

ISEC HEALTHCARE LTD.

(Company Registration No.201400185H)

Unaudited Financial Statement for the First Quarter Ended 31 March 2021

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		
	31 March 2021 (Unaudited) S\$'000	31 March 2020 (Unaudited) S\$'000	Change %
Revenue	9,067	9,265	-2%
Cost of sales	(5,098)	(5,310)	-4%
Gross profit	3,969	3,955	0%
<i>Other item of income</i>			
Other income	230	198	16%
<i>Other items of expense</i>			
Selling and distribution expenses	(9)	(22)	-59%
Administrative expenses	(1,999)	(2,096)	-5%
Other expenses	(275)	(142)	94%
Finance costs	(118)	(74)	59%
Share of results of associate	(8)	(9)	-11%
Profit before income tax	1,790	1,810	-1%
Income tax expense	(435)	(417)	4%
Profit for the financial period	1,355	1,393	-3%
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation of subsidiaries	(576)	268	NM
Other comprehensive income for the financial period, net of tax	(576)	268	NM
Total comprehensive income for the financial period	779	1,661	-53%

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(Company Registration No.201400185H)

	Group		
	3 Months Ended		
	31 March 2021	31 March 2020	Change
	(Unaudited)	(Unaudited)	
	S\$'000	S\$'000	%
Profit attributable to:			
Owners of the parent	1,406	1,461	-4%
Non-controlling interests	(51)	(68)	-25%
Profit for the financial period	1,355	1,393	-3%
Total comprehensive income attributable to:			
Owners of the parent	831	1,729	-52%
Non-controlling interests	(52)	(68)	-24%
Total comprehensive income for the financial period	779	1,661	-53%

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 2021 (Unaudited) S\$'000	31 March 2020 (Unaudited) S\$'000	Change %
Depreciation of property, plant and equipment – cost of sales	173	176	-2%
Depreciation of right-of-use assets – cost of sales	116	113	3%
Depreciation of property, plant and equipment – administrative expenses	93	96	-3%
Depreciation of right-of-use assets – administrative expenses	280	258	9%
Amortisation of intangible assets – other expenses	140	140	0%
Amortisation of intangible assets – administrative expenses	9	9	0%
Interest income	(50)	(95)	-47%
Interest income – net investment in sublease	(1)	(2)	-50%
Other income – government grants	(144)	(19)	NM
Other income – rental rebates	(5)	(11)	-55%
Interest expense – loans	27	-	NM
Interest expense – lease liabilities	70	65	8%
Loss/(gain) on exchange differences, net	133	(53)	NM
Write-back of expected credit losses, net	(1)	(6)	-83%
Share-based compensation expenses	25	-	NM

NM – Not meaningful

1(b)(i) A 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 2021 (Unaudited) S\$'000	31 December 2020 (Audited) S\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	9,729	10,141
Right-of-use assets	4,286	4,754
Intangible assets – goodwill	41,879	42,252
Intangible assets – others	2,039	2,171
Investment in associate	160	168
Net investment in sublease	94	109
Deferred tax assets	50	51
	58,237	59,646
Current assets		
Inventories	1,222	1,333
Trade receivables, net ⁽¹⁾	2,186	2,337
Other receivables and deposits	1,144	737
Prepayments	224	247
Net investment in sublease	57	56
Cash and cash equivalents ⁽¹⁾	22,688	24,124
	27,521	28,834
TOTAL ASSETS	85,758	88,480
EQUITY AND LIABILITIES		
Equity		
Share capital	70,054	70,054
Treasury share reserve	(105)	(105)
Other reserves	(7,947)	(7,397)
Retained earnings	9,963	8,557
Equity attributable to owners of Company	71,965	71,109
Non-controlling interests	528	580
TOTAL EQUITY	72,493	71,689
LIABILITIES		
Non-current liabilities		
Other payables	-	558
Loans	2,877	3,141
Provisions	161	163
Lease liabilities	3,101	3,610
Deferred tax liabilities	354	378
	6,493	7,850

	Group	
	31 March 2021	31 December 2020
	(Unaudited)	(Audited)
	S\$'000	S\$'000
Current liabilities		
Trade payables	1,025	1,098
Other payables	849	2,338
Advances and contract liabilities	217	212
Accrued expenses	720	512
Payroll payable	758	1,423
Loans	852	866
Lease liabilities	1,610	1,646
Current income tax payable	741	846
	6,772	8,941
TOTAL LIABILITIES	13,265	16,791
TOTAL EQUITY AND LIABILITIES	85,758	88,480

(1) Breakdown of the following in the respective currencies:

