

INTERNATIONAL HEALTHWAY CORPORATION LIMITED

Registration No.: 201304341E

(Incorporated in the Republic of Singapore)

(In receivership over charged shares in certain subsidiaries)



UNAUDITED THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 ("SGX-ST") Listing Manual Section B: Rules of Catalyst. 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 049418, telephone (65) 6229 8088.

UNAUDITED THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

PART1 - 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.

	3 months ended 30 September			9 months ended 30 September		
	2016	2015	Inc/(Dec)	2016	2015	Inc/(Dec)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	11,494	11,692	(2)	38,418	32,168	19
Cost of sales	(6,827)	(6,267)	9	(20,378)	(17,190)	19
Gross profit	4,667	5,425	(14)	18,040	14,978	20
Other operating income, net	14,562	5,378	171	18,132	44,109	(59)
Administrative expenses	(3,078)	(3,738)	(18)	(8,653)	(11,086)	(22)
Finance expenses	(5,824)	(6,664)	(13)	(17,989)	(18,982)	(5)
Profit before tax	10,327	401	2,475	9,530	29,019	(67)
Income tax expense	(233)	(69)	238	(193)	(3,532)	(95)
Profit after tax	10,094	332	2,940	9,337	25,487	(63)
Other comprehensive income:						
Currency translation differences arising from consolidation	6,315	6,525	(3)	6,759	4,580	48
Total comprehensive income for the period	16,409	6,857	139	16,096	30,067	(46)
Profit/(loss) attributable to :-						
Equity holders of the Company	10,096	323	3,026	9,342	29,423	(68)
Non-controlling interests	(2)	9	N/M	(5)	(3,936)	(100)
	10,094	332	2,940	9,337	25,487	(63)
Total comprehensive income/(loss) attributable to :-						
Equity holders of the Company	16,411	6,848	140	16,096	35,237	(54)
Non-controlling interests	(2)	9	N/M	-	(5,170)	N/M
	16,409	6,857	139	16,096	30,067	(46)
Earnings per share for profit attributable to equity holders of the Company						
- Basic earnings per share (Singapore cents)	0.609	0.020		0.563	1.790	
- Diluted earnings per share (Singapore cents)	0.609	0.020		0.563	1.790	

N/M - not meaningful

PART1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS (Continued)

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.

Statements of Financial Position

	Group		Company	
	30.9.2016	31.12.2015	30.9.2016	31.12.2015
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	15,897	25,751	14	247
Trade and other receivables	69,274	13,992	169,978	165,400
Other current assets	2,101	1,839	142	56
Inventories	1,198	911	-	-
	88,470	42,493	170,134	165,703
Non-current assets				
Goodwill on consolidation	35,212	38,318	-	-
Intangible assets	5,902	6,531	-	-
Investment properties	322,143	397,942	-	-
Investment properties under development	146,783	146,966	-	-
Property, plant and equipment	7,738	7,040	46	63
Other financial assets	-	551	-	-
Investment in subsidiaries	-	-	134,195	133,279
	517,778	597,348	134,241	133,342
Total assets	606,248	639,841	304,375	299,045
LIABILITIES				
Current liabilities				
Trade and other payables	18,095	21,878	32,254	20,624
Borrowings	74,058	231,470	58,848	9,031
Income tax liabilities	1,312	1,770	-	-
Other liabilities	-	-	284	703
	93,465	255,118	91,386	30,358
Non-current liabilities				
Trade and other payables	8,327	7,258	-	-
Borrowings	249,934	139,720	49,868	97,824
Deferred tax liabilities	30,803	30,122	-	-
Other liabilities	-	-	1,187	1,396
	289,064	177,100	51,055	99,220
Total liabilities	382,529	432,218	142,441	129,578
NET ASSETS	223,719	207,623	161,934	169,467
EQUITY				
Share capital	192,707	192,707	192,707	192,707
Currency translation reserve	2,960	(3,794)	-	-
Merger reserve	(65,742)	(65,742)	-	-
Asset revaluation reserve	3,630	3,630	-	-
Statutory surplus reserve	327	327	-	-
Retained earnings/(Accumulated losses)	90,466	81,124	(30,773)	(23,240)
	224,348	208,252	161,934	169,467
Non-controlling interests	(629)	(629)	-	-
Total equity	223,719	207,623	161,934	169,467

