

ISEC HEALTHCARE LTD.

(Company Registration No.201400185H)

**Unaudited Financial Statement and Dividend Announcement
For the Second Quarter Ended 30 June 2019**
PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) 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.

	Group 3 Months Ended			Group 6 Months Ended		
	30 June 2019	30 June 2018	Change	30 June 2019	30 June 2018	Change
	(Unaudited) S\$'000	(Unaudited) S\$'000	%	(Unaudited) S\$'000	(Unaudited) S\$'000	%
Revenue	10,493	10,419	1%	20,429	20,044	2%
Cost of sales	(5,593)	(5,319)	5%	(10,682)	(10,308)	4%
Gross profit	4,900	5,100	-4%	9,747	9,736	0%
Other item of income						
Other income	69	109	-37%	296	266	11%
Other items of expense						
Selling and distribution expenses	(17)	(5)	NM	(24)	(12)	100%
Administrative expenses	(2,097)	(2,152)	-3%	(4,103)	(4,072)	1%
Other expenses	(1,043)	(140)	NM	(1,185)	(280)	NM
Finance cost	(59)	*	NM	(132)	(2)	NM
Share of results of associate	(11)	-	NM	(26)	-	NM
Profit before income tax	1,742	2,912	-40%	4,573	5,636	-19%
Income tax expense	(648)	(643)	1%	(1,258)	(1,222)	3%
Profit for the financial period	1,094	2,269	-52%	3,315	4,414	-25%

NM – Not meaningful

* – Amount less than S\$1,000

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	Group 3 Months Ended			Group 6 Months Ended		
	30 June 2019	30 June 2018	Change	30 June 2019	30 June 2018	Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Other comprehensive income						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Foreign currency translation differences - foreign operations	(356)	(86)	NM	(204)	669	NM
Other comprehensive income for the financial period, net of tax	(356)	(86)	NM	(204)	669	NM
Total comprehensive income for the financial period	738	2,183	-66%	3,111	5,083	-39%
Profit attributable to:						
Owners of the parent	1,144	2,212	-48%	3,359	4,311	-22%
Non-controlling interests	(50)	57	NM	(44)	103	NM
Profit for the financial period	1,094	2,269	-52%	3,315	4,414	-25%
Total comprehensive income attributable to:						
Owners of the parent	797	2,127	-63%	3,159	4,970	-36%
Non-controlling interests	(59)	56	NM	(48)	113	NM
Total comprehensive income for the financial period	738	2,183	-66%	3,111	5,083	-39%

NM – Not meaningful

1(a)(ii) Notes to Consolidated Statement of Comprehensive Income

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

	Group			Group		
	3 Months Ended			6 Months Ended		
	30 June 2019	30 June 2018	Change	30 June 2019	30 June 2018	Change
	(Unaudited) S\$'000	(Unaudited) S\$'000	%	(Unaudited) S\$'000	(Unaudited) S\$'000	%
Depreciation of plant and equipment - cost of sales	168	157	7%	311	309	1%
Depreciation of plant and equipment - cost of sales (right-of-use assets)	92	-	NM	185	-	NM
Depreciation of plant and equipment – administrative expenses	102	91	12%	189	184	3%
Depreciation of plant and equipment – administrative expenses (right-of-use assets)	259	-	NM	554	-	NM
Amortisation of intangible assets – other expenses	140	140	0%	280	280	0%
Amortisation of intangible assets – administrative expenses	16	16	0%	32	33	-3%
Interest income	(125)	(106)	18%	(261)	(202)	29%
Loss/(gain) on exchange differences - net	152	1	NM	86	(16)	NM
Loss/(gain) on disposal of plant and equipment	3	-	NM	3	(24)	NM
(Write back of)/allowance for doubtful debts, net	(2)	(9)	-78%	(3)	21	NM
Property, plant and equipment written-off	18	-	NM	18	-	NM
Impairment loss for goodwill	800	-	NM	800	-	NM

