



TALKMED GROUP LIMITED
(Company Registration No. 201324565Z)

FINANCIAL STATEMENT ANNOUNCEMENT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

PART I - 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.

1(a) The Directors (or the “**Board**”) 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 third quarter and the nine months ended 30 September 2020 (“**Q3 2020**” and “**YTD 2020**” respectively). The comparative periods in this announcement are the third quarter and the nine months ended 30 September 2019 (“**Q3 2019**” and “**YTD 2019**” respectively).

The Group	Q3 2020 \$'000 (Unaudited)	Q3 2019 \$'000 (Unaudited)	Increase / (Decrease) %	YTD 2020 \$'000 (Unaudited)	YTD 2019 \$'000 (Unaudited)	Increase / (Decrease) %
Revenue	14,118	18,350	(23.1%)	44,793	53,816	(16.8%)
Other items of income						
Interest income	140	382	(63.4%)	635	953	(33.4%)
Other income	533	28	1803.6%	1,376	65	2016.9%
Other items of expense						
Employee benefits expense	(6,422)	(6,066)	5.9%	(19,365)	(18,853)	2.7%
Share-based payments expense	(183)	(139)	31.7%	(1,924)	(240)	701.7%
Operating lease expense	(10)	(15)	(33.3%)	(33)	(27)	22.2%
Depreciation of right-of-use assets	(603)	(488)	23.6%	(1,569)	(1,475)	6.4%
Depreciation of plant and equipment	(348)	(375)	(7.2%)	(1,071)	(1,100)	(2.6%)
Finance costs	(182)	(108)	68.5%	(396)	(287)	38.0%
Other operating expenses	(944)	(1,408)	(33.0%)	(3,500)	(4,232)	(17.3%)
Share of results of associate	(164)	(309)	(46.9%)	(1,117)	(800)	39.6%
Profit before tax	5,935	9,852	(39.8%)	17,829	27,820	(35.9%)
Income tax expense	(1,315)	(2,065)	(36.3%)	(4,204)	(5,866)	(28.3%)
Profit for the period	4,620	7,787	(40.7%)	13,625	21,954	(37.9%)

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 third quarter and the nine months ended 30 September 2020 (“**Q3 2020**” and “**YTD 2020**” respectively). The comparative periods in this announcement are the third quarter and the nine months ended 30 September 2019 (“**Q3 2019**” and “**YTD 2019**” respectively).

The Group	Q3 2020 \$'000 (Unaudited)	Q3 2019 \$'000 (Unaudited)	Increase / (Decrease) %	YTD 2020 \$'000 (Unaudited)	YTD 2019 \$'000 (Unaudited)	Increase / (Decrease) %
Attributable to:						
Owners of the Company	5,177	8,514	(39.2%)	15,872	24,174	(34.3%)
Non-controlling interests	(557)	(727)	(23.4%)	(2,247)	(2,220)	1.2%
Profit for the period	4,620	7,787	(40.7%)	13,625	21,954	(37.9%)
Other comprehensive income: Items that may be reclassified subsequently to profit or loss						
Foreign currency translation	344	50	588.0%	559	180	210.6%
Share of other reserve of associate	549	78	603.8%	549	398	37.9%
Other comprehensive income for the period, net of tax	893	128	597.7%	1,108	578	91.7%
Total comprehensive income for the period	5,513	7,915	(30.3%)	14,733	22,532	(34.6%)
Attributable to:						
Owners of the Company	5,999	8,642	(30.6%)	16,870	24,752	(31.8%)
Non-controlling interests	(486)	(727)	(33.1%)	(2,137)	(2,220)	(3.7%)
Total comprehensive income for the period	5,513	7,915	(30.3%)	14,733	22,532	(34.6%)