Notes to the Financial Statements

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

	3 months ended 30 September			9 months ended 30 September		
	2016	2015	Inc/(Dec)	2016	2015	Inc/(Dec)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Interest income	(75)	(7)	971.4	(113)	(32)	253.1
Interest expense	5,824	6,664	(12.6)	17,989	18,982	(5.2)
Amortisation of lease prepayments	72	68	5.9	222	205	8.3
Amortisation of intangible asset	59	-	N/M	179	-	N/M
Depreciation of property, plant and equipment	287	285	0.7	872	905	(3.6)
Gain on deconsolidation of subsidiaries	(13,307)	-	N/M	(13,307)	-	N/M
Allowance for impairment of other receivable	(19)	-	N/M	834	-	N/M
Currency translation loss/(gain) - net	479	(802)	N/M	(2,485)	(18)	13,705.6
Guarantee fee income	-	(862)	N/M	(1,126)	(2,540)	(55.7)
Profit guarantee income	-	(327)	N/M	(67)	(1,416)	(95.3)
Fair value gain on investment properties under development	-	(637)	N/M	-	(33,917)	N/M
Net rental income from assets held for sale	(1,619)	(2,676)	(39.5)	(1,619)	(7,872)	(79.4)

2. Income tax expense

	3 months ended 30 September			9 months ended 30 September		
	2016	2015	Inc/(Dec)	2016	2015	Inc/(Dec)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Current income tax - Foreign	(223)	(4)	N/M	(193)	(140)	37.9
Deferred income tax	-	(65)	N/M	-	(3,392)	N/M
Charge for the period	(223)	(69)	223.2	(193)	(3,532)	(94.5)

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 30.9.2016			As at 31.12.2015		
	Secured S\$'000	Unsecured S\$'000	Total S\$'000	Secured S\$'000	Unsecured S\$'000	Total S\$'000
Amount repayable within one year	72,461	1,597	74,058	229,772	1,698	231,470
Amount repayable after one year	248,706	1,228	249,934	138,414	1,306	139,720

The secured borrowings of the Group consist of term loans and bonds and are secured by the following:-

- (a) corporate guarantees from the Company and a subsidiary;
- (b) joint and several guarantees by a director of the Company and two related parties;
- (c) a fixed charge over the total assets of a subsidiary of the Group which mainly comprise of investment properties and cash and cash equivalents;
- (d) a charge created over the land of a development project of the Group;
- (e) a deed of debenture over the assets and rights of a subsidiary pertaining to a development project of the Group;
- (f) a deed of assignment of the subsidiary's full and entire rights and entitlements pertaining to a development project of the Group;
- (g) a first fixed charge created over the entire issued share capital of a subsidiary of the Company;
- (h) a second legal mortgage over certain asset of a related party of the Company;
- (i) mortgage over investment properties of the Group;
- (j) certain bank deposits of the Company and subsidiaries and non- controlling shareholders;
- (k) debenture over the assets and rights of certain subsidiaries of the Company; and
- (l) deed of assignment in respect of payments made by a subsidiary to another subsidiary.