NM – 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	
	30 June 2019 (Unaudited) S\$'000	31 December 2018 (Audited) S\$'000	30 June 2019 (Unaudited) S\$'000	31 December 2018 (Audited) S\$'000
ASSETS				
Non-current assets				
Plant and equipment	4,125	3,735	37	53
Right-of-use assets	4,505	-	79	-
Intangible assets	36,957	38,182	*	1
Investment in subsidiaries	-	-	52,669	48,386
Investment in associate	194	220	-	-
Net investment of sublease	211	-	-	-
Deferred tax assets	29	-	-	-
	46,021	42,137	52,785	48,440
Current assets				
Inventories	1,129	1,115	-	-
Trade and other receivables	3,106	2,984	13,565	13,159
Prepayments	236	190	6	14
Net investment of sublease	59	-	-	-
Tax receivable	38	43	-	-
Cash and cash equivalents	21,671	27,105	1,588	7,943
	26,239	31,437	15,159	21,116
TOTAL ASSETS	72,260	73,574	67,944	69,556
EQUITY AND LIABILITIES				
Equity				
Share capital	64,741	59,673	64,741	59,673
Treasury share reserve	(105)	-	(105)	-
Other reserves	(7,706)	(3,012)	-	-
Retained earnings	4,020	10,196	2,942	9,512
Equity attributable to owners of Company	60,950	66,857	67,578	69,185
Non-controlling interests	380	745	-	-
TOTAL EQUITY	61,330	67,602	67,578	69,185
LIABILITIES				
Non-current liabilities				
Provisions	160	224	20	20
Lease liabilities	3,595	-	12	-
Deferred tax liabilities	498	564	-	-
	4,253	788	32	20
Current liabilities				
Trade and other payables	4,106	4,184	245	320
Lease liabilities	1,485	-	70	-
Current income tax payable	1,086	1,000	19	31
	6,677	5,184	334	351
TOTAL LIABILITIES	10,930	5,972	366	371
TOTAL EQUITY AND LIABILITIES	72,260	73,574	67,944	69,556

* – Amount less than S\$1,000

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

Amount repayable in one year or less, or on demand

As at 30 June 2019		As at 31 December 2018	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
-	1,485 ⁽¹⁾	-	-

Amount repayable after one year

As at 30 June 2019		As at 31 December 2018	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
-	3,595 ⁽¹⁾	-	-

(1) As a result of adoption of SFRS(I) 16 *Leases* on 1 January 2019. Please refer to Section 5 for details.

Details of any collateral

Not applicable. The Group did not have any secured borrowings or debts securities as at 30 June 2019 and 31 December 2018.

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.

Consolidated Statement of Cash Flows

	Group 3 Months Ended		Group 6 Months Ended	
	30 June 2019 (Unaudited) S\$'000	30 June 2018 (Unaudited) S\$'000	30 June 2019 (Unaudited) S\$'000	30 June 2018 (Unaudited) S\$'000
Cash flows from operating activities				
Profit before income tax	1,742	2,912	4,573	5,636
Adjustments for:				
(Write back of)/allowance for doubtful debts, net	(2)	(9)	(3)	21
Amortisation of intangible assets	156	156	312	313
Depreciation of plant and equipment	621	248	1,239	493
Interest income	(125)	(106)	(261)	(202)
Interest expense	59	*	132	2
Impairment loss for goodwill	800	-	800	-
Loss/(gain) on disposal of plant and equipment	3	-	3	(24)
Plant and equipment written-off	18	-	18	-
Share of results in associate	11	-	26	-
Operating cash flows before working capital changes	3,283	3,201	6,839	6,239

* – Amount less than S\$1,000

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	Group 3 Months Ended		Group 6 Months Ended	
	30 June 2019 (Unaudited) S\$'000	30 June 2018 (Unaudited) S\$'000	30 June 2019 (Unaudited) S\$'000	30 June 2018 (Unaudited) S\$'000
Working capital changes:				
- Inventories	115	(55)	(14)	(91)
- Trade and other receivables	277	(63)	(109)	(607)
- Prepayments	(71)	(10)	(46)	5
- Trade and other payables	77	405	(653)	166
Cash generated from operations	3,681	3,478	6,017	5,712
Income tax paid	(769)	(662)	(1,211)	(997)
Net cash from operating activities	2,912	2,816	4,806	4,715
Investing activities				
Purchase of plant and equipment	(170)	(260)	(383)	(484)
Purchase of intangible assets	-	(4)	-	(4)
Purchase of shares in subsidiary from non-controlling interest	(80)	-	(80)	-
Proceeds from disposal of plant and equipment	16	-	16	24
Interest received	121	109	245	197
Net cash used in investing activities	(113)	(155)	(202)	(267)
Financing activities				
Dividends paid to shareholders	(9,369)	(3,620)	(9,369)	(3,620)
Share issue expenses	(15)	-	(15)	-
Purchase of treasury shares	-	-	(105)	-
Subscription of shares in subsidiaries by non-controlling interests	134	-	381	151
Principal element of lease liabilities	(318)	-	(739)	-
Interest paid	(51)	-	(120)	-
Net cash used in financing activities	(9,619)	(3,620)	(9,967)	(3,469)
Net (decrease)/increase in cash and cash equivalents	(6,820)	(959)	(5,363)	979
Cash and cash equivalents at beginning of financial period	28,599	27,025	27,105	24,824
Effects of exchange rate changes on cash and cash equivalents	(108)	(46)	(71)	217
Cash and cash equivalents at end of financial period	21,671	26,020	21,671	26,020

ISEC HEALTHCARE LTD.