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	
	30/09/2020 \$'000 (Unaudited)	31/12/2019 \$'000 (Audited)	30/09/2020 \$'000 (Unaudited)	31/12/2019 \$'000 (Audited)
ASSETS				
Non-current assets				
Plant and equipment	4,857	4,891	-	-
Right-of-use assets	4,660	3,848	-	-
Investment in subsidiaries	-	-	22,896	14,508
Investment in associate	2,226	2,887	11,399	11,399
Loans to subsidiaries	-	-	2,195	8,056
Prepaid operating expenses	34	18	-	-
	11,777	11,644	36,490	33,963
Current assets				
Inventories	963	856	-	-
Prepaid operating expenses	873	610	31	24
Trade and other receivables	7,312	12,267	3,208	17,118
Cash and short-term deposits	90,795	80,698	606	1,037
	99,943	94,431	3,845	18,179
Total assets	111,720	106,075	40,335	52,142
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	1,782	3,034	12	60
Other liabilities	5,397	3,412	134	154
Lease liabilities	1,945	1,774	-	-
Income tax payable	9,196	8,548	-	-
	18,320	16,768	146	214
Net current assets	81,623	77,663	3,699	17,965
Non-current liabilities				
Other liabilities	164	126	-	-
Lease liabilities	2,970	2,119	-	-
Loans from non-controlling shareholder to subsidiaries	5,585	5,371	-	-
	8,719	7,616	-	-
Total liabilities	27,039	24,384	146	214
Net assets	84,681	81,691	40,189	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	
	30/09/2020 \$'000 (Unaudited)	31/12/2019 \$'000 (Audited)	30/09/2020 \$'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	1,395	938	1,395	938
Other reserve	2,807	2,258	-	-
Foreign currency translation reserve	159	(290)	-	-
Retained earnings	58,211	60,072	14,889	28,552
	84,166	83,105	40,189	51,928
Non-controlling interests	515	(1,414)	-	-
Total equity	84,681	81,691	40,189	51,928
Total equity and liabilities	111,720	106,075	40,335	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	Q3 2020	Q3 2019	YTD 2020	YTD 2019
	\$'000	\$'000	\$'000	\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating Activities				
Profit before tax	5,935	9,852	17,829	27,820
<u>Adjustments for:</u>				
Depreciation of plant and equipment	348	375	1,071	1,100
Depreciation of right-of-use assets	603	488	1,569	1,475
Share-based payments expense	183	139	1,924	240
Finance costs on unwinding of discount adjustment of loans to subsidiaries	71	68	214	204
Finance costs on lease liabilities	111	40	182	83
Interest income	(140)	(382)	(635)	(953)
Share of results of associate	164	309	1,117	800
Currency re-alignment	244	-	359	-
Operating cash flows before changes in working capital	7,519	10,889	23,630	30,769
Changes in working capital				
Decrease/(increase) in inventories	1	(141)	(107)	(559)
(Increase)/decrease in prepaid operating expenses	(1)	51	(279)	150
Decrease in trade and other receivables	2,566	992	4,882	1,537
(Decrease)/increase in trade and other payables	(1,895)	780	(1,252)	1,027
Increase in other liabilities	1,280	389	2,023	353
Total changes in working capital	1,951	2,071	5,267	2,508
Cash flows generated from operations	9,470	12,960	28,897	33,277
Interest received	140	382	708	1,156
Interest paid on lease liabilities	(111)	(40)	(182)	(83)
Income tax paid	(2,127)	(2,539)	(3,556)	(5,935)
Net cash flows generated from operating activities	7,372	10,763	25,867	28,415
Investing Activities				
Purchase of plant and equipment	(838)	(46)	(1,037)	(2,092)
Proceeds from return of capital from associate	-	-	-	125
Net cash flows used in investing activities	(838)	(46)	(1,037)	(1,967)
Financing Activities				
Dividends paid on ordinary shares	-	(13,145)	(17,134) ⁽¹⁾	(27,142)
Payment for principal portion of lease liabilities	(413)	(472)	(1,359)	(1,445)
Proceeds from issuance of shares by subsidiaries to non-controlling shareholders	3,760	-	3,760	-
Net cash flows generated from/(used in) financing activities	3,347	(13,617)	(14,733)	(28,587)
Net increase/(decrease) in cash and cash equivalents	9,881	(2,900)	10,097	(2,139)
Cash and cash equivalents at beginning of the period	80,914	74,754	80,698	73,993
Cash and cash equivalents at end of the period	90,795	71,854	90,795	71,854