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 30 September		9 months ended 30 September	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flow from operating activities :				
Profit after tax	10,094	332	9,337	25,487
Adjustments :-				
Income tax expense	233	69	193	3,532
Depreciation of property, plant and equipment	287	285	872	905
Amortisation of lease prepayments	72	68	222	205
Amortisation of intangible assets	59	-	179	-
Property, plant and equipment written off	7	-	11	-
Allowance for impairment of other receivable and deposit	(19)	-	834	-
Fair value gain on investment properties under development	-	(637)	-	(33,917)
Interest income	(75)	(7)	(113)	(32)
Interest expense	5,824	6,664	17,989	18,982
Issuance of shares pursuant to a settlement of financing arrangement	-	-	-	7,488
Gain on deconsolidation of subsidiaries	(13,307)	-	(13,307)	-
Foreign currency translation differences	3,508	1,631	(1,831)	6,881
Operating profit before working capital changes	6,683	8,405	14,386	29,531
(Increase)/decrease in:				
Inventories	(65)	(603)	(288)	(651)
Trade and other receivables	(426)	(1,297)	(2,718)	(4,893)
Other current assets	(552)	(894)	(1,175)	(863)
Increase/(decrease) in:				
Trade and other payables	2,057	556	(1,298)	(8,508)
Cash provided by operations	7,697	6,167	8,907	14,616
Interest paid	(5,058)	(6,640)	(17,686)	(18,279)
Income tax paid	-	(467)	-	(615)
Net cash provided by/(used in) operating activities	2,639	(940)	(8,779)	(4,278)
Cash flow from investing activities :				
Acquisition of investment properties	-	661	-	(28,448)
Additions to investment properties under development	(1,321)	(1,573)	(4,964)	(5,610)
Purchase of property, plant and equipment	(170)	(152)	(2,039)	(187)
Return of deposits to subcontractor	-	(3,697)	-	(10,359)
Net cash outflow from acquisition of subsidiaries	-	-	-	(1,979)
Net cash inflow from deconsolidation of subsidiaries	261	-	261	-
Interest received	75	7	113	32
Net cash used in investing activities	(1,155)	(4,754)	(6,629)	(46,551)

- 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. (Continued)

	3 months ended 30 September		9 months ended 30 September	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flow from financing activities :				
(Repayment to)/advance from related parties, net	(1,105)	4,043	(1,136)	(15,000)
Proceeds from new borrowings	1,830	343	21,008	130,437
Repayment of borrowings	(2,673)	(5,632)	(16,531)	(75,836)
Decrease in bank deposits pledged	-	3,750	-	3,750
Net cash (used in)/provided by financing activities	(1,948)	2,504	3,341	43,351
Net decrease in cash and cash equivalents	(464)	(3,190)	(12,067)	(7,478)
Cash and cash equivalents at beginning of financial period	15,776	23,027	25,751	27,275
Effects of currency translation on cash and cash equivalents	585	1,601	2,213	1,641
Cash and cash equivalents at end of financial period	15,897	21,438	15,897	21,438

Reconciliation of cash and cash equivalents:

	As at	As at	As at	As at
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
	S\$'000	S\$'000	S\$'000	S\$'000
Cash and cash equivalents per consolidated statement of cash flows	15,897	21,438	15,897	21,438
Add: Bank deposits pledged	-	-	-	-
Cash and cash equivalents per consolidated statement of financial position	15,897	21,438	15,897	21,438

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.