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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
Statements of Changes in Equity

Group (Unaudited) (Restated)	Attributable to owners of the company							Non- controlling interests	Total equity
	Share capital	Treasury share reserve	Foreign currency translation reserve	Merger reserve	Capital reserve	Retained earnings	Equity attributable to owners of the company		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000		
At 1 January 2019									
As previously reported	59,673	-	529	(3,572)	31	10,196	66,857	745	67,602
Effect of adoption of SFRS(I) 16	-	-	-	-	-	(166)	(166)	(29)	(195)
As restated	59,673	-	529	(3,572)	31	10,030	66,691	716	67,407
Profit for the financial period	-	-	-	-	-	2,215	2,215	6	2,221
Other comprehensive income									
Foreign currency translation	-	-	147	-	-	-	147	5	152
Total comprehensive income for the financial period	-	-	147	-	-	2,215	2,362	11	2,373
Transaction with owners of the Company									
Purchase of treasury shares	-	(105)	-	-	-	-	(105)	-	(105)
Total transaction with owners of the Company	-	(105)	-	-	-	-	(105)	-	(105)
Transaction with non-controlling interests									
Subscription of shares in subsidiary by non-controlling interests ⁽¹⁾	-	-	-	-	-	-	-	247	247
Total transaction with non-controlling interests	-	-	-	-	-	-	-	247	247
At 31 March 2019	59,673	(105)	676	(3,572)	31	12,245	68,948	974	69,922

(1) In January 2019 and February 2019, ISEC Myanmar Company Limited ("ISEC Myanmar"), a 51% owned indirect subsidiary of the Company, has undertaken two rounds of share capital injection, resulting in an increase from S\$39,000 (equivalent to US\$28,500) to S\$542,000 (equivalent to US\$400,000), through issuance of shares allotted to the existing shareholders of the subsidiary in equal proportion to their existing shareholdings.

Statements of Changes in Equity

Group (Unaudited) (Restated)	Attributable to owners of the company							Non- controlling interests	Total equity
	Share capital	Treasury share reserve	Foreign currency translation reserve	Merger reserve	Capital reserve	Retained earnings	Equity attributable to owners of the company		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000		
At 1 April 2019	59,673	(105)	676	(3,572)	31	12,245	68,948	974	69,922
Profit for the financial period	-	-	-	-	-	1,144	1,144	(50)	1,094
Other comprehensive income									
Foreign currency translation	-	-	(347)	-	-	-	(347)	(9)	(356)
Total comprehensive income for the financial period	-	-	(347)	-	-	1,144	797	(59)	738
Transactions with owners of the Company									
Issuance of ordinary shares ⁽¹⁾	5,083	-	-	-	-	-	5,083	-	5,083
Shares issue expenses	(15)	-	-	-	-	-	(15)	-	(15)
Dividends	-	-	-	-	-	(9,369)	(9,369)	-	(9,369)
Total transactions with owners of the Company	5,068	-	-	-	-	(9,369)	(4,301)	-	(4,301)
Transactions with non-controlling interests									
Subscription of shares in subsidiary by non-controlling interests ⁽²⁾	-	-	-	-	-	-	-	134	134
Acquisition of non-controlling interests' shares without a change in control ⁽¹⁾	-	-	-	-	(4,494)	-	(4,494)	(669)	(5,163)
Total transactions with non-controlling interests	-	-	-	-	(4,494)	-	(4,494)	(535)	(5,029)
At 30 June 2019	64,741	(105)	329	(3,572)	(4,463)	4,020	60,950	380	61,330

(1) On 23 April 2019, the Company, through its wholly-owned subsidiary, ISEC Sdn. Bhd. ("ISEC KL"), has completed the acquisition of the remaining 49% shareholding in ISEC (Penang) Sdn. Bhd. ("ISEC Penang"), by way of the allotment and issuance of 15,639,275 consideration shares, equivalent to fair value consideration of S\$5,083,000 to the non-controlling interests.

