

ISEC HEALTHCARE LTD.

(Company Registration No.201400185H)

Unaudited Financial Statement for the First Quarter Ended 31 March 2020

1(a)(i) Statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Change
	3 Months Ended		
	31 March 2020 (Unaudited) S\$'000	31 March 2019 (Unaudited) S\$'000	%
Revenue	9,265	9,936	-7%
Cost of sales	(5,310)	(5,089)	4%
Gross profit	3,955	4,847	-18%
Other item of income			
Other income	198	227	-13%
Other items of expense			
Selling and distribution expenses	(22)	(7)	NM
Administrative expenses	(2,096)	(2,006)	4%
Other expenses	(142)	(142)	0%
Finance costs	(74)	(73)	1%
Share of results of associate	(9)	(15)	-40%
Profit before income tax	1,810	2,831	-36%
Income tax expense	(417)	(610)	-32%
Profit for the financial period	1,393	2,221	-37%
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation of subsidiaries	268	152	76%
Other comprehensive income for the financial period, net of tax	268	152	76%
Total comprehensive income for the financial period	1,661	2,373	-30%

ISEC HEALTHCARE LTD.

(Company Registration No.201400185H)

	Group		
	3 Months Ended		
	31 March 2020	31 March 2019	Change
	(Unaudited)	(Unaudited)	
	S\$'000	S\$'000	%
Profit attributable to:			
Owners of the Company	1,461	2,215	-34%
Non-controlling interests	(68)	6	NM
Profit for the financial period	1,393	2,221	-37%
Total comprehensive income attributable to:			
Owners of the Company	1,729	2,362	-27%
Non-controlling interests	(68)	11	NM
Total comprehensive income for the financial period	1,661	2,373	-30%

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		
	3 Months Ended		
	31 March 2020 (Unaudited) S\$'000	31 March 2019 (Unaudited) S\$'000	Change %
Depreciation of plant and equipment - cost of sales	176	143	23%
Depreciation of plant and equipment - cost of sales (right-of-use assets)	113	93	22%
Depreciation of plant and equipment - administrative expenses	96	87	10%
Depreciation of plant and equipment - administrative expenses (right-of-use assets)	258	295	-13%
Amortisation of intangible assets – other expenses	140	140	0%
Amortisation of intangible assets – administrative expenses	9	16	-44%
Interest income	(95)	(133)	-29%
Interest income – net investment in sublease	(2)	(3)	-33%
Interest expense – lease liabilities	65	72	-10%
Gain on exchange differences - net	(53)	(66)	-20%
Write-back of expected credit losses, net	(6)	(1)	NM

NM – Not meaningful

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

	Group	
	31 March 2020 (Unaudited) S\$'000	31 December 2019 (Audited) S\$'000
ASSETS		
Non-current assets		
Plant and equipment	4,425	3,957
Right-of-use assets	3,834	4,130
Intangible assets - goodwill	43,852	33,712
Intangible assets - others	2,503	2,646
Investment in associate	178	186
Net investment in sublease	166	181
Deferred tax assets	114	114
	55,072	44,926
Current assets		
Inventories	1,460	1,208
Trade receivables, net	2,448	2,563
Other receivables and deposits	692	522
Prepayments	851	237
Net investment in sublease	60	60
Cash and cash equivalents	21,944	25,657
	27,455	30,247
TOTAL ASSETS	82,527	75,173
EQUITY AND LIABILITIES		
Equity		
Share capital	70,054	64,741
Treasury share reserve	(105)	(105)
Other reserves	(7,272)	(7,540)
Retained earnings	7,990	6,529
Equity attributable to owners of Company	70,667	63,625
Non-controlling interests	749	478
TOTAL EQUITY	71,416	64,103
LIABILITIES		
Non-current liabilities		
Provisions	163	162
Lease liabilities	2,799	3,170
Deferred tax liabilities	452	451
	3,414	3,783
Current liabilities		
Trade payables	1,272	1,384
Other payables, advances and accrued expenses	3,769	3,361
Lease liabilities	1,566	1,544
Current income tax payable	1,090	998
	7,697	7,287
TOTAL LIABILITIES	11,111	11,070
TOTAL EQUITY AND LIABILITIES	82,527	75,173

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

Consolidated Statement of Cash Flows

	Group	
	3 Months Ended	
	31 March 2020 (Unaudited) S\$'000	31 March 2019 (Unaudited) S\$'000
Cash flows from operating activities		
Profit before income tax	1,810	2,831
Adjustments for:		
Write-back of expected credit losses, net	(6)	(1)
Amortisation of intangible assets	149	156
Depreciation of plant and equipment	643	618
Interest income	(97)	(136)
Interest expense	74	73
Share of results of associate	9	15
Operating cash flows before working capital changes	2,582	3,556
Working capital changes:		
- Inventories	(138)	(129)
- Trade and other receivables	126	(386)
- Prepayments	(14)	25
- Trade and other payables	(2,154)	(730)
Cash generated from operations	402	2,336
Income tax paid	(385)	(442)
Net cash generated from operating activities	17	1,894
Cash flows from investing activities		
Purchase of property, plant and equipment	(658)	(213)
Purchase of intangible assets	(5)	-
Acquisition of a subsidiary, net of cash acquired	(2,946)	-
Interest received	95	124
Net cash used in investing activities	(3,514)	(89)
Cash flows from financing activities		
Subscription of shares in subsidiaries by non-controlling interests	234	247
Share issue expenses	(16)	-
Purchase of treasury shares	-	(105)
Principal element of lease liabilities	(435)	(421)
Interest paid	(50)	(69)
Net cash used in financing activities	(267)	(348)

ISEC HEALTHCARE LTD.