	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Share Capital	Currency translation reserve	Merger reserve	Asset revaluation reserve	Statutory surplus reserve	Retained earnings	Total		
GROUP									
Balance at 1 January 2016	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
	192,707	(3,794)	(65,742)	3,630	327	81,124	208,252	(629)	207,623
Total comprehensive income for the period									
Loss for the period	-	-	-	-	-	(754)	(754)	(3)	(757)
Other comprehensive loss									
Currency translation differences	-	439	-	-	-	-	439	5	444
Balance at 30 June 2016	192,707	(3,355)	(65,742)	3,630	327	80,370	207,937	(627)	207,310
Balance as 1 July 2016	192,707	(3,355)	(65,742)	3,630	327	80,370	207,937	(627)	207,310
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	10,096	10,096	(2)	10,094
Other comprehensive income									
Currency translation differences	-	6,315	-	-	-	-	6,315	-	6,315
Revaluation gains on lease prepayments	-	-	-	-	-	-	-	-	-
Balance at 30 September 2016	192,707	2,960	(65,742)	3,630	327	90,466	224,348	(629)	223,719
Balance at 1 January 2015	185,219	(6,271)	(65,742)	2,726	327	87,626	203,885	5,216	209,101
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	25,061	25,061	115	25,176
Acquisition of equity interests in subsidiaries	-	-	-	904	-	4,040	4,944	(4,964)	(20)
Issue of new shares	7,488	-	-	-	-	-	7,488	-	7,488
Other comprehensive income									
Currency translation differences	-	(711)	-	-	-	-	(711)	(329)	(1,040)
Balance at 30 June 2015	192,707	(6,982)	(65,742)	3,630	327	116,727	240,667	38	240,705
Balance as 1 July 2015	192,707	(6,982)	(65,742)	3,630	327	116,727	240,667	38	240,705
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	323	323	9	332
Currency translation differences	-	6,525	-	-	-	-	6,525	-	6,525
Balance at 30 September 2015	192,707	(457)	(65,742)	3,630	327	117,050	247,515	47	247,562

- 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. (Continued)

COMPANY	Share Capital	Retained earnings/ (Accumulated losses)	Total equity
	S\$'000	S\$'000	S\$'000
Balance at 1 January 2016	192,707	(23,240)	169,467
Total comprehensive income for the period			
Loss for the period	-	(5,191)	(5,191)
Balance at 30 June 2016	192,707	(28,431)	164,276
Balance as 1 July 2016	192,707	(28,431)	164,276
Total comprehensive income for the period			
Loss for the period	-	5,187	5,187
Balance at 30 September 2016	192,707	(23,244)	169,463
Balance at 1 January 2015	185,219	(3,135)	182,084
Total comprehensive income for the period			
Loss for the period	-	(2,033)	(2,033)
Purchase price adjustment pursuant to acquisition of subsidiaries	7,488	-	7,488
Balance at 30 June 2015	192,707	(5,168)	187,539
Balance as 1 July 2015	192,707	(5,168)	187,539
Total comprehensive income for the period			
Loss for the period	-	(1,471)	(1,471)
Balance at 30 September 2015	192,707	(6,639)	186,068

- 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 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 of the issuer, 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.

<u>Ordinary shares issued and fully paid-up</u>	Number of shares	Paid-up share capital S\$
Balance as at 30 June 2016 and 30 September 2016	1,659,064,603	192,706,969

There was no change in the Company's share capital between 1 July 2016 and 30 September 2016.

There were no outstanding convertibles or treasury shares held by the Company as at 30 September 2016 and 30 September 2015.

- 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 September 2016 and 31 December 2015, the Company had 1,659,064,603 issued and fully paid ordinary shares (excluding treasury shares).

The Company did not have any treasury shares as at 30 September 2016 and 31 December 2015.

- 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. The Company did not have any treasury shares during and as at the end of the financial period ended 30 September 2016.

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 annual financial statements have been applied.**

Except as disclosed in paragraph 5 below, the accounting policies and methods of computation adopted in the financial statements for the current reporting period are consistent with those disclosed in the audited consolidated financial statements for the financial year ended 31 December 2015.

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 Financial Reporting Standards ("FRS") and Interpretations of Financial Reporting Standards ("INT FRS") that are mandatory for the accounting periods beginning on or after 1 January 2016. The adoption of these new and revised FRS and INT FRS did not result in any substantial change to the Group's and the Company's accounting policies and has no significant impact on the financial statements for the current financial reporting period.