(2) In April 2019, ISEC Myanmar has increased its share capital from S\$542,000 (equivalent to US\$400,000) to S\$815,000 (equivalent to US\$600,000), through issuance of shares allotted to the existing shareholders of the subsidiary in equal proportion to their existing shareholdings.

Statements of Changes in Equity

Group (Unaudited) (Restated)	Attributable to owners of the company							Total equity
	Share capital	Foreign currency translation reserve	Merger reserve	Capital reserve	Retained earnings	Equity attributable to owners of the company	Non- controlling interests	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
At 1 January 2018								
As previously reported	59,673	(1,233)	(3,572)	31	11,177	66,076	309	66,385
Cumulative effects of adopting SFRS(I)	-	1,735	-	-	(1,735)	-	-	-
As restated	59,673	502	(3,572)	31	9,442	66,076	309	66,385
Profit for the financial period	-	-	-	-	2,099	2,099	46	2,145
Other comprehensive income								
Foreign currency translation	-	744	-	-	-	744	11	755
Total comprehensive income for the financial period	-	744	-	-	2,099	2,843	57	2,900
Transaction with non- controlling interests								
Subscription of shares in subsidiaries by non- controlling interests ⁽¹⁾	-	-	-	-	-	-	151	151
Total transaction with non- controlling interests	-	-	-	-	-	-	151	151
At 31 March 2018	59,673	1,246	(3,572)	31	11,541	68,919	517	69,436
At 1 April 2018	59,673	1,246	(3,572)	31	11,541	68,919	517	69,436
Profit for the financial period	-	-	-	-	2,212	2,212	57	2,269
Other comprehensive income								
Foreign currency translation	-	(85)	-	-	-	(85)	(1)	(86)
Total comprehensive income for the financial period	-	(85)	-	-	2,212	2,127	56	2,183
Transaction with owners of the Company								
Dividends	-	-	-	-	(3,620)	(3,620)	-	(3,620)
Total transaction with owners of the Company	-	-	-	-	(3,620)	(3,620)	-	(3,620)
At 30 June 2018	59,673	1,161	(3,572)	31	10,133	67,426	573	67,999

(1) In March 2018, ISEC (Sibu) Sdn. Bhd., a 55% owned indirect subsidiary of the Company, had increased its share capital from S\$637,000 (equivalent to RM2,000,000) to S\$973,000 (equivalent to RM3,000,000) through issuance of shares allotted to the existing shareholders of the subsidiary in equal proportion to their existing shareholdings.

Statements of Changes in Equity

	Share capital S\$'000	Treasury share reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
Company (Unaudited)				
At 1 January 2019				
As previously reported	59,673	-	9,512	69,185
Effect of adoption of SFRS(I) 16	-	-	(3)	(3)
As restated	59,673	-	9,509	69,182
Loss for the financial period, representing total comprehensive income for the financial period	-	-	(95)	(95)
Transaction with owners of the Company				
Purchase of treasury shares	-	(105)	-	(105)
Total transaction with owners of the Company	-	(105)	-	(105)
At 31 March 2019	59,673	(105)	9,414	68,982
At 1 April 2019	59,673	(105)	9,414	68,982
Profit for the financial period, representing total comprehensive income for the financial period	-	-	2,897	2,897
Transactions with owners of the Company				
Issuance of ordinary shares	5,083	-	-	5,083
Shares issue expenses	(15)	-	-	(15)
Dividends	-	-	(9,369)	(9,369)
Total transactions with owners of the Company	5,068	-	(9,369)	(4,301)
At 30 June 2019	64,741	(105)	2,942	67,578
At 1 January 2018	59,673	-	3,763	63,436
Loss for the financial period, representing total comprehensive income for the financial period	-	-	(97)	(97)
At 31 March 2018	59,673	-	3,666	63,339
At 1 April 2018	59,673	-	3,666	63,339
Profit for the financial period, representing total comprehensive income for the financial period	-	-	4,134	4,134
Transaction with owners of the Company				
Dividends	-	-	(3,620)	(3,620)
Total transaction with owners of the Company	-	-	(3,620)	(3,620)
At 30 June 2018	59,673	-	4,180	63,853

- 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.**

Issued Share Capital

	Number of ordinary shares	Issued and paid- up share capital S\$'000
At 31 March 2019	517,095,669	59,673
Issuance of consideration shares for the acquisition of the remaining 49% equity interest in ISEC Penang	15,639,275	5,083
	532,734,944	64,756
Less: Share issue expenses capitalised	-	(15)
At 30 June 2019	532,734,944	64,741

As at 30 June 2019, the number of ordinary shares in issue was 532,734,944 of which 368,400 were held by the Company as treasury shares. There were no treasury shares as at 30 June 2018.

Outstanding Convertibles

The Company did not have any outstanding options or convertibles as at 30 June 2019 and 30 June 2018. There have been no options and share awards granted pursuant to the Company's employee share options scheme and performance share plan.

Treasury Shares

There were 386,400 treasury shares representing 0.073% of the Company's 532,348,544 ordinary shares (excluding treasury shares) as at 30 June 2019. There were no treasury shares as at 30 June 2018.

Subsidiary Holdings

There were no subsidiary holdings as at 30 June 2019 and 30 June 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

	<u>30 June 2019</u>	<u>31 December 2018</u>
Total number of issued shares (excluding treasury shares)	532,348,544	517,095,669

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

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. There were no subsidiary holdings 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

Certain financial information set out in sections 1, 4, 5, 6, 11 and 12 of this announcement has been extracted from the interim financial information which has been reviewed by the Company's independent auditors in accordance with Singapore Standard on Review Engagements 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 a matter)

Please refer to the attached review report.

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 financial reporting period are consistent with those disclosed in 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 accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for the financial period beginning on or after 1 January 2019. On the adoption of SFRS(I) 16 *Leases*, the Group has recognised right-of-use assets of S\$4.58 million, net investment in

sublease of S\$0.30 million and lease liabilities of S\$5.18 million for its leases previously classified as operating leases, with corresponding decrease in the opening retained earnings of S\$0.17 million and its related tax impact as of 1 January 2019.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

Earnings per share ("EPS")	Group		Group	
	3 months ended		6 months ended	
	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
Profit attributable to owners of the parent (S\$'000)	1,144	2,212	3,359	4,311
Weighted average number of ordinary shares in issue (excluding treasury shares)	528,567,620	517,095,669	522,711,916	517,095,669
Basic and fully diluted basis (Singapore cents) ⁽¹⁾	0.22	0.43	0.64	0.83

(1) There were no potentially dilutive ordinary shares in existence during the respective financial 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	
	30 June 2019 (Unaudited)	31 December 2018 (Audited)	30 June 2019 (Unaudited)	31 December 2018 (Audited)
	Net asset value attributable to owners of the parent (S\$'000)	60,950	66,857	67,578
Number of ordinary shares in issue (excluding treasury shares)	532,348,544	517,095,669	532,348,544	517,095,669
Net asset value per ordinary share (S\$)	0.11	0.13	0.13	0.13

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss:-

- (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 comparative performance of the Group for the 3 months ended 30 June 2019 ("2Q2019") and 30 June 2018 ("2Q2018").

Consolidated Statement of Comprehensive Income

Revenue

The Group recorded revenue of S\$10.49 million in 2Q2019, an increase of 1% from S\$10.42 million in 2Q2018, mainly due to increased patient visits from the Group's Malaysia operations.

Cost of sales

Cost of sales increased by 5%, or S\$0.27 million, to S\$5.59 million in 2Q2019 with increased business activities from the Group's Malaysia operations.

Gross profit and gross profit margin

Gross profit decreased by 4% to S\$4.90 million in 2Q2019 with a decrease in gross profit margin of 2.2 percentage points from 48.9% in 2Q2018 to 46.7% in 2Q2019, mainly due to the decrease in revenue contributions from Singapore operations with reduced patient visits in 2Q2019, compared to that in 2Q2018.

Other expenses

Other expenses increased from S\$0.14 million in 2Q2018 to S\$1.04 million in 2Q2019. This was attributable to impairment loss for goodwill of S\$0.80 million recognised in 2Q2019, relating to JL Medical (Sembawang) Pte. Ltd. ("JLMSB"), belonging to the general health services segment. The resident doctor is on extended medical leave of absence. While the Company has hired a replacement doctor who is operating the clinic in the absence of the resident doctor, our past experience has shown that when the clinic is not helmed by the resident doctor, there is an impact on revenue.

In addition, the revenue generated by JLMSB has declined by 2% in the 6 months ended 30 June 2019 compared to the corresponding period ended 30 June 2018, mainly due to decreased patient visits.