	Group	
	31 March 2021	31 December 2020
	S\$'000	S\$'000
Trade receivables, net denominated in the following currencies:		
Singapore Dollar	1,161	1,145
Ringgit Malaysia	1,011	1,190
Myanmar Kyat	14	2
	2,186	2,337
Cash and cash equivalents denominated in the following currencies:		
Singapore Dollar	9,293	9,405
Ringgit Malaysia	13,155	14,491
Myanmar Kyat	58	31
United States Dollar	182	197
	22,688	24,124

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1(b)(ii) Aggregate amount of group's borrowings and debt securities**Amount repayable in one year or less, or on demand**

As at 31 March 2021		As at 31 December 2020	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
852	1,610 ⁽¹⁾	866	1,646 ⁽¹⁾

Amount repayable after one year

As at 31 March 2021		As at 31 December 2020	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
2,877	3,101 ⁽¹⁾	3,141	3,610 ⁽¹⁾

(1) Unsecured borrowings relate to leases recognised under SFRS(I) 16 *Leases*.**Details of any collateral**

As at 31 March 2021, the Group's secured loan of S\$3.729 million (FY2020: \$4.007 million) is secured by the land and building for which the loan was entered.

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 2021	31 March 2020
	(Unaudited)	(Unaudited)
	S\$'000	S\$'000
Cash flows from operating activities		
Profit before income tax	1,790	1,810
Adjustments for:		
Write-back of expected credit losses, net	(1)	(6)
Amortisation of intangible assets	149	149
Depreciation of property, plant and equipment and right-of-use assets	662	643
Interest income	(51)	(97)
Interest expense	118	74
Rental rebates	(5)	(11)
Share-based compensation expenses	25	-
Share of results of associate	8	9
Operating cash flows before working capital changes	2,695	2,571
Working capital changes:		
- Inventories	92	(138)
- Trade and other receivables	(282)	126
- Prepayments	20	(14)
- Trade and other payables	(687)	(2,154)
Cash generated from operations	1,838	391
Income tax paid	(562)	(385)
Net cash generated from operating activities	1,276	6
Cash flows from investing activities		
Purchase of property, plant and equipment	(98)	(658)
Purchase of intangible assets	(36)	(5)
Acquisition of a subsidiary, net of cash acquired	-	(2,946)
Payment to vendors ⁽¹⁾	(1,765)	-
Interest received	50	95
Net cash used in investing activities	(1,849)	(3,514)
Cash flows from financing activities		
Subscription of shares in subsidiaries by non-controlling interests	-	234
Share issue expenses	-	(16)
Principal element of lease liabilities	(451)	(424)
Interest paid – lease liabilities	(65)	(50)
Repayment of bank loan	(213)	-
Interest paid – loan	(27)	-
Net cash used in financing activities	(756)	(256)

ISEC HEALTHCARE LTD.

(Company Registration No.201400185H)

	Group	
	3 Months Ended	
	31 March 2021	31 March 2020
	(Unaudited)	(Unaudited)
	S\$'000	S\$'000
Net decrease in cash and cash equivalents	(1,329)	(3,764)
Cash and cash equivalents at beginning of financial period	24,124	25,657
Effects of exchange rate changes on cash and cash equivalents	(107)	51
Cash and cash equivalents at end of financial period	22,688	21,944

- (1) The Group acquired Indah Specialist Eye Centre Sdn. Bhd. ("Indah Specialist") on 27 February 2020. In 1Q2021, 30% of the total cash consideration, amounting to RM5,379,840 (equivalent to S\$1,765,000) was paid to the vendors as partial settlement of the total cash consideration. Upon the partial settlement, a 10% balance, or S\$558,000, remains as payable to be settled.

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									Total equity S\$'000
	Share capital	Treasury share reserve	Foreign currency translation reserve	Merger reserve	Share option 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	S\$'000	S\$'000	
At 1 January 2021	70,054	(105)	567	(3,572)	71	(4,463)	8,557	71,109	580	71,689
Profit for the financial period	-	-	-	-	-	-	1,406	1,406	(51)	1,355
Other comprehensive income										
Foreign currency translation	-	-	(575)	-	-	-	-	(575)	(1)	(576)
Total comprehensive income for the financial period	-	-	(575)	-	-	-	1,406	831	(52)	779
Transaction with owners of the Company										
Grant of equity-settled share options to employees ⁽¹⁾	-	-	-	-	25	-	-	25	-	25
Total transaction with owners of the Company	-	-	-	-	25	-	-	25	-	25
At 31 March 2021	70,054	(105)	(8)	(3,572)	96	(4,463)	9,963	71,965	528	72,493

(1) The Company has granted 3,809,150 options under the ISEC Healthcare Share Option Scheme on 22 April 2020.