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) were \$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. 3,465,423 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. These newly allotted ordinary shares were eligible for the final dividend which was paid on 11 May 2020.

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) were \$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. 3,465,423 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. These newly allotted ordinary shares were eligible for the final dividend which was paid on 11 May 2020.

⁽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 30 June 2020	23,905	(2,311)	1,212	2,258	(114)	53,340	(3,065)	75,225
Profit for the period	-	-	-	-	-	5,177	(557)	4,620
<u>Other comprehensive income</u>								
Foreign currency translation	-	-	-	-	273	-	71	344
Share of other reserve of associate	-	-	-	549	-	-	-	549
Other comprehensive income for the period, net of tax	-	-	-	549	273	-	71	893
Total comprehensive income for the period	-	-	-	549	273	5,177	(486)	5,513
<u>Contributions by owners</u>								
Share-based payments	-	-	183	-	-	-	-	183
Contribution of capital by non-controlling shareholders	-	-	-	-	-	-	3,760	3,760
<u>Changes in ownership interests in subsidiary</u>								
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	(306)	306	-
Balance at 30 September 2020	23,905	(2,311)	1,395	2,807	159	58,211	515	84,681

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 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 30 June 2019	22,438	(2,311)	819	2,180	(365)	53,164	(1,853)	74,072
Profit for the period	-	-	-	-	-	8,514	(727)	7,787
<u>Other comprehensive income</u>								
Foreign currency translation	-	-	-	-	50	-	-	50
Share of other reserve of associate	-	-	-	78	-	-	-	78
Other comprehensive income for the period, net of tax	-	-	-	78	50	-	-	128
Total comprehensive income for the period	-	-	-	78	50	8,514	(727)	7,915
<u>Distributions to and contributions by owners</u>								
Dividends	-	-	-	-	-	(13,145)	-	(13,145)
Share-based payments	-	-	139	-	-	-	-	139
<u>Changes in ownership interests in subsidiary</u>								
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	(38)	38	-
Balance at 30 September 2019	22,438	(2,311)	958	2,258	(315)	48,495	(2,542)	68,981

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
Profit for the period, representing total comprehensive income for the period	-	-	1,129	1,129
<u>Contributions by owners</u>				
Share-based payments	-	183	-	183
Balance at 30 September 2020	23,905	1,395	14,889	40,189

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. 3,465,423 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. These newly allotted ordinary shares were eligible for the final dividend which was paid on 11 May 2020.

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 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
Profit for the period, representing total comprehensive income for the period	-	-	9,007	9,007
<u>Distributions to and contributions by owners</u>				
Dividends	-	-	(13,145)	(13,145)
Share-based payments	-	139	-	139
Balance at 30 September 2019	22,438	958	13,555	36,951

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.

There are no changes in the Company's share capital since 30 June 2020. As at 30 September 2020 and 30 September 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	
	30/09/2020	31/12/2019
Total number of issued shares	1,318,054,779	1,314,501,723

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 September 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	Q3 2020 (Unaudited)	Q3 2019 (Unaudited)	YTD 2020 (Unaudited)	YTD 2019 (Unaudited)
Profit attributable to owners of the Company (\$'000)	5,177	8,514	15,872	24,174
Weighted average number of ordinary shares used in the computation of basic earnings per share	1,318,054,779	1,314,501,723	1,317,102,259	1,314,395,837
Basic earnings per share (cents)	0.39	0.65	1.21	1.84
Weighted average number of ordinary shares used in the computation of diluted earnings per share	1,326,676,993	1,314,711,285	1,323,523,708	1,314,732,849
Diluted earnings per share (cents)	0.39	0.65	1.20	1.84

