

INTERNATIONAL HEALTHWAY CORPORATION LIMITED

Registration No.: 201304341E

(Incorporated in the Republic of Singapore)

(In receivership over charged shares in certain subsidiaries)



UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2017

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.

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UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2017

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.

	Group			Group		
	3 months ended 30 June			6 months ended 30 June		
	2017	2016	Inc/(Dec)	2017	2016	Inc/(Dec)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	10,803	13,574	(20.4)	21,281	26,924	(21.0)
Cost of sales	(5,980)	(6,753)	(11.4)	(11,834)	(13,551)	(12.7)
Gross profit	4,823	6,821	(29.3)	9,447	13,373	(29.4)
Other operating (loss)/income, net	(15,343)	1,305	N/M	(18,529)	3,570	N/M
Administrative expenses	(4,026)	(3,047)	32.1	(6,849)	(5,575)	22.9
Finance expenses	(5,880)	(6,022)	(2.4)	(12,354)	(12,165)	1.6
Loss before tax	(20,426)	(943)	N/M	(28,285)	(797)	N/M
Tax expense	(187)	70	N/M	(3,496)	40	N/M
Loss after tax	(20,613)	(873)	N/M	(31,781)	(757)	N/M
Other comprehensive income:						
Foreign currency translation differences relating to foreign operations	887	3,978	(77.7)	520	444	17.1
Total comprehensive income for the period	(19,726)	3,105	N/M	(31,261)	(313)	N/M
Loss attributable to :-						
Owners of the Company	(20,613)	(869)	N/M	(31,781)	(754)	N/M
Non-controlling interests	-	(4)	N/M	-	(3)	N/M
	(20,613)	(873)	N/M	(31,781)	(757)	N/M
Total comprehensive income attributable to :-						
Owners of the Company	(19,726)	3,109	N/M	(31,261)	(315)	N/M
Non-controlling interests	-	(4)	N/M	-	2	N/M
	(19,726)	3,105	N/M	(31,261)	(313)	N/M

N/M - not meaningful

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

- 1(b) 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	
	30.6.2017 S\$'000	31.12.2016 S\$'000	30.6.2017 S\$'000	31.12.2016 S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	20,005	15,186	21	24
Trade and other receivables	42,782	58,333	182,332	167,116
Inventories	1,181	776	-	-
	<u>63,968</u>	<u>74,295</u>	<u>182,353</u>	<u>167,140</u>
Non-current assets				
Intangible assets	583	715	-	-
Lease prepayments	5,679	5,932	-	-
Investment properties	299,128	296,588	-	-
Investment properties under development	122,024	123,012	-	-
Property, plant and equipment	7,259	7,631	44	13
Subsidiaries	-	-	124,842	123,708
	<u>434,673</u>	<u>433,878</u>	<u>124,886</u>	<u>123,721</u>
Total assets	<u>498,641</u>	<u>508,173</u>	<u>307,239</u>	<u>290,861</u>
LIABILITIES				
Current liabilities				
Trade and other payables	22,269	27,214	35,039	36,394
Loans and borrowings	148,100	170,336	142,748	111,446
Current tax liabilities	1,039	1,080	-	-
	<u>171,408</u>	<u>198,630</u>	<u>177,787</u>	<u>147,840</u>
Non-current liabilities				
Trade and other payables	7,765	7,663	978	1,116
Loans and borrowings	185,966	140,618	-	-
Deferred tax liabilities	32,995	29,494	-	-
	<u>226,726</u>	<u>177,775</u>	<u>978</u>	<u>1,116</u>
Total liabilities	<u>398,134</u>	<u>376,405</u>	<u>178,765</u>	<u>148,956</u>
NET ASSETS	<u>100,507</u>	<u>131,768</u>	<u>128,474</u>	<u>141,905</u>
EQUITY				
Share capital	192,707	192,707	192,707	192,707
Foreign currency translation reserve	(2,267)	(2,787)	-	-
Merger reserve	(65,742)	(65,742)	-	-
Asset revaluation reserve	3,630	3,630	-	-
Statutory surplus reserve	327	327	-	-
Accumulated (losses)/profits	(27,504)	4,277	(64,233)	(50,802)
	<u>101,151</u>	<u>132,412</u>	<u>128,474</u>	<u>141,905</u>
Non-controlling interests	(644)	(644)	-	-
Total equity	<u>100,507</u>	<u>131,768</u>	<u>128,474</u>	<u>141,905</u>