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 30 September		9 months ended 30 September	
	2016	2015	2016	2015
Basic earnings per share				
Net profit attributable to shareholders (S\$'000)	10,096	323	9,342	29,423
Weighted average number of ordinary shares in issue	1,659,064,603	1,654,361,164	1,659,064,603	1,643,398,382
Basic earnings per share (Singapore cents)	0.609	0.020	0.563	1.790
Diluted earnings per share				
Net profit attributable to shareholders (S\$'000)	10,096	323	9,342	29,423
Weighted average number of ordinary shares	1,659,064,603	1,654,361,164	1,659,064,603	1,643,398,382
Diluted earnings per share (Singapore cents)	0.609	0.020	0.563	1.790

Basic and diluted earnings per share were the same for the 3 months and 9 months ended 30 September 2016 and 30 September 2015 as there were no potentially dilutive ordinary shares in issue as at 30 September 2016 and 30 September 2015 respectively.

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 30.9.2016	As at 31.12.2015	As at 30.9.2016	As at 31.12.2015
Net asset value attributable to the equity holders of the Company (S\$'000)	224,348	208,252	161,934	169,467
Number of ordinary shares in issue	1,659,064,603	1,659,064,603	1,659,064,603	1,659,064,603
Net asset value per ordinary share (Singapore cents)	13.52	12.55	9.76	10.21

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 financial performance

(a) Revenue

Revenue marginally decreased by S\$0.2 million from S\$11.7 million for the financial period ended 30 September 2015 ("Q3 2015") to S\$11.5 million for the financial period ended 30 September 2016 ("Q3 2016"). This is mainly attributable to the S\$0.8 million decrease in revenue from our hospital in Wuxi, Jiangsu, China ("Wuxi Hospital) and reclassification of S\$0.6 million of rental income from our investment property in Geelong, Australia ("Geelong property"), as further elaborated below. However, the decrease was partially mitigated by S\$0.6 million increase in revenue for our medical drug distribution company in China, as well as S\$0.6 million increase in rental income from the Group's operational nursing facilities in various parts of Japan (the "Nursing Facilities") due to the strengthening of JPY against SGD during Q3 2016.

The investment properties in St Kilda, Australia ("St. Kilda properties) and Geelong property (collectively, the "Australia Properties") were classified as "Assets held for Sale" as at 31 August 2016 [up to the Deconsolidation (as defined below)] and accordingly, the net rental income of S\$1.6 million from the Australia Properties for 2 months was recorded as "Other Operating income" for Q3 2016. For Q3 2015, the S\$2.7 million of net rental income that was included in Other Operating income relates to the St. Kilda properties that were classified as assets held for sale until mid-September 2015.

Pursuant to the events that were announced by the Company on 15 August 2016, the Company is deemed to have temporarily lost control of IHC Management Pte. Ltd., IHC Management (Australia) Pty. Ltd., IHC Medical RE Pte. Ltd. ("HMRE"), IHC Healthcare REIT, IHC Australia First Trust and IHC Australia Second Trust ("Deconsolidated Subsidiaries"). In accordance to Singapore Financial Reporting Standards 110 (FRS 110) ("Deconsolidation"), the Group is required to derecognise the assets and liabilities of the Deconsolidated Subsidiaries, and had done so from the date of the Court's order.

(b) Other operating income

Other operating income increased by S\$9.2 million from S\$5.4 million in Q3 2015 to S\$14.6 million in Q3 2016. This is mainly attributable to the S\$13.3 million gain on the Deconsolidation, offset by a decrease of S\$4.1 million which is mainly due to (i) foreign exchange loss of S\$0.5 million in Q3 2016 versus gain of S\$0.8 million in Q3 2015; (ii) S\$1.0 million decrease in net rental income from Australia Properties due to the expiry of the tenancy agreement of a tenant of one of the St. Kilda properties in August 2015 and also due to the Deconsolidation (whereby only 2 months of net rental income were recorded for Q3 2016); (iii) absence of S\$0.6 million fair value gain from investment properties; and (iv) S\$0.3 million decrease in profit guarantee income from the vendor of Wuxi Hospital and S\$0.9 million decrease in guarantee fee income from a related party in Q3 2016 as compared to Q3 2015.