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	
	30/09/2020 (Unaudited)	31/12/2019 (Audited)	30/09/2020 (Unaudited)	31/12/2019 (Audited)
Net asset value attributable to owners of the Company (\$'000)	84,166	83,105	40,189	51,928
Net asset value per ordinary share at end of the financial period (cents)	6.39 ⁽¹⁾	6.32 ⁽²⁾	3.05 ⁽¹⁾	3.95 ⁽²⁾

⁽¹⁾The calculation of net asset value per ordinary share was based on 1,318,054,779 shares as at 30 September 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 Q3 2020 was \$14.12 million, a decrease of \$4.23 million or 23.1% from \$18.35 million in Q3 2019. The decrease was due to the 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 \$0.24 million or 63.4% from \$0.38 million in Q3 2019 to \$0.14 million in Q3 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 leave, government grant under Special Employment Credit, Wage Credit Scheme and Jobs Support Scheme ("**JSS**") as well as rental waivers.

Other income increased by some \$0.51 million or 1803.6% from \$0.03 million in Q3 2019 to \$0.53 million in Q3 2020. The increase was mainly due to the JSS government grant and rental waivers introduced at Budget 2020.

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 some \$0.36 million or 5.9% from \$6.07 million in Q3 2019 to \$6.42 million in Q3 2020. The increase was mainly due to increase in headcounts arising from the Group's operations in China.

Performance Review (cont'd)

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 \$0.04 million or 31.7% from \$0.14 million in Q3 2019 to \$0.18 million in Q3 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.

Depreciation of right-of-use assets

The Group recorded depreciation of right-of-use assets of \$0.60 million in Q3 2020, an increase of some \$0.12 million or 23.6% from \$0.49 million in Q3 2019.

Depreciation of plant and equipment

The Group recorded depreciation of plant and equipment of \$0.35 million in Q3 2020, a decrease of \$0.03 million or 7.2% from \$0.38 million in Q3 2019.

Finance costs

Finance costs mainly related to unwinding of discount adjustment of loans to subsidiaries and lease liabilities. Finance costs increased by \$0.07 million or 68.5% from \$0.11 million in Q3 2019 to \$0.18 million in Q3 2020 mainly due to the increase in finance costs on lease liabilities.

Other operating expenses

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

Other operating expenses decreased by some \$0.46 million or 33.0% from \$1.41 million in Q3 2019 to \$0.94 million in Q3 2020. This decrease was mainly due to the lower expenses, such as professional and consultancy fees, repair and maintenance costs, laboratory consumables and services fees 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 \$0.16 million in Q3 2020. This was a decrease of \$0.15 million or 46.9% as compared to \$0.31 million in Q3 2019.

Performance Review (cont'd)

Income tax expense

Income tax expense decreased by \$0.75 million or 36.3% from \$2.07 million in Q3 2019 to \$1.32 million in Q3 2020 due to lower profits in Q3 2020. The effective tax rate for Q3 2020 was 22.2% as compared to 21.0% in Q3 2019.

Profit after tax

The Group recorded profit after tax of \$4.62 million in Q3 2020 as compared to \$7.79 million in Q3 2019, a decrease of \$3.17 million or 40.7%. This was mainly due to a decrease in revenue as well as interest income and an increase in employee benefits expense, partially offset by an increase in other income, a decrease in share of loss of its associate as well as other operating expenses and lower income tax expense.

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 increased by some \$0.13 million which was attributable to the following:

- Increase in right-of-use assets of \$0.81 million; and
- Increase in prepaid operating expenses of \$0.02 million.