ISEC HEALTHCARE LTD.

(Company Registration No.201400185H)

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.

2. Review of comparative performance of the Group for the 3 months ended 31 March 2021 (“1Q2021”) and 31 March 2020 (“1Q2020”).

Revenue

The Group’s revenue for 1Q2021 was S\$9.07 million, a decrease of S\$0.20 million, or marginally by 2%, compared to that in 1Q2020.

The Group’s business activities in Malaysia had decreased by S\$0.38 million in 1Q2021 compared to that in 1Q2020. In Malaysia, Movement Control Order (“MCO”) was initially re-imposed in six states and territories on 13 January 2021 due to the spike in reported COVID-19 cases. The affected areas include Selangor, Melaka, Penang, Johor, Sabah and Kuala Lumpur, of which all our eye clinic operations are located. In the same month, MCO was extended to all states and federal territories, except Sarawak, to curb the spread of COVID-19. On 2 February 2021, the MCO was extended till 4 March 2021.

In Singapore, sales from specialised health services improved by S\$0.28 million with improved business activities in 1Q2021 compared to that in 1Q2020. The increase was offset by sales from general health services, by S\$0.14 million between 1Q2021 and 1Q2020, due to reduced business activities.

Cost of sales

Cost of sales decreased by 4%, or S\$0.21 million, from S\$5.31 million in 1Q2020 to S\$5.10 million in 1Q2021. This decrease was mainly contributed by the reduced business activities in the Group’s operations in Malaysia and the general health services in Singapore.

Gross profit and gross profit margin

Gross profit remained consistent for both periods, with S\$3.97 million in 1Q2021, and an increase in gross profit margin of 1.1 percentage points, from 42.7% in 1Q2020 to 43.8% in 1Q2021, due to reasons explained above.

Profit after tax

Net profit of the Group in 1Q2021 stood at S\$1.36 million, a slight decrease of S\$0.04 million, or 3%, from S\$1.39 million in 1Q2020. The Group recorded government grants and rental rebates arising as part of the respective governments’ support measures to relief operations affected by COVID-19, amounting to S\$0.15 million (1Q2020: S\$0.03 million). However, an exchange loss of S\$0.13 million arising from the weakening of Ringgit Malaysia against Singapore Dollar was recorded during the period (1Q2020: exchange gain of S\$0.05 million).

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.

Coronavirus 2019 (“COVID-19”) Outbreak

The Group expects the operating environment in the current year ending 31 December 2021 to

be challenging. While we are optimistic that our performance will improve along with the expected but careful resumption of travel, business and lifestyle activities globally, we are also mindful that the COVID-19 situation remains fluid all over the world. As such, the Group is unable to reasonably ascertain the extent of the probable impact on our financial performance for the year ending 31 December 2021.

Singapore has begun introducing vaccinations since end January 2021 and the progress for introducing it to the public to be vaccinated has been gradual. With the pandemic largely under control, there remains a possibility of community clusters as the country cautiously opens up its borders to enable economic activity to resume.

In Malaysia, situation remains unpredictable with the spike in cases since December 2020, which had forced the country back into MCO in January 2021 till 4 March 2021. On 12 April 2021, the country announced that the MCO would be extended across the country. The states of Johor, Kelantan, Penang and Selangor as well as Kuala Lumpur will remain under the conditional movement control order (“CMCO”) from 15 April 2021 to 28 April 2021, while Sarawak will continue to be placed under the CMCO from 13 April 2021 to 26 April 2021. The states of Kedah (except in Kuala Muda), Malacca, Negeri Sembilan (except in Seremban), Pahang, Perak, Perlis, Sabah, Terengganu, Labuan and Putrajaya will see the recovery movement control order (“RMCO”) extended from 15 April 2021 to 28 April 2021. The King had also declared the country’s state of emergency on 12 January 2021, which will last until 1 August 2021 or earlier, depending on the COVID-19 situation. Despite Malaysia has launched its vaccination plan since end February 2021, the management does not expect all the specialised eye centres in Malaysia to be recovering to pre-COVID-19 state of affairs in this financial year.

Political situation in Myanmar

The Group is closely monitoring our clinical operations in Myanmar, where the country had declared a state of emergency for a year since 1 February 2021. The political situation remains uncertain and the Group is currently unable to reasonably ascertain the full extent of the probable impact on its financial performance for FY2021.

BY ORDER OF THE BOARD

Dr Lee Hung Ming
Executive Vice Chairman
22 April 2021

This announcement has been reviewed by the Company’s sponsor, PrimePartners Corporate Finance Pte. Ltd. (the “Sponsor”). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the “Exchange”) and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

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