Notes to the Financial Statements

1(a)(i) Loss before tax of the Group is arrived at after charging/(crediting):

	Group			Group		
	3 months ended 30 June			6 months ended 30 June		
	2017	2016	Inc/(Dec)	2017	2016	Inc/(Dec)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Interest income	(29)	(34)	(14.7)	(134)	(38)	N/M
Interest expense	5,880	6,022	(2.4)	12,354	12,165	1.6
Amortisation of lease prepayments	75	74	1.4	145	150	(3.3)
Amortisation of intangible asset	58	59	(1.7)	117	120	(2.5)
Depreciation of property, plant and equipment	271	293	(7.5)	547	585	(6.5)
Impairment losses on trade and other receivables	15,525	231	N/M	17,450	853	N/M
Currency translation (gain)/loss - net	(105)	(1,229)	(91.5)	1,256	(2,964)	N/M
Guarantee fee income	-	(239)	N/M	-	(1,126)	N/M
Profit guarantee income	-	-	N/M	-	(67)	N/M

1(a)(ii) Tax expense

	Group			Group		
	3 months ended 30 June			6 months ended 30 June		
	2017	2016	Inc/(Dec)	2017	2016	Inc/(Dec)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Current income tax - Foreign	(17)	70	N/M	(15)	40	N/M
Deferred income tax	(170)	-	N/M	(3,481)	-	N/M
Charge for the period	(187)	70	N/M	(3,496)	40	N/M

1(b)(i) 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.

	Group			Group		
	As at 30.6.2017			As at 31.12.2016		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Amount repayable within one year	129,225	18,875	148,100	65,112	105,224	170,336
Amount repayable after one year	185,966	-	185,966	140,618	-	140,618

The secured borrowings of the Group as at 30 June 2017 comprised of term loans and bonds secured by the following:-

- corporate guarantees from the Company and a subsidiary;
- joint and several guarantees by certain shareholders;
- a fixed charge over the total assets of a subsidiary of the Group which mainly comprised of investment properties and cash and cash equivalents;
- a charge created over an investment property under development of the Group;
- a debenture over the assets and rights of a subsidiary pertaining to a development project of the Group;
- charges created over the entire issued share capital of certain subsidiaries of the Company;
- bank deposits of certain subsidiaries of the Company;
- debenture over the assets and rights of the Company;
- a deed of subordination in respect of amounts owing by a subsidiary to certain subsidiaries of the Company; and
- a mortgage over property owned by a 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.

	Group		Group	
	3 months ended 30 June		6 months ended 30 June	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities :				
Loss after tax	(20,613)	(873)	(31,781)	(757)
Adjustments for				
Tax expense	187	(70)	3,496	(40)
Depreciation of property, plant and equipment	271	293	547	585
Amortisation of lease prepayments	75	74	145	150
Amortisation of intangible assets	58	59	117	120
Property, plant and equipment written off	3	4	11	4
Impairment losses on trade and other receivables	15,525	231	17,450	853
Interest income	(29)	(34)	(134)	(38)
Interest expense	5,880	6,022	12,354	12,165
Operating profit before working capital changes	1,357	5,706	2,205	13,042
Changes in working capital:				
Inventories	(383)	(558)	(547)	(223)
Trade and other receivables	(1,700)	(4,332)	(2,433)	(5,584)
Trade and other payables	(2,396)	(1,370)	(748)	(6,025)
Cash (used in)/generated from operations	(3,122)	(554)	(1,523)	1,210
Interest paid	(7,045)	(8,025)	(11,666)	(12,628)
Net cash used in operating activities	(10,167)	(8,579)	(13,189)	(11,418)
Cash flows from investing activities :				
Additions to investment properties	-	-	(3)	-
Additions to investment properties under development	(12)	(3,064)	(12)	(3,643)
Purchase of property, plant and equipment	(195)	(256)	(349)	(1,869)
Interest received	29	34	134	38
Net cash used in investing activities	(178)	(3,286)	(230)	(5,474)
Cash flows from financing activities :				
Advance from related parties	-	-	-	5,773
Repayment to related parties	-	(516)	-	(5,804)
Proceeds from borrowings	119,900	18,133	136,602	19,178
Repayment of borrowings	(106,234)	(11,997)	(118,460)	(13,858)
Net cash generated from financing activities	13,666	5,620	18,142	5,289
Net increase/(decrease) in cash and cash equivalents	3,321	(6,245)	4,723	(11,603)
Cash and cash equivalents at beginning of financial period	16,644	20,506	15,186	25,751
Effects of exchange rate fluctuations on cash and cash equivalents	40	1,515	96	1,628
Cash and cash equivalents at end of financial period	20,005	15,776	20,005	15,776

- 1(d) 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.

GROUP	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Foreign currency translation reserve	Merger reserve	Asset revaluation reserve	Statutory surplus reserve	Accumulated profits/(losses)	Total		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2017	192,707	(2,787)	(65,742)	3,630	327	4,277	132,412	(644)	131,768
Total comprehensive income for the period									
Loss for the period	-	-	-	-	-	(11,168)	(11,168)	-	(11,168)
Other comprehensive loss									
Foreign currency translation differences relating to foreign operations	-	(367)	-	-	-	-	(367)	-	(367)
At 31 March 2017	192,707	(3,154)	(65,742)	3,630	327	(6,891)	120,877	(644)	120,233
At 1 April 2017	192,707	(3,154)	(65,742)	3,630	327	(6,891)	120,877	(644)	120,233
Total comprehensive income for the period									
Loss for the period	-	-	-	-	-	(20,613)	(20,613)	-	(20,613)
Other comprehensive income									
Foreign currency translation differences relating to foreign operations	-	887	-	-	-	-	887	-	887
At 30 June 2017	192,707	(2,267)	(65,742)	3,630	327	(27,504)	101,151	(644)	100,507
At 1 January 2016	192,707	(3,794)	(65,742)	3,630	327	81,124	208,252	(629)	207,623
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	115	115	1	116
Other comprehensive loss									
Foreign currency translation differences relating to foreign operations	-	(3,539)	-	-	-	-	(3,539)	5	(3,534)
At 31 March 2016	192,707	(7,333)	(65,742)	3,630	327	81,239	204,828	(623)	204,205
At 1 April 2016	192,707	(7,333)	(65,742)	3,630	327	81,239	204,828	(623)	204,205
Total comprehensive income for the period									
Loss for the period	-	-	-	-	-	(869)	(869)	(4)	(873)
Other comprehensive loss									
Foreign currency translation differences relating to foreign operations	-	3,978	-	-	-	-	3,978	-	3,978
At 30 June 2016	192,707	(3,355)	(65,742)	3,630	327	80,370	207,937	(627)	207,310

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	Accumulated losses	Total equity
	S\$'000	S\$'000	S\$'000
At 1 January 2017	192,707	(50,802)	141,905
Total comprehensive income for the period			
Loss for the period	-	(9,656)	(9,656)
At 31 March 2017	192,707	(60,458)	132,249
At 1 April 2017	192,707	(60,458)	132,249
Total comprehensive income for the period			
Loss for the period	-	(3,775)	(3,775)
At 30 June 2017	192,707	(64,233)	128,474
At 1 January 2016	192,707	(23,240)	169,467
Total comprehensive income for the period			
Loss for the period	-	(2,441)	(2,441)
At 31 March 2016	192,707	(25,681)	167,026
At 1 April 2016	192,707	(25,681)	167,026
Total comprehensive income for the period			
Loss for the period	-	(2,750)	(2,750)
At 30 June 2016	192,707	(28,431)	164,276

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.

Ordinary shares issued and fully paid-up

	Number of shares	Paid-up share capital
		S\$
Balance as at 31 March 2017 and 30 June 2017	1,659,064,603	192,706,969

There was no change in the Company's share capital between 31 March 2017 and 30 June 2017.

As at 30 June 2017 and 30 June 2016 respectively, the Company did not have any convertible securities, treasury shares or subsidiary holdings.

- 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 June 2017 and 31 December 2016, the Company had 1,659,064,603 issued and fully paid ordinary shares.

- 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.

- 1(d)(iv) 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.

- 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 2016.

- 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 adopted a number of new standards, amendments to standards and interpretations that are effective for annual periods beginning on 1 January 2017. The adoption of these new standards, amendments to standards and interpretations did not result in any significant impact on the financial statements of the Group.

- 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:-**

	Group		Group	
	3 months ended 30 June		6 months ended 30 June	
	2017	2016	2017	2016
Net loss attributable to owners of the Company (S\$'000)	(20,613)	(869)	(31,781)	(754)
Weighted average number of ordinary shares in issue	1,659,064,603	1,659,064,603	1,659,064,603	1,659,064,603
Basic earnings per share (Singapore cents)	(1.242)	(0.052)	(1.916)	(0.045)

Basic and diluted earnings per share were the same as there were no potentially dilutive ordinary shares in issue as at 30 June 2017 and 30 June 2016 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 30.6.2017	As at 31.12.2016	As at 30.6.2017	As at 31.12.2016
Net asset value attributable to owners of the Company (S\$'000)	101,151	132,412	128,474	141,905
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)	6.10	7.98	7.74	8.55

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 for the second quarter ended 30 June 2017

2Q2017 Versus 2Q2016

(a) Revenue

Revenue decreased by S\$2.8 million to S\$10.8 million for the second quarter ended 30 June 2017 ("**2Q2017**") as compared to a revenue of S\$13.6 million for the same period a year ago ("**2Q2016**"). The decrease was due mainly to a S\$2.4 million decrease in revenue derived from the investment properties located in Australia at St. Kilda and Geelong (collectively known as "**Australia Properties**"). Revenue from the Australia Properties was not included as part of the Group's results from September 2016 following the Deconsolidation Event as described below.

Rental income from the Group's nursing facilities in Japan (the "**Nursing Facilities**") and revenue derived from the operation of the Wuxi New District Phoenix Hospital in Wuxi, Jiangsu, China ("**Wuxi Hospital**") remained relatively stable when compared with 2Q2016.

Deconsolidation Event

The Company was deemed to have lost control of IHC Management Pte. Ltd., IHC Management (Australia) Pty Ltd, IHC Medical RE Pte. Ltd., IHC Healthcare REIT, IHC Australia First Trust and IHC Australia Second Trust (collectively known as "**Deconsolidated Subsidiaries**") as a result of the events described in the announcement dated 15 August 2016.

Therefore, the Company was required to deconsolidate the assets and liabilities of the Deconsolidated Subsidiaries in accordance with Singapore Financial Reporting Standards 110 (FRS 110) as the Group has lost control of the Deconsolidated Subsidiaries.

(b) Other operating loss/income

The Group recorded other operating losses of S\$15.3 million for 2Q2017 as compared with other operating income of S\$1.3 million in 2Q2016.

For 2Q2017, the other operating losses incurred were due mainly to the impairment made for trade and other receivables of S\$15.5 million.

For 2Q2016, the other operating income recognised relates mainly to a net foreign exchange gain of S\$1.2 million arising from the fluctuation of the Malaysia Ringgit ("**RM**") and Japanese Yen ("**JPY**") against the Singapore Dollar ("**SGD**").

(c) Administrative expenses

Administrative expenses increased by S\$1.0 million to S\$4.0 million for 2Q2017 compared to S\$3.0 million for the same period a year ago. The increase was due mainly to higher staff costs (+S\$0.5 million) and legal and professional fees (+S\$0.3 million) incurred.

(d) Finance expenses

Finance expenses decreased by S\$0.1 million to S\$5.9 million. The decrease was due mainly to:

- (i) a S\$1.4 million reduction in interest expenses related to the partial redemption of the “S\$50.0 million 6 per cent Medium Term Notes Series 001” (“**MTN-1**”) and the full redemption of the “S\$50.0 million 7 per cent Medium Term Notes Series 002” (“**MTN-2**”) in April 2017;
- (ii) the repayment of various high cost borrowings during 2Q2017; and
- (ii) a S\$0.9 million reduction in interest expenses related to the borrowings of the Deconsolidated Subsidiaries due to the Deconsolidation Event as described above.

The decrease was partly offset by:

- (i) higher amortisation cost of S\$1.5 million relating to the full amortisation of the remaining transaction costs associated with the Japan TMK bonds as the bonds were refinanced before its original maturity date. The refinancing was undertaken to reduce overall interest costs on the bonds. Please refer to the announcement dated 14 July 2017 for further details; and
- (ii) interest of S\$0.9 million incurred on loans received from Treasure International Holdings Pte. Ltd. (“**TIHPL**”), which is a wholly-owned subsidiary of OUE Limited (“**OUE**”). OUE is the ultimate controlling shareholder of the Company. Please refer to the circular to shareholders dated 29 June 2017, notice of Extraordinary General Meeting (“**EGM**”) dated 29 June 2017 and results of EGM dated 14 July 2017 for further details.

(e) Loss after tax

The Group recorded a loss after tax of S\$20.6 million for the 2Q2017 compared to a loss after tax of S\$0.9 million for the same period a year ago.

Review of Statement of Financial Position as at 30 June 2017

- (a) Current assets decreased by S\$10.3 million from S\$74.3 million as at 31 December 2016 to S\$64.0 million as at 30 June 2017. The decrease was due mainly to the impairment of trade and other receivables of S\$1.9 million made during 1Q2017 and S\$15.5 million made during 2Q2017, respectively. The decrease was partially offset by:

- (i) a S\$4.8 million increase in cash and cash equivalents; and
- (ii) a S\$1.9 million increase in the trade and other receivables of the subsidiaries in China.

- (b) Non-current assets increased by S\$0.8 million from S\$433.9 million as at 31 December 2016 to S\$434.7 million as at 30 June 2017. The increase was due mainly to a S\$2.5 million increase in the carrying value of the properties in Japan as a result of the strengthening of the JPY against the SGD.

The increase was partially offset by:

- (i) investment properties under development and lease prepayment decreased by S\$1.0 million and S\$0.3 million respectively as a result of foreign exchange translation loss arising from a weaker RMB as compared with the SGD; and
- (ii) depreciation of property, plant and equipment of S\$0.4 million.

- (c) Current liabilities decreased by S\$27.2 million from S\$198.6 million as at 31 December 2016 to S\$171.4 million as at 30 June 2017. The decrease was due mainly to:

- (i) the reclassification of S\$43.3 million loans from current borrowings to non-current borrowings as the breach in loan covenants as at 31 December 2016 was rectified in February 2017 and April 2017 respectively; and
- (ii) repayment of current borrowings of S\$118.5 million during 2Q2017.

The decrease was partly offset by S\$136.6 million of shareholder's loans obtained by the Company from TIHPL and OUE Treasury Pte Ltd ("**OUE Treasury**").

- (d) Non-current liabilities increased by S\$48.9 million from S\$177.8 million as at 31 December 2016 to S\$226.7 million as at 30 June 2017. The increase was due mainly to:
 - (i) the reclassification of S\$43.3 million loans from current borrowings to non-current borrowings; and
 - (ii) additional provision for China deferred tax liabilities.
- (e) Shareholders' equity decreased by S\$31.2 million from S\$132.4 million at 31 December 2016 to S\$101.2 million at 30 June 2017.

Review of Cashflow and Working Capital

- (a) Operating activities utilised net cash of \$3.1 million before interest payments. Interest paid in 2Q2017 amounted to \$7.0 million.
- (b) Investing activities utilised net cash of S\$0.2 million, mainly for purchases of property, plant and equipment.
- (c) Financing activities provided net cash of S\$13.7 million. Proceeds from new borrowings were mainly from shareholders' loans granted by TIHPL and OUE Treasury to the Company during 2Q2017.
- (c) As at 30 June 2017, the Group's net current liabilities amounted to S\$107.4 million. The current liabilities of the Group include shareholders' loans of S\$136.6 million from TIHPL and OUE Treasury.

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.

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.

Pursuant to the mandatory unconditional cash offer to acquire all the issued and paid-up capital of the Company, OUE acquired 86.16% of the issued shares of the Company in April 2017. OUE's intentions are to stabilise and operate the Group as a going concern and also, to grow the Group's operations and businesses.

OUE has provided financial support to repay various loans and borrowings, including the partial redemption of MTN-1 and full redemption of MTN-2. The Group also refinanced the Japan TMK bonds on 14 July 2017 which would result in savings in interest costs.

The Group has also strengthened its management team and is in the process of reviewing the Group's operations, businesses and development plans. The Group's focus is to grow the healthcare services business through development and strategic acquisitions in key Asian markets.

The Group is also rigorously defending its interests and legal position on various legal matters and updates will be made accordingly via SGX announcements.

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)**

None.

- (d) **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.

- (e) **The date the dividend is payable**

Not applicable.

- (f) **Books closure date**

Not applicable.

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

Not applicable.

- 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.**

The Group has not obtained a general mandate from shareholders for any Interested Person Transactions.

- 14. Confirmation Pursuant to Rule 720(1)**

The Company confirms that it has procured undertakings from all its directors and executive officers 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, Mr Eric Sho Kian Hin and Dr Wong Weng Hong, 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 June 2017 to be false or misleading in any material aspect.

On behalf of the Board,

**Mr. Eric Sho Kian Hin
Independent Director**

BY ORDER OF THE BOARD OF DIRECTORS

**Dr. Wong Weng Hong
Executive Director**

31 July 2017