These were partially offset by the following:

- Decrease in the carrying amount of plant and equipment of \$0.03 million; and
- Decrease in the carrying amount of investment in associate of \$0.66 million which arose mainly from the share of loss for YTD 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 had impaired its investment in and loans to subsidiaries involved in the half-year ended 30 June 2020. The impairment loss, amounting to \$6.40 million in aggregate, had no impact on the Group's net profit and financial position for Q3 2020 and YTD 2020.

Current assets

Current assets comprised inventories, prepaid operating expenses, trade and other receivables and cash and short-term deposits. Current assets increased by \$5.51 million which was attributable to the following:

- Increase in inventories of \$0.11 million;
- Increase in prepaid operating expenses of \$0.26 million; and
- Increase in cash and short-term deposits of \$10.10 million.

These were partially offset by the decrease in trade and other receivables of \$4.96 million.

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

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

Current liabilities

Current liabilities comprised trade and other payables, other liabilities, lease liabilities and income tax payable. Current liabilities increased by some \$1.55 million. Other liabilities increased by \$1.99 million mainly due to the increase in deferred revenue arising from the JSS government grant. Lease liabilities increased by \$0.17 million. Income tax payable increased by \$0.65 million due to the income tax provision in respect of the first three quarters for the financial year ending 31 December 2020. Trade and other payables decreased by \$1.25 million mainly due to the capitalisation of loans made by a non-controlling shareholder to CellVec in July 2020.

Non-current liabilities

Non-current liabilities comprised other liabilities, lease liabilities and loans from non-controlling shareholder to subsidiaries. Non-current liabilities increased by \$1.10 million mainly due to the following:

- Increase in lease liabilities of \$0.85 million;
- Increase in other liabilities of \$0.04 million; and
- Increase in loans from a non-controlling shareholder to subsidiaries of \$0.21 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 increase was mainly attributable to profits earned during the period, offset by the final dividends paid to shareholders in respect of financial year ended 31 December 2019.

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) 40% 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. Stem Med and the other investment partner, A DrBrand Pte. Ltd., have mutually agreed to end their collaboration on 10 November 2020. Please refer to note 16 for more details on this termination.
- (3) Due to the allotment of shares pursuant to the capitalisation of loans by the Company to CellVec in July 2020 and further capital injection made by the Company in CellVec in August 2020, the Company's shareholding in CellVec increased from 57% to 59.9995% and consequently, the non-controlling interests decreased from 43% to 40.0005%. Subsequent to 30 September 2020, the Company's shareholding in CellVec increased from 59.9995% to 60% pursuant to the purchase of shares from one of the non-controlling shareholders of CellVec. As a result, the non-controlling interests decreased from 40.0005% to 40%.

Review of the Group's Cash Flows

Operating activities

Net cash flows from operating activities amounted to \$7.37 million. This comprised operating cash flows before changes in working capital of \$7.52 million, net changes in working capital of \$1.95 million and interest received of \$0.14 million, less interest paid on lease liabilities of \$0.11 million and income tax paid of \$2.13 million.

The net decrease in working capital of \$1.95 million was mainly due to the following:

- Decrease in trade and other receivables of \$2.57 million; and
- Increase in other liabilities of \$1.28 million.

These were partially offset by the decrease in trade and other payables of \$1.90 million.

Investing activities

Net cash flows used in investing activities of \$0.84 million was mainly attributable to the purchase of plant and equipment by subsidiaries, SSHM and Beijing Deyi Shanshui Clinic Pte. Ltd.⁽¹⁾.

Financing activities

Net cash flows generated from financing activities amounted to \$3.35 million. This was attributable to the proceeds of \$3.76 million from the issuance of shares by CellVec and SSHM to their respective non-controlling shareholders which was partially offset by the payment for principal portion of lease liabilities of \$0.41 million.

Net increase in cash and cash equivalents

The above resulted in a net increase in cash and cash equivalents of \$9.88 million for Q3 2020. Cash and cash equivalents totalled \$90.80 million as at 30 September 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.