(Company Registration No.201400185H)

	Group	
	3 Months Ended	
	31 March 2020	31 March 2019
	(Unaudited)	(Unaudited)
	S\$'000	S\$'000
Net (decrease) / increase in cash and cash equivalents	(3,764)	1,457
Cash and cash equivalents at beginning of financial period	25,657	27,105
Effects of exchange rate changes on cash and cash equivalents	51	37
Cash and cash equivalents at end of financial period	21,944	28,599

ISEC HEALTHCARE LTD.

(Company Registration No.201400185H)

- 1(d) A statement for the group showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

Statements of Changes in Equity

Group (Unaudited)	Attributable to owners of the company							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 2020	64,741	(105)	495	(3,572)	(4,463)	6,529	63,625	478	64,103
Profit for the financial period	-	-	-	-	-	1,461	1,461	(68)	1,393
Other comprehensive income									
Foreign currency translation	-	-	268	-	-	-	268	-	268
Total comprehensive income for the financial period	-	-	268	-	-	1,461	1,729	(68)	1,661
Transactions with owners of the Company									
Issuance of ordinary shares ⁽¹⁾	5,329	-	-	-	-	-	5,329	-	5,329
Shares issue expenses	(16)	-	-	-	-	-	(16)	-	(16)
Total transactions with owners of the Company	5,313	-	-	-	-	-	5,313	-	5,313
Transaction with non-controlling interests									
Subscription of shares in subsidiary by non-controlling interests ⁽²⁾	-	-	-	-	-	-	-	339	339
Total transaction with non-controlling interests	-	-	-	-	-	-	-	339	339
At 31 March 2020	70,054	(105)	763	(3,572)	(4,463)	7,990	70,667	749	71,416

(1) On 27 February 2020, the Company, through its wholly-owned subsidiary, ISEC Sdn. Bhd. ("ISEC KL"), completed the acquisition of Indah Specialist Eye Centre Sdn. Bhd. ("Indah Specialist"), by way of the allotment and issuance of 17,950,913 consideration shares, equivalent to fair value consideration of S\$5,329,000 to the Vendors.

(2) As at 31 March 2020, ISEC Myanmar Company Limited ("ISEC Myanmar"), a 51% owned indirect subsidiary of the Company, has undertaken share capital injection, resulting in an increase from S\$1,365,000 (equivalent to US\$1,000,000) to S\$2,040,000 (equivalent to US\$1,500,000), 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 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.

2. Review of comparative performance of the Group for the 3 months ended 31 March 2020 (“1Q2020”) and 31 March 2019 (“1Q2019”).

Revenue

Revenue for 1Q2020 was S\$9.27 million, a decrease of 7% from S\$9.94 million in 1Q2019. This was mainly attributable to decreased business activities from the Group’s specialised health services segment in both Malaysia and Singapore, due to the outbreak of COVID-19 in both regions. With the exponential increase of reported cases in both Singapore and Malaysia where the Group has operations in, the governments of both Malaysia and Singapore have been tightening measures in terms of visitors entering the countries, and various restrictions within their respective country to contain the virus outbreak. Malaysia, being the Group’s main revenue contributor, announced a national movement control order measures since March 2020 through 28 April 2020, subject to any further extensions. Such measures further restricted the movements of the populations within the country.

Cost of sales

Cost of sales increased by 4%, or S\$0.22 million, to S\$5.31 million in 1Q2020 mainly due to higher staff-related expenses for specialist doctors incurred with increased headcount on specialist doctors during the quarter (1Q2020: 30; 1Q2019: 26).

Gross profit and gross profit margin

Gross profit decreased by 18%, or S\$0.89 million, to S\$3.96 million in 1Q2020. The gross profit margin had shown a decrease of 6.1 percentage points, from 48.8% in 1Q2019 to 42.7% in 1Q2020. This was attributable to a decrease in revenue and an increase of cost of sales in 1Q2020 compared to that in 1Q2019 with explanations stated above.

Profit after tax

Net profit of the Group in 1Q2020 was S\$1.39 million, a decrease of S\$0.83 million compared to S\$2.22 million in 1Q2019, mainly due to the above-mentioned factors.

3. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Since the outbreak of COVID-19 that was first reported in December 2019, the Group’s clinic operations have stepped up screening measures on incoming patients entering the clinics. With the exponential increase of reported cases in both Singapore and Malaysia where the Group has operations in, the governments of both Malaysia and Singapore have tightened measures or set in place restrictions in terms of visitors entering the countries, and various restrictions within the countries. Malaysia is undergoing a national movement control order measure. Singapore has introduced “circuit breaker” measures to reduce movements and interactions in both public and private places, and only services that qualified as “essential services” are allowed to operate. Our operations in both Malaysia and Singapore, in particular the specialist health services segment, have been adversely affected. In Singapore, non-essential eye consultations and procedures are required to be deferred until after the national restrictions

are lifted.

In view of the above, most of the Group's Ophthalmologists have accepted a reduction in their salaries from 50% to 80% in April 2020. The Group will continue to monitor the performance of respective clinics in the coming months and consider any adjustments to the Ophthalmologists' salaries accordingly.

We will also continue to monitor the situation and its impact to the clinic operations in the financial year 2020 and beyond and assess if any impairment loss for goodwill needs to be accounted for during the financial year.

We are uncertain on the duration of and extent to which COVID-19 will affect the operations of the Group. Under the present circumstances, the Board is of the opinion that our financial performance for the remainder of the financial year is likely to be adversely affected.

BY ORDER OF THE BOARD

Dr Wong Jun Shyan
Executive Director and Chief Executive Officer
21 April 2020

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 E-mail: sponsorship@ppcf.com.sg).