mainly attributable to loan advances to an owner of medical centres in China.

Cash flow used in financing activities was S$2.7 million for FY2016 Q1 as compared to cash flow generated from financing activities of S$1.3 million for FY2015 Q1. The cash flow used in financing activities in FY2016 Q1 was mainly due to S$4.4 million repayment of borrowings, repayment of finance lease liabilities of S$0.1 million and interest paid of S$0.3 million, offset by $2.0 million proceeds from borrowings for working capital purposes.

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

Not applicable. No forecast or prospect statement had been previously disclosed to shareholders for the current reporting period.

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 macro outlook for the industry remains challenging with the slowing economy and higher cost of operations from the tight supply of healthcare personnel.

The Company continues to focus on raising revenue intensity at both its Primary Care and Specialist divisions, opening additional hospital-based Specialists clinics, driving higher patient throughput via public-private partnership programs, and managing consumables and operating costs.

The Group has advanced on its intention to exercise a pre-existing option (which existed prior to the date of the Implementation Agreement) to acquire a non-related company which owns medical clinics in Singapore through the conversion of the loan receivables due from the non-related company of approximately S$64 million, to form part of the purchase consideration, at a price to be agreed. In addition, the Group is procuring an extension of the option's expiry date to facilitate due diligence and negotiations.

Barring unforeseen circumstances, the Directors expect the Group to continue operational growth for the rest of the year.

11. If a decision regarding dividend has been made:-

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

No dividends have been declared or recommended for the current reporting period.

(b)(i) Amount per share (cents)

Not applicable.

(b)(ii) Previous corresponding period (cents)

Not applicable.

(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 the shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) Book closure date

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect.

No dividends have been declared or recommended for the current financial period reported on.

13. If the Group has obtained a general mandate from shareholders for Interested Person Transactions (IPTs), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company does not have a general mandate from its shareholders for Interested Person Transactions.

There were no IPTs of S$100,000 or more entered into by the Group during FY2016 Q1.

14. Confirmation pursuant to Rule 705(5).

The Board of Directors (the "**Board**") has confirmed that to the best of their knowledge, nothing has come to the attention of the Board which may render the unaudited interim financial results for the quarter ended 31 March 2016 to be false or misleading in any material aspect.

15. Confirmation pursuant to Rule 720 (1) of the SGX-ST Listing Manual

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7H) pursuant to Rule 720 (1) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited.

16. The Singapore Code on Take-overs and Mergers

On 19 June 2015, Healthway Medical Corporation Limited (the "Company" and together with its subsidiaries, the "Group") announced the proposed acquisition (the "Acquisition") by International Healthway Corporation Limited ("IHC" and together with its subsidiaries, the "IHC Group") of all the issued and paid-up ordinary shares in the capital of the Company (the "Shares") by way of a scheme of arrangement (the "Scheme") under Section 210 of the Companies Act, Chapter 50 of Singapore (the "Companies Act") and in accordance with the Singapore Code on Take-overs and Mergers (the "Code").

In view of the above, this announcement has been reported on in accordance with Rule 25 of the Code with the following Annexures:

Annexure I	–	Report dated 13 May 2016 from PricewaterhouseCoopers LLP, Public Accountants and Chartered Accountants of Singapore ("Independent Auditors of the Company") on their review of the consolidated condensed interim financial information for the three-month period ended 31 March 2016.
Annexure II	–	Report dated 13 May 2016 from SAC Capital Private Limited, the Independent Financial Adviser to the Directors of the Company who are considered independent for the purpose of making a recommendation to the shareholders of the Company in respect of the Scheme, on their review of the unaudited consolidated financial statement for the three-month period ended 31 March 2016.

BY ORDER OF THE BOARD

Mr Wong Yee Kong Andrew
President
13 May 2016