(c) Administrative expenses

Administrative expenses decreased by S\$0.6 million from S\$3.7 million in Q3 2015 to S\$3.1 million in Q3 2016. This is mainly attributable to S\$0.3 million decrease in operating costs of Australia Properties due to the Deconsolidation as well as the absence of S\$0.4 million asset management fees for Japan Nursing facilities as the Japan Nursing facilities have been managed internally since April 2016.

(d) Finance expenses

Finance expenses decreased by S\$0.9 million from S\$6.7 million in Q3 2015 to S\$5.8 million in Q3 2016 mainly due to the Deconsolidation.

(e) Profit after tax

The Group recorded a Profit after tax of S\$10.1 million in Q3 2016 as compared to a Profit after tax of S\$0.3 million in Q3 2015.

Review of Statement of Financial Position

- (a) Current assets (comprising Cash and cash equivalents, Trade and other receivables, Other current assets and Inventories) increased by S\$46.0 million from S\$42.5 million at 31 December 2015 to S\$88.5 million as at 30 September 2016, mainly attributable to the increase of other receivables of S\$55.3 million as a result of the Deconsolidation, off-set by decrease of S\$9.9 million in cash and cash equivalents. The receivables from the Deconsolidated Subsidiaries mainly relates to amounts receivable from HMRE.
- (b) Non-current assets (comprising Goodwill on consolidation, Intangible assets, Investment properties, Investment properties under development ("IPUD"), Other financial assets and Property, plant and equipment) decreased by S\$79.5 million from S\$597.3 million as at 31 December 2015 to S\$517.8 million as at 30 September 2016. This is mainly attributable to the Deconsolidation Subsidiaries that own the Australia Properties. The book value of the Australia Properties amounted to S\$114.3 million as at 31 December 2015. The decrease is also due to a reduction of goodwill and intangible assets by S\$3.1 million and S\$0.6 million respectively due to the weakening of Chinese Yuan against SGD as at 30 September 2016 as compared to 31 December 2015. However, the decrease was partially offset by a S\$37.5 million increase in the carrying value of the properties in Japan arising from the strengthening of JPY against SGD as at 30 September 2016 as compared to 31 December 2015 and a S\$0.7 million increase in property, plant and equipment due to the new medical equipment acquired by Wuxi Hospital in 2016.

Review of Statement of Financial Position (Continued)

- (c) Current liabilities (comprising Trade and other payables, Borrowings and Income tax liabilities) decreased by S\$161.6 million from S\$255.1 million as at 31 December 2015 to S\$93.5 million as at 30 September 2016 mainly due to S\$150.9 million reclassification of loans in Japan ("Japan Loans") from Current borrowings to Non-current borrowings as the Group has successfully re-financed its Japan Loans, removal of S\$55 million of loans in relation to acquisition of St. Kilda properties due to the deconsolidation of subsidiaries and S\$3.8 million decreased in trade and other payables pursuant to the Deconsolidation, offset by S\$49.4 million reclassification of the second tranche-MTN from Non-current borrowings to Current borrowings. Second tranche-MTN is mature for redemption in April 2017.
- (d) Non-current liabilities (comprising Trade and other payables, Borrowings and Deferred tax liabilities) increased by S\$112.0 million from S\$177.1 million as at 31 December 2015 to S\$289.1 million as at 30 September 2016. This is mainly attributable to the reclassification of Japan Loans amounting to S\$150.9 million from Current borrowings to Non-current borrowings and new borrowings of S\$18.1 million for refinancing of Japan Loans and for working capital of the Group. The strengthening of JPY and RM against SGD as at 30 September 2016 as compared to 31 December 2015 also resulted in an increase of \$10.0 million of Borrowings when the loans are translated to SGD for financial reporting purposes, offset by S\$49.4 million reclassification of the second tranche-MTN from Non-current borrowings to Current borrowings and decrease of S\$16.7 million loans in relation to acquisition of Geelong Property pursuant to the Deconsolidation.
- (e) Shareholders' equity increased by S\$16.1 million from S\$208.3 million at 31 December 2015 to S\$224.4 million at 30 September 2016.