As disclosed in the Company's 2018 Annual Report, for JLMSB, the estimated recoverable amount exceeds its carrying amount by approximately S\$0.28 million and consequently, any adverse change in the key assumption of revenue growth rate for the periods FY2019 to FY2023 by 0.7% would result in impairment. As such, an impairment loss for goodwill of S\$0.80 million was recognised.

Depreciation expenses

Depreciation expenses increased by S\$0.37 million from S\$0.25 million in 2Q2018 to S\$0.62 million in 2Q2019 mainly due to the depreciation charge on right-of-use assets of S\$0.35 million arising from the adoption of SFRS(I) 16.

Finance costs

Finance costs of S\$0.06 million in 2Q2019 (2Q2018: Nil) arose from the unwinding of lease liabilities from the adoption of SFRS(I) 16.

Income tax expense

The effective tax rates of the Group in 2Q2018 and 2Q2019 were 22% and 37% respectively. Had the impairment loss for goodwill been excluded, effective tax rate of the Group in 2Q2019 would have been 25%. The statutory corporate tax rates are 17% in Singapore, 24% in Malaysia and 25% in Myanmar.

Profit after tax

Net profit of the Group in 2Q2019 was S\$1.09 million, a decrease of S\$1.18 million compared to S\$2.27 million in 2Q2018, mainly due to the above-mentioned factors.

Consolidated Statement of Financial Position

Non-current assets

Non-current assets increased by S\$3.88 million to S\$46.02 million as at 30 June 2019 mainly due to the recognition of right-of-use assets of S\$4.50 million, and net investment of sublease of S\$0.21 million, arising from the adoption of SFRS(I) 16 and increase of plant and equipment of S\$0.39 million. Right-of-use assets comprise rental of clinic and office premises, as well as rental of medical equipment. Net investment in sublease relates to the co-sharing of a clinic premise with a third party. The increase in plant and equipment was mainly due to fixed asset additions for the clinic operating under ISEC Myanmar, offset by depreciation charge incurred during the 6 months ended 30 June 2019.

The increase in non-current assets was partially offset by a decrease in intangible assets by S\$1.23 million, mainly due to the following:

- 1) Impairment loss for goodwill of S\$0.80 million as explained previously;
- 2) Amortisation expense of S\$0.31 million; and
- 3) Reduction of S\$0.11 million in the Singapore Dollar-translated carrying value of the goodwill which arose from the acquisition of Southern Specialist Eye Centre Sdn. Bhd..

Non-current liabilities

Non-current liabilities increased by S\$3.47 million to S\$4.25 million as at 30 June 2019 mainly due to recognition of lease liabilities of S\$3.60 million arising from the adoption of SFRS(I) 16, relating to future rental payment of medical equipment, clinic and office premises for period more than 12 months.

Current liabilities

Current liabilities increased by S\$1.49 million to S\$6.68 million as at 30 June 2019 mainly as a result of recognition of lease liabilities of S\$1.49 million arising from the adoption of SFRS(I) 16, relating to future rental payment of medical equipment, clinic and office premises within the next 12 months.

Consolidated Statement of Cash Flows

As at 30 June 2019, the Group had cash and cash equivalents of S\$21.67 million, as compared to S\$26.02 million of cash and cash equivalents as at 30 June 2018.

Cash flows from operating activities

In 2Q2019, net cash flows from operating activities was recorded at S\$2.91 million. This comprised operating cash flows before working capital changes of S\$3.28 million, and changes in working capital inflow of S\$0.40 million largely from increase in trade and other receivables of S\$0.28 million in tandem with increased business activities, less income tax paid of S\$0.77 million.

Cash flows used in investing activities

Net cash used in investing activities in 2Q2019 amounted to S\$0.11 million was mainly due to purchase of fixed assets amounting to S\$0.17 million by the Group. A cash consideration of S\$0.08 million was paid to the non-controlling interests of ISEC Penang for the acquisition of the remaining 49% shareholding in ISEC Penang. The cash outflow was offset by interest income received of S\$0.12 million.

Cash flows used in financing activities

Net cash used in financing activities was S\$9.62 million in 2Q2019, due to dividend of S\$9.37 million paid to shareholders of the Company, and repayment of lease liabilities and its corresponding finance costs of S\$0.37 million in aggregate. The cash outflow was offset by cash inflow of S\$0.13 million, due to additional capital injection by the non-controlling interests in the Company's 51% owned indirect subsidiary, ISEC Myanmar.

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.