Note:-

⁽¹⁾ Beijing Deyi Shanshui Clinic Pte. Ltd. is a wholly-owned subsidiary of Beijing Yachuang Siwei Investment Management Co., Ltd. ("Yachuang"). Yachuang was acquired by TalkMed China Pte. Ltd., a wholly-owned subsidiary of the Company, which was announced on 17 February 2020.

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.

The COVID-19 pandemic has adversely affected the patient numbers of our Singapore and Hong Kong centres. The negative 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 situation in Singapore and Hong Kong has stabilised in recent months and travel restrictions are gradually being lifted.

While the Group is cautiously optimistic about the prospects of patients returning to centres in Singapore and Hong Kong, the Group is expected to report lower full year revenue and profits for the financial year ending 31 December 2020.

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

Yes, the Board has declared an interim cash dividend in respect of the financial year ending 31 December 2020 as follows:

Name of dividend	Interim dividend
Dividend type	Cash
Dividend rate	\$0.006 per ordinary share
Tax rate	Tax exempt (one-tier)

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

No.

(c) The date the dividend is payable

Dividend will be paid on 25 November 2020.

(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.

The Share Transfer Books and Register of Members of the Company will be closed at 5:00 p.m. on 18 November 2020 for the purpose of determining entitlements of ordinary shareholders to the tax exempt (one-tier) interim dividend in respect of the financial year ending 31 December 2020.

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

Not applicable.

13. **If the Group has obtained a general mandate from 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 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 September 2020 to be false or misleading in any material aspect.

PART II – ADDITIONAL INFORMATION

16. **Termination of Collaboration between Stem Med and A DrBrand Pte. Ltd.**

The Board refers to the Company's announcement made on 7 October 2017 in relation to the incorporation of DrSG Cellular Wellness Pte. Ltd. ("**Subsidiary**") by its subsidiary, Stem Med⁽¹⁾, and the other investment partner, A DrBrand Pte. Ltd. ("**ADB**").

The paid up capital of the Subsidiary at incorporation was \$100 and no further investment was made thereafter. As at the date of this announcement, the Subsidiary is in a net liability position of \$236.

As the Subsidiary has been dormant since its incorporation, Stem Med and ADB have mutually agreed to end their collaboration by a termination agreement dated 10 November 2020 ("**Termination**"). The Termination is not expected to have any material impact on the consolidated net tangible assets per share and earnings per share of the Group for the current financial year ending 31 December 2020.

⁽¹⁾ The Company has a 60% equity interest in Stem Med while the remaining 40% equity interest is owned by StemCord Pte. Ltd. ("**StemCord**"). Save for Dr Ang Peng Tiam, an Executive Director, Chief Executive Officer and a controlling shareholder of the Company, and Dr Teo Cheng Peng, a substantial shareholder of the Company, who are also directors and substantial shareholders of StemCord, holding 17.35% and 35.66% interests respectively in StemCord, none of the other Directors, controlling shareholders or other substantial shareholders of the Company has any interest, direct or indirect, in Stem Med.

PART II – ADDITIONAL INFORMATION (CONTINUED)

17. Disclosure pursuant to Rule 704(24)

This announcement is made in compliance with Rule 704(24) of the Listing Manual Section B: Rules of Catalist of Singapore Exchange Securities Trading Limited, which requires an announcement of dividends to be accompanied by the financial statements for the relevant quarter, half year or financial year. The Company intends to declare an interim cash dividend in respect of the financial year ending 31 December 2020 as set out in Note 11 of this announcement (“**Q3 2020 Announcement**”).

Notwithstanding the Company’s release of this Q3 2020 Announcement, the Company will hereafter continue to announce the Group’s financial statements on a half-yearly basis but will observe disclosure requirements as and when the Group has material developments, as announced by the Company on 10 March 2020.

BY ORDER OF THE BOARD

Ang Peng Tiam
Chief Executive Officer
10 November 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