Review of Cashflow and Working Capital

- (a) Net cash provided by operations of S\$7.7 million in Q3 2016 arises from profit after tax of S\$10.1 million, adjusted for non-cash items amounting to S\$3.4 million and cash inflow from a net decrease in working capital of S\$1.0 million mainly attributed to increase in trade and other payable of S\$2.0 million, offset by increase in trade and other receivables and other current assets of S\$0.4 million and S\$0.6 million respectively. After the net payment of interest payable amounting to S\$5.1 million, net cash provided by operating activities in Q3 2016 was S\$2.6 million.

Net cash used in investing activities of S\$1.2 million in Q3 2016 was due mainly to acquisition of medical equipment by Wuxi Hospital and additional cost incurred on development of IPUD of S\$0.2 million and S\$1.3 million respectively, offset by the S\$0.3 million cash inflow from deconsolidation of certain subsidiaries of the Group.

Net cash used in financing activities of S\$1.9 million in Q3 2016 comprised mainly S\$1.8 million proceeds from new borrowings from financial institution for purchase of medical equipment's, offset by S\$2.7 million repayment of borrowings and S\$1.1 million repayment to a related party in Q3 2016.

Based on the above, Cash and cash equivalents increased by S\$0.1 million (including S\$0.6 million currency translation difference) from S\$15.8 million as at 30 June 2016 to S\$15.9 million as at 30 September 2016.

- (b) As at 30 September 2016, the Group had net negative working capital of S\$5.0 million.

The Company is in the process of looking to re-position its asset portfolio to repay its certain short and long term borrowings and other fund raising opportunities for its working capital needs. Therefore, the Board is of the view that there are reasonable grounds to believe that the Group would be able to pay its debts as and when they fall due.

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 has been previously disclosed to the shareholders for the current financial 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.

Notwithstanding that the Group had a negative working capital of S\$5.0 million as at 30 September 2016, the net asset value of the Group as at 30 September 2016 has increased to S\$223.7 million (31 December 2015: S\$207.6 million). As such, the Group will continue its efforts to look for opportunities to monetise its non-current assets and for fund raising activities to strengthen its liquidity position and to continue its focus in developing its medical services business through acquisitions of healthcare operating businesses, as appropriate.

As mentioned in the Company's announcement dated 14 November 2016, our litigation case against the receivers and the Crest funds (refer to announcement dated 3 May 2016) concerning the receivership over the share capital of certain subsidiaries is still ongoing. The Group will continue to take all necessary action to vigorously defend the Group's interest with advice from our solicitors and update our shareholders as and when it is appropriate.

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

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

None.

(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) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect

No dividend has been declared or recommended for the financial period ended 30 September 2016.

13. If the Group has obtained a general mandate from shareholders for 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.

There were no IPTs which were S\$100,000 and above entered into by the Group during the financial period under review.

The Group does not have a general mandate from shareholders for recurrent interested person transactions.

14. Confirmation of Undertakings from Directors and Executive Officers under Rule 720(1) of of Section B: Rules of Catalist of the Listing Manual of the SGX-ST (“Catalist Rules”)

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

15. Negative Confirmation by the Board pursuant to Rule 705(5) of Catalist Rules

We, Lim Beng Choo and Lim Thien Su Gerald, being two directors of International Healthway Corporation Limited, do hereby confirm on behalf of the Board of Directors of the Company (the “Board”) that, to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial statements for the financial period ended 30 September 2016 to be false or misleading in any material aspect.

On behalf of the Board,

Lim Beng Choo
Executive Director

Lim Thien Su Gerald
Non-executive Director

BY ORDER OF THE BOARD OF DIRECTORS

Lim Beng Choo
Executive Director

14 November 2016