ISEC Myanmar had commenced the provision of eye checks and consultations in the second quarter of 2019. The Group continues to seek suitable opportunities in the markets in China, Indonesia, Myanmar and Vietnam, while we strengthen our existing presence in our core markets of Singapore and Malaysia. The Company will also continue to pursue investment opportunities which are in line with the Group's business strategies as and when they arise.

To support our expansion strategy, the Group will continue to widen and deepen our talent pool, while we continue keeping ourselves abreast of the ophthalmology services industry by driving innovation and adopting cutting-edge procedures and technology. Our doctors also continue to contribute to community education by participating in seminars in their respective regions.

11. Dividend

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

Yes.

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

Name of dividend	First Interim Dividend
Dividend type	Cash
Dividend rate	0.30 Singapore cents (S\$0.0030) per ordinary share
Tax rate	Tax exempt (one-tier)

- (ii) Previous corresponding period (cents)**

Name of dividend	First Interim Dividend
Dividend type	Cash
Dividend rate	0.78 Singapore cents (S\$0.0078) per ordinary share
Tax rate	Tax exempt (one-tier)

A first interim cash dividend (tax exempt one-tier) of 0.78 Singapore cents (S\$0.0078) per ordinary share was declared for the 3 months ended 30 June 2018 and paid on 28 August 2018.

- (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).**

The proposed interim dividend is tax exempt (one-tier) dividend.

- (d) The date the dividend is payable.**

The dividend will be paid on 28 August 2019.

- (e) The date on which Registrable Transfers received by the Company (up to 5.00pm) will be registered before entitlements to the dividend are determined.**

The Share Transfer Books and Register of Members of the Company will be closed at 5:00p.m. on 19 August 2019 for the purpose of determining shareholders' entitlements to the tax exempt (one-tier) interim dividend in respect of the financial year ending 31 December 2019.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 19 August 2019 will be registered to determine shareholders' entitlements to the interim tax exempt (one-tier) dividend. Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with the Company's shares at 5.00 p.m. on 19 August 2019 will be entitled to the interim tax exempt (one-tier) dividend.

12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

Not applicable.

13. If the group has obtained a general mandate from shareholders for interested person transactions ("IPT"), 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 did not obtain a general mandate from shareholders for IPTs.

There was no IPT of S\$100,000 and above for 2Q2019.

14. 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 confirms that undertakings have been procured from the Board of Directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1).

15. Use of IPO proceeds

As at the date of this announcement, the status on the use of the IPO net proceeds is as follows:

	<u>Amount allocated S\$'000</u>	<u>Amount allocated pursuant to reallocation of unutilised listing expenses S\$'000</u>	<u>Amount utilised S\$'000</u>	<u>Balance S\$'000</u>
Business expansion in the Asia Pacific region (including Malaysia and Singapore)	13,800	300	(13,317) ⁽¹⁾	783
General working capital	2,500	-	(2,500) ⁽²⁾	-
Total	16,300	300	(15,817)	783

ISEC HEALTHCARE LTD.

(Company Registration No.201400185H)

- (1) Utilised for the acquisition of Southern Specialist Eye Centre Sdn. Bhd. (“SSEC”) and JL Medical (Bukit Batok) Pte. Ltd., JL Medical (Sembawang) Pte. Ltd., JL Medical (Woodlands) Pte. Ltd. and JL Medical (Yew Tee) Pte. Ltd. (“JLM Companies”), joint venture into ISEC Myanmar and subscription of shares in I Medical & Aesthetics:

	Acquisition of SSEC	Acquisition of the JLM Companies	Joint venture into ISEC Myanmar	Subscription of shares in I Medical & Aesthetics	Total
	(\$\$'000)	(\$\$'000)	(\$\$'000)	(\$\$'000)	(\$\$'000)
Cash consideration	5,204	6,971	416	250	12,841
Administrative expenses	122	268	85	1	476
Total	5,326	7,239	501	251	13,317

- (2) Utilised for general working capital:

	\$\$'000
Cost of sales	1,028
Administrative expenses	1,378
Selling and distribution expenses	94
	<u>2,500</u>

16. Negative Confirmation by the Board Pursuant to Rule 705(5)

The Board of Directors of the Company confirms, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial results for the 3-month and 6-month financial period ended 30 June 2019 to be false or misleading in any material aspect.

