

RepublicHealthcare

REPUBLIC HEALTHCARE LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8357



THIRD
QUARTERLY
REPORT
2019



CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE” AND THE “GEM”, RESPECTIVELY)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of this report.

*This report, for which the directors of Republic Healthcare Limited (the “**Company**”, together with its subsidiaries, the “**Group**” and the “**Directors**”, respectively) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this report misleading.*



CONTENTS

2019 Financial Highlights (Unaudited)	3
Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Unaudited Condensed Consolidated Statement of Changes in Equity	5
Notes to the Unaudited Condensed Consolidated Financials Statements	6
Management Discussion and Analysis	10
Corporate Governance and Other Information	14



2019 FINANCIAL HIGHLIGHTS (UