



TALKMED GROUP LIMITED
(Company Registration No. 201324565Z)

FINANCIAL STATEMENT ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2020

PART I - INFORMATION REQUIRED FOR HALF YEAR RESULTS ANNOUNCEMENTS

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.

1(a) The Directors of TalkMed Group Limited (the “**Company**”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the half year ended 30 June 2020 (“**1H 2020**”). The comparative period in this announcement is the half year ended 30 June 2019 (“**1H 2019**”).

	1H 2020 \$'000 (Unaudited)	1H 2019 \$'000 (Unaudited)	Increase / (Decrease) %
The Group			
Revenue	30,675	35,466	(13.5%)
Other items of income			
Interest income	495	571	(13.3%)
Other income	843	37	2178.4%
Other items of expense			
Employee benefits expense	(12,943)	(12,787)	1.2%
Share-based payments expense	(1,741)	(101)	1623.8%
Operating lease expense	(23)	(12)	91.7%
Depreciation of right-of-use assets	(966)	(987)	(2.1%)
Depreciation of plant and equipment	(723)	(725)	(0.3%)
Finance costs	(214)	(179)	19.6%
Other operating expenses	(2,556)	(2,824)	(9.5%)
Share of results of associate	(953)	(491)	94.1%
Profit before tax	11,894	17,968	(33.8%)
Income tax expense	(2,889)	(3,801)	(24.0%)
Profit for the period	9,005	14,167	(36.4%)

1(a) The Directors of TalkMed Group Limited (the “**Company**”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the half year ended 30 June 2020 (“**1H 2020**”). The comparative period in this announcement is the half year ended 30 June 2019 (“**1H 2019**”).

The Group	1H 2020 \$'000 (Unaudited)	1H 2019 \$'000 (Unaudited)	Increase / (Decrease) %
Attributable to:			
Owners of the Company	10,695	15,660	(31.7%)
Non-controlling interests	(1,690)	(1,493)	13.2%
	9,005	14,167	(36.4%)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation	215	130	65.4%
Share of other reserve of associate	-	320	(100.0%)
	215	450	(52.2%)
Other comprehensive income for the period, net of tax	215	450	(52.2%)
Total comprehensive income for the period	9,220	14,617	(36.9%)
Attributable to:			
Owners of the Company	10,871	16,110	(32.5%)
Non-controlling interests	(1,651)	(1,493)	10.6%
Total comprehensive income for the period	9,220	14,617	(36.9%)

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	
	30/06/2020 \$'000 (Unaudited)	31/12/2019 \$'000 (Audited)	30/06/2020 \$'000 (Unaudited)	31/12/2019 \$'000 (Audited)
ASSETS				
Non-current assets				
Plant and equipment	4,367	4,891	-	-
Right-of-use assets	3,495	3,848	-	-
Investment in subsidiaries	-	-	18,948	14,508
Investment in associate	1,741	2,887	11,399	11,399
Loans to subsidiaries	-	-	2,167	8,056
Prepaid operating expenses	21	18	-	-
	9,624	11,644	32,514	33,963
Current assets				
Inventories	964	856	-	-
Prepaid operating expenses	885	610	9	24
Trade and other receivables	9,878	12,267	6,079	17,118
Cash and short-term deposits	80,914	80,698	471	1,037
	92,641	94,431	6,559	18,179
Total assets	102,265	106,075	39,073	52,142
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	3,677	3,034	73	60
Other liabilities	4,147	3,412	123	154
Lease liabilities	1,925	1,774	-	-
Income tax payable	10,008	8,548	-	-
	19,757	16,768	196	214
Net current assets	72,884	77,663	6,363	17,965
Non-current liabilities				
Other liabilities	134	126	-	-
Lease liabilities	1,635	2,119	-	-
Loans from non-controlling shareholder to subsidiaries	5,514	5,371	-	-
	7,283	7,616	-	-
Total liabilities	27,040	24,384	196	214
Net assets	75,225	81,691	38,877	51,928

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	
	30/06/2020 \$'000 (Unaudited)	31/12/2019 \$'000 (Audited)	30/06/2020 \$'000 (Unaudited)	31/12/2019 \$'000 (Audited)
Equity attributable to owners of the Company				
Share capital	23,905	22,438	23,905	22,438
Merger reserve	(2,311)	(2,311)	-	-
Share-based payments reserve	1,212	938	1,212	938
Other reserve	2,258	2,258	-	-
Foreign currency translation reserve	(114)	(290)	-	-
Retained earnings	53,340	60,072	13,760	28,552
	78,290	83,105	38,877	51,928
Non-controlling interests	(3,065)	(1,414)	-	-
Total equity	75,225	81,691	38,877	51,928
Total equity and liabilities	102,265	106,075	39,073	52,142

1(b)(ii) In relation to the aggregate amount of group's borrowings and debt securities, specify the following as at the end of current financial period reported on with comparative figures as at the end of the immediately preceding financial year:

(a) the amount repayable in one year or less, or on demand;

None

(b) the amount repayable after one year;

None

(c) whether the amounts are secured or unsecured; and

None

(d) details of any collaterals.

None

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.

The Group	1H 2020	1H 2019
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Operating Activities		
Profit before tax	11,894	17,968
<u>Adjustments for:</u>		
Depreciation of plant and equipment	723	725
Depreciation of right-of-use assets	966	987
Share-based payments expense	1,741	101
Finance costs on unwinding of discount adjustment of loans to subsidiaries	143	136
Finance costs on lease liabilities	71	43
Interest income	(495)	(571)
Share of results of associate	953	491
Currency re-alignment	115	-
Operating cash flows before changes in working capital	16,111	19,880
Changes in working capital		
Increase in inventories	(108)	(418)
(Increase)/decrease in prepaid operating expenses	(278)	99
Decrease in trade and other receivables	2,316	546
Increase in trade and other payables	643	247
Increase/(decrease) in other liabilities	743	(36)
Total changes in working capital	3,316	438
Cash flows generated from operations	19,427	20,318
Interest received	568	774
Interest paid on lease liabilities	(71)	(43)
Income tax paid	(1,429)	(3,396)
Net cash flows generated from operating activities	18,495	17,653
Investing Activities		
Purchase of plant and equipment	(199)	(2,046)
Proceeds from return of capital from associate	-	125
Net cash flows used in investing activities	(199)	(1,921)
Financing Activities		
Dividends paid on ordinary shares	(17,134) ⁽¹⁾	(13,997)
Payment for principal portion of lease liabilities	(946)	(974)
Net cash flows used in financing activities	(18,080)	(14,971)
Net increase in cash and cash equivalents	216	761
Cash and cash equivalents at beginning of the period	80,698	73,993
Cash and cash equivalents at end of the period	80,914	74,754

Note:-

⁽¹⁾ The final dividend paid to shareholders and the proposed final dividend (as previously disclosed in the full year financial statement announcement and annual report for the financial year ended 31 December 2019) was \$17,134,000 and \$17,089,000 respectively. The difference of \$45,000 between the final dividend paid and the proposed final dividend to be paid to shareholders arose due to the dividends paid on the 3,465,423 ordinary shares issued on 13 March 2020. These newly allotted ordinary shares were eligible for the final dividend which was paid on 11 May 2020. Please refer to note 1(d)(ii) for more details on this allotment.

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.

The Group (Unaudited)	Attributable to owners of the Company							Total equity \$'000
	Share capital \$'000	Merger reserve \$'000	Share- based payments reserve \$'000	Other reserve \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000	Non- controlling interests \$'000	
	Balance at 1 January 2020	22,438	(2,311)	938	2,258	(290)	60,072	
Profit for the period	-	-	-	-	-	10,695	(1,690)	9,005
<u>Other comprehensive income</u>								
Foreign currency translation	-	-	-	-	176	-	39	215
Other comprehensive income for the period, net of tax	-	-	-	-	176	-	39	215
Total comprehensive income for the period	-	-	-	-	176	10,695	(1,651)	9,220
<u>Distributions to and contributions by owners</u>								
Dividends ⁽¹⁾	-	-	-	-	-	(17,134)	-	(17,134)
Share-based payments	-	-	1,741	-	-	-	-	1,741
Ordinary shares issued upon vesting of performance shares	1,467	-	(1,467)	-	-	-	-	-
Others ⁽²⁾	-	-	-	-	-	(293)	-	(293)
Balance at 30 June 2020	23,905	(2,311)	1,212	2,258	(114)	53,340	(3,065)	75,225

Note:-

⁽¹⁾ The final dividend paid to shareholders and the proposed final dividend (as previously disclosed in the full year financial statement announcement and annual report for the financial year ended 31 December 2019) was \$17,134,000 and \$17,089,000 respectively. The difference of \$45,000 between the final dividend paid and the proposed final dividend to be paid to shareholders arose due to the dividends paid on the 3,465,423 ordinary shares issued on 13 March 2020. These newly allotted ordinary shares were eligible for the final dividend which was paid on 11 May 2020. Please refer to note 1(d)(ii) for more details on this allotment.

⁽²⁾ Effect on adoption of SFRS(I) 16 by associate.

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.

The Group (Unaudited)	Attributable to owners of the Company							
	Share capital	Merger reserve	Share-based payments reserve	Other reserve	Foreign currency translation reserve	Retained earnings	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2019	22,273	(2,311)	883	1,869	(495)	51,547	(415)	73,351
Profit for the period	-	-	-	-	-	15,660	(1,493)	14,167
<u>Other comprehensive income</u>								
Foreign currency translation	-	-	-	-	130	-	-	130
Share of other reserve of associate	-	-	-	320	-	-	-	320
Other comprehensive income for the period, net of tax	-	-	-	320	130	-	-	450
Total comprehensive income for the period	-	-	-	320	130	15,660	(1,493)	14,617
<u>Distributions to and contributions by owners</u>								
Dividends	-	-	-	-	-	(13,997)	-	(13,997)
Share-based payments	-	-	101	-	-	-	-	101
Ordinary shares issued upon vesting of performance shares	165	-	(165)	-	-	-	-	-
<u>Changes in ownership interests in subsidiary</u>								
Acquisition of non-controlling interests without a change in control	-	-	-	(9)	-	(46)	55	-
Balance at 30 June 2019	22,438	(2,311)	819	2,180	(365)	53,164	(1,853)	74,072

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.

The Company (Unaudited)	Attributable to owners of the Company			
	Share capital \$'000	Share-based payments reserve \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 January 2020	22,438	938	28,552	51,928
Profit for the period, representing total comprehensive income for the period	-	-	2,342	2,342
<u>Distributions to and contributions by owners</u>				
Dividends ⁽¹⁾	-	-	(17,134)	(17,134)
Share-based payments	-	1,741	-	1,741
Ordinary shares issued upon vesting of performance shares	1,467	(1,467)	-	-
Balance at 30 June 2020	23,905	1,212	13,760	38,877
Balance at 1 January 2019	22,273	883	19,985	43,141
Profit for the period, representing total comprehensive income for the period	-	-	11,705	11,705
<u>Distributions to and contributions by owners</u>				
Dividends	-	-	(13,997)	(13,997)
Share-based payments	-	101	-	101
Ordinary shares issued upon vesting of performance shares	165	(165)	-	-
Balance at 30 June 2019	22,438	819	17,693	40,950

Note:-

⁽¹⁾ The final dividend paid to shareholders and the proposed final dividend (as previously disclosed in the full year financial statement announcement and annual report for the financial year ended 31 December 2019) was \$17,134,000 and \$17,089,000 respectively. The difference of \$45,000 between the final dividend paid and the proposed final dividend to be paid to shareholders arose due to the dividends paid on the 3,465,423 ordinary shares issued on 13 March 2020. These newly allotted ordinary shares were eligible for the final dividend which was paid on 11 May 2020. Please refer to note 1(d)(ii) for more details on this allotment.

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.

	Number of ordinary shares
As at 31 December 2019	1,314,501,723
Performance shares issued*	3,553,056
As at 30 June 2020	<u>1,318,054,779</u>

* A total of 3,553,056 new ordinary shares were issued during the period as a result of the following:

- 3,465,423 new ordinary shares have been allotted and issued on 13 March 2020 pursuant to the immediate vesting of performance shares awarded to Category A employees of the Group; and
- 87,633 new ordinary shares have been allotted and issued on 11 May 2020 pursuant to the vesting of the second tranche of performance shares awarded on 11 May 2017.

As at 30 June 2020 and 30 June 2019, there were no treasury shares held by the Company and there were no 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.

	Number of ordinary shares	
	30/06/2020	31/12/2019
Total number of issued shares	<u>1,318,054,779</u>	<u>1,314,501,723</u>

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.

There were no shares held as treasury shares as at 30 June 2020 and 31 December 2019.

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.

There were no subsidiary holdings.

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 our 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 for the adoption of the Amendments to SFRS(I)s applicable for the financial period beginning on or after 1 January 2020, the same accounting policies and methods of computation have been applied. The adoption of the Amendments to SFRS(I)s did not have any material effect on the financial performance or position of the Group and the Company.

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 amendments to the standards which are effective for the financial period beginning on or after 1 January 2020. The adoption of the Amendments to SFRS(I)s did not have any effect on the financial performance or position of the Group and the Company.

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.

The Group	1H 2020 (Unaudited)	1H 2019 (Unaudited)
Profit attributable to owners of the Company (\$'000)	10,695	15,660
Weighted average number of ordinary shares used in the computation of basic earnings per share	1,316,620,766	1,314,342,016
Basic earnings per share (cents)	0.81	1.19
Weighted average number of ordinary shares used in the computation of diluted earnings per share	1,321,929,740	1,314,743,809
Diluted earnings per share (cents)	0.81	1.19

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	
	30/06/2020 (Unaudited)	31/12/2019 (Audited)	30/06/2020 (Unaudited)	31/12/2019 (Audited)
Net asset value attributable to owners of the Company (\$'000)	78,290	83,105	38,877	51,928
Net asset value per ordinary share at end of the financial period (cents)	5.94 ⁽¹⁾	6.32 ⁽²⁾	2.95 ⁽¹⁾	3.95 ⁽²⁾

⁽¹⁾The calculation of net asset value per ordinary share was based on 1,318,504,779 shares as at 30 June 2020.

⁽²⁾The calculation of net asset value per ordinary share was based on 1,314,501,723 shares as at 31 December 2019.

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.**

Performance Review

Revenue

The Group's revenue for 1H 2020 was \$30.68 million, a decrease of \$4.79 million or 13.5% from \$35.47 million in 1H 2019. The decrease was due to the Coronavirus disease ("COVID-19") pandemic which led to a decrease in the number of patient visits compared to the same corresponding period last year.

Other items of income

Interest income

Interest income decreased by \$0.07 million or 13.3% from \$0.57 million in 1H 2019 to \$0.50 million in 1H 2020. The decrease was mainly due to the lower interest rates on fixed deposits.

Other income

The Group's other income comprised government-paid childcare and paternity leave, government grant under Special Employment Credit, Wage Credit Scheme and Jobs Support Scheme ("JSS") as well as rebates for foreign worker levy and rental waivers.

Other income increased by \$0.80 million or 2178.4% from \$0.04 million in 1H 2019 to \$0.84 million in 1H 2020. The increase was mainly due to the JSS government grant introduced at Budget 2020.

Performance Review (cont'd)

Other items of expense

Employee benefits expense

Employee benefits expense comprised remuneration paid to doctors, nurses as well as other support staff. These included salaries and wages, allowances, CPF contributions, bonuses and staff benefits.

Employee benefits increased by \$0.15 million or 1.2% from \$12.79 million in 1H 2019 to \$12.94 million in 1H 2020. The increase was mainly due to increase in headcounts arising from the Group's operations in China and increase in staff salaries.

Share-based payments expenses

Share-based payments to employees related mainly to:

- Options that were granted on 11 May 2017 and 10 May 2019 under the Company's employee share option scheme; and
- Performance shares that were granted on 11 May 2017 and 13 March 2020 under the Company's performance share plan.

It increased by \$1.64 million or 1623.8% from \$0.10 million in 1H 2019 to \$1.74 million in 1H 2020. The increase was mainly due to the recognition of share-based payments expenses for the performance shares awarded to certain eligible employees of the Group on 13 March 2020.

Operating lease expense

Operating lease expense increased by \$0.01 million or 91.7% from \$0.01 million in 1H 2019 to \$0.02 million in 1H 2020. The increase was due to the short-term lease of a subsidiary, CellVec Pte. Ltd. ("**CellVec**").

Depreciation of right-of-use assets

The Group recorded depreciation of right-of-use assets of \$0.97 million in 1H 2020, a decrease of \$0.02 million or 2.1% from \$0.99 million in 1H 2019.

Finance costs

Finance costs mainly related to unwinding of discount adjustment of loans to subsidiaries and lease liabilities. Finance costs increased by \$0.03 million or 19.6% from \$0.18 million in 1H 2019 to \$0.21 million in 1H 2020 mainly due to the increase in finance costs on lease liabilities.

Performance Review (cont'd)

Other items of expense (cont'd)

Other operating expenses

Other operating expenses comprised mainly professional and consultancy fees, directors' fees, donation made, advertising and marketing expenses, utilities expenses, repair and maintenance costs as well as laboratory consumables and services fees.

Other operating expenses decreased by \$0.26 million or 9.5% from \$2.82 million in 1H 2019 to \$2.56 million in 1H 2020. This decrease was mainly due to the lower expenses, such as professional and consultancy fees, advertising and marketing expenses and overseas travel expenses, incurred by the Group.

Share of results of associate

The Group's share of loss after tax of its associate, Hong Kong Integrated Oncology Centre Holdings Limited was \$0.95 million in 1H 2020. This was an increase of \$0.46 million or 94.1% as compared to \$0.49 million in 1H 2019. The increase was due to the COVID-19 pandemic which led to a decrease in the number of patient visits and treatments compared to the same corresponding period last year.

Income tax expense

Income tax expense decreased by \$0.91 million or 24.0% from \$3.80 million in 1H 2019 to \$2.89 million in 1H 2020 due to lower profits in 1H 2020. The effective tax rate for 1H 2020 was 24.3% as compared to 21.2% in 1H 2019.

Profit after tax

The Group recorded profit after tax of \$9.01 million in 1H 2020 as compared to \$14.17 million in 1H 2019, a decrease of \$5.16 million or 36.4%. This was mainly due to a decrease in revenue and increase in share-based payments expense as well as share of loss of its associate, partially offset by a decrease in other operating expenses and lower income tax expenses.

Review of the Group's Financial Position

Non-current assets

The Group's non-current assets comprised plant and equipment, right-of-use assets, investment in associate and prepaid operating expenses. Non-current assets decreased by \$2.02 million which was attributable to the following:

- Decrease in the carrying amount of plant and equipment of \$0.52 million;
- Decrease in right-of-use assets of \$0.35 million; and
- Decrease in the carrying amount of investment in associate of \$1.15 million which arose mainly from the share of loss for 1H 2020.

The Board wishes to inform shareholders that as a result of the adverse impact of COVID-19 on the cell and gene therapy industry, the outlook for lentivirus sales is expected to be poor in the short and medium term as demand from non COVID-19 research wanes. In view of this, the Company has decided to impair its investment in and loans to subsidiaries involved. The impairment loss, amounting to \$6.40 million in aggregate, has no impact on the Group's net profit and financial position for 1H 2020.

Review of the Group's Financial Position (cont'd)

Current assets

Current assets comprised inventories, prepaid operating expenses, trade and other receivables and cash and short-term deposits. Current assets decreased by \$1.79 million which was attributable to the decrease in trade and other receivables of \$2.39 million, offset by an increase in inventories of \$0.11 million, prepaid operating expenses of \$0.27 million and cash and short-term deposits of \$0.22 million.

The decrease in trade and other receivables was mainly attributable to the decrease in revenue.

Current liabilities

Current liabilities comprised trade and other payables, other liabilities, lease liabilities and income tax payable. Current liabilities increased by \$2.99 million. Trade and other payables increased by \$0.64 million mainly due to higher trade payables. Other liabilities increased by \$0.74 million due to the increase in deferred revenue arising from the JSS government grant. Lease liabilities increased by \$0.15 million. Income tax payable increased by \$1.46 million due to the income tax provision in respect of the half year ended 30 June 2020 offset by the payment of income tax for the financial year ended 31 December 2019.

Non-current liabilities

Non-current liabilities comprised other liabilities, lease liabilities and loans from non-controlling shareholder to subsidiaries. Non-current liabilities decreased by \$0.33 million mainly due to a decrease in lease liabilities of \$0.48 million, offset by an increase in other liabilities of \$0.01 million and an increase in loans from a non-controlling shareholder to subsidiaries of \$0.14 million (due to the unwinding of discount adjustment of loans from a non-controlling shareholder to subsidiaries).

Equity attributable to owners of the Company

The decrease was mainly attributable to final dividends paid to shareholders in respect of the financial year ended 31 December 2019, offset by profits earned during the year.

Non-controlling interests

This related to the:-

- (i) 40%, 46%⁽¹⁾ and 64%⁽²⁾ non-controlling interests' share in the net equity of Stem Med Pte. Ltd. ("**Stem Med**"), Stem Med Indonesia Pte. Ltd. ("**SMI**") and DrSG Cellular Wellness Pte. Ltd. ("**DrSG**") respectively;
- (ii) 43% non-controlling interests' share in the net equity of CellVec⁽³⁾; and
- (iii) 40% non-controlling interests' share in the net equity of Sino-Singapore Hospital Management (Chongqing) Co., Ltd. ("**SSHM**").

Note:-

- (1) Stem Med owns 90% of SMI. By virtue of the Company's 60% interest in Stem Med, the Company effectively owns 54% of SMI and the remaining 46% falls within the definition of non-controlling interests.
- (2) Stem Med owns 60% of DrSG. By virtue of the Company's 60% interest in Stem Med, the Company effectively owns 36% of DrSG and the remaining 64% falls within the definition of non-controlling interests.
- (3) Subsequent to 30 June 2020, the Company's shareholding in CellVec increased from 57% to 59.999% due to the allotment of shares pursuant to the capitalisation of loans by the Company to CellVec, and consequently, the non-controlling interests decreased from 43% to 40.001%.

Review of the Group's Cash Flows

Operating activities

Net cash flows from operating activities amounted to \$18.50 million. This comprised operating cash flows before changes in working capital of \$16.11 million, net changes in working capital of \$3.32 million and interest received of \$0.57 million, less interest paid on lease liabilities of \$0.07 million and income tax paid of \$1.43 million.

The net decrease in working capital of \$3.32 million was mainly due to the following:

- Decrease in trade and other receivables of \$2.32 million;
- Increase in trade and other payables of \$0.64 million; and
- Increase in other liabilities of \$0.74 million.

These were partially offset by the following:

- Increase in inventories of \$0.11 million; and
- Increase in prepaid operating expenses of \$0.28 million.

Investing activities

Net cash flows used in investing activities of \$0.20 million was mainly attributable to the purchase of plant and equipment by subsidiaries SSHM and TalkMed Hospital Management (Beijing) Co., Ltd.

Financing activities

Net cash flows used in financing activities amounted to \$18.08 million. This was attributable to the payment of final dividends of \$17.13 million to shareholders in respect of the financial year ended 31 December 2019 and the payment for principal portion of lease liabilities of \$0.95 million.

Net increase in cash and cash equivalents

The above resulted in a net increase in cash and cash equivalents of \$0.22 million for 1H 2020. Cash and cash equivalents totalled \$80.91 million as at 30 June 2020.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

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.

In Singapore, as a large number of our patients come from the Southeast Asian region, travel restrictions that have been put in place by the Singapore government to tackle the COVID-19 situation continue to affect our patient numbers at our centres. The adverse impact of COVID-19 on the cell and gene therapy industry has also led the Company to impair its investment in and loans to subsidiaries involved (please refer to Note 8 for more details).

The COVID-19 pandemic has also affected the patient numbers of our Hong Kong centres. With a recent spike in the number of cases and new measures being re-imposed by the Hong Kong government to tackle the situation, the COVID-19 situation in Hong Kong continues to evolve.

Hence, the full extent of the COVID-19 situation on our operations in Singapore and Hong Kong for the financial year ending 31 December 2020 cannot be ascertained at this point.

The Company will continue to monitor the COVID-19 situation closely and the Board will provide further updates as and when any material developments arise.

11. If a decision regarding dividend has been made, the required information has been disclosed.

(a) Any dividend declared or recommended for the current financial period reported on

No dividend has been declared or recommended for the current reporting period.

(b) Any dividend declared for the corresponding period of the immediately preceding financial year

Yes.

Name of dividend	Interim dividend
Dividend type	Cash
Dividend rate	\$0.01 per ordinary share
Tax rate	Tax exempt (one-tier)

(c) The date the dividend is payable

Not applicable.

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

Not applicable.

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

The Board has decided that, in view of the present uncertainty in the market outlook and business environment, it would be prudent not to declare a dividend for the current financial period.

- 13. If the Group has obtained a general mandate from the 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 does not have a general mandate from its shareholders for Interested Person Transactions pursuant to Rule 920(1)(a)(ii).

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

TalkMed Group Limited confirms that undertakings under Rule 720(1) have been obtained from all directors and executive officers in the format set out in form Appendix 7H.

- 15. Confirmation pursuant to Rule 705(5)**

The Board of Directors hereby confirms that to the best of their knowledge, nothing has come to their attention which may render the unaudited interim financial statements of the Group and the Company for the period ended 30 June 2020 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Ang Peng Tiam
Chief Executive Officer
6 August 2020

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Hong Leong Finance Limited. It has not been examined or approved by the Exchange and the Exchange 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 Mr Kaeson Chui, Vice President, at 16 Raffles Quay, #01-05 Hong Leong Building, Singapore 048581. Telephone number: (65) 6415 9886