17. Subsequent Events**(a) Holding Announcement on 2 July 2019**

On 2 July 2019, the Company released an announcement providing that the Board of Directors (the “Board”) of the Company has received a notification from Dr Wong Jun Shyan (Executive Director and Chief Executive Officer of the Company) (“Dr Wong”) for himself and on behalf of certain shareholders of the Company who are also employees of the Company and/or its subsidiaries, including Dr Lee Hung Ming (Executive Vice-Chairman of the Company) (together, the “Notifying Shareholders”). Based on information available to the Company, the Notifying Shareholders have, in aggregate, a majority interest in the shares of the Company.

The Notifying Shareholders have informed the Board that they are at an advanced stage of negotiations with a third party purchaser independent of the Notifying Shareholders for the sale of part of their shares of the Company (the “Potential Transaction”) and that based on the current proposed terms, the Potential Transaction, if completed, is likely to lead to an offer for the shares of the Company (the “Offer”) in due course.

(b) Update Announcement on 2 August 2019

On 2 August 2019, the Company released an announcement providing that the Board understands

from Dr Wong, one of the Notifying Shareholders, that the Notifying Shareholders remain at an advanced stage of negotiations with a third party purchaser independent of the Notifying Shareholders in respect of the Potential Transaction and that based on the current proposed terms, the Potential Transaction, if completed, is likely to lead to an Offer in due course.

As at 2 August 2019, no definitive sale and purchase agreement has been entered into in respect of the Potential Transaction.

The Singapore Code on Take-Overs and Mergers

The unaudited results for the 3-month and 6-month period ended 30 June 2019 have been reported on in accordance with The Singapore Code on Take-overs and Mergers.

Auditors' Consent

Ernst & Young LLP, named as the auditors of the Company in the Unaudited Condensed Interim Financial Statements for the 3-month and 6-month period ended 30 June 2019 (the "Interim Financial Information"), has given and has not withdrawn its written consent to the release of its review report dated 7 August 2019 on the Interim Financial Information of the Group for the purpose of attachment to the Company's announcement on its unaudited results for the 3-month and 6-month period ended 30 June 2019, and all references to its name in the form and context in which they appear herein.

BY ORDER OF THE BOARD

Dr Wong Jun Shyan
Executive Director and Chief Executive Officer
7 August 2019

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by the SGX-ST. 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 Ms Gillian Goh, Director, Head of Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and Email: sponsorship@ppcf.com.sg).

ASUDI/61164332/TPY

The Board of Directors
ISEC Healthcare Ltd.
101 Thomson Road
#09-04 United Square
Singapore 307591

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying unaudited consolidated interim condensed financial statements of ISEC Healthcare Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the interim statements of financial position of the Group and the Company as at 30 June 2019, the interim consolidated statements of comprehensive income for the three-month and six-month period ended 30 June 2019, the interim statements of changes in equity of the Group and the Company and the interim consolidated statement of cash flows of the Group for the six-month period then ended, and a summary of significant accounting policies and explanatory notes ("Interim Financial Information").

Management is responsible for the preparation and presentation of this Interim Financial Information in accordance with Singapore Financial Reporting Standards (International) 1-34 *Interim Financial Reporting* (SFRS(I) 1-34). Our responsibility is to express a conclusion on this Interim Financial Information based on our review.

Scope of review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of the Interim Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

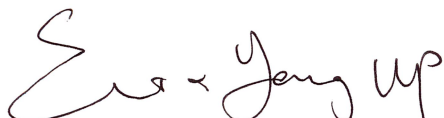
Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Information is not prepared, in all material respects, in accordance with SFRS(I) 1-34.

Other matters

The comparative information for the condensed statements of financial position of the Group and the Company is based on the audited financial statements as at 31 December 2018. The Interim Financial Information for the three-month and six-month period ended 30 June 2018 included as comparative figures in this Interim Financial Information has not been audited or reviewed. The Interim Financial Information for the three-month and six-month period ended 30 June 2018 is the responsibility of the management and directors.

Restriction of use

Our report is provided on the basis that it is solely for the information of the directors of the Company to enable the directors of the Company to fulfill their responsibilities under Rule 25 of the Singapore Code on Take-overs and Mergers and the requirements of the Listing Rules of the Singapore Exchange Securities Trading Limited. Our report should not be quoted or referred to, in whole or in part, without our prior written permission, for any other purpose. Our report is included in the Company's announcement of its unaudited results for the quarter ended 30 June 2019, for the information of its members. We do not assume responsibility to anyone other than the Company for our work, for our report, or for the conclusions we have reached in our report.



Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

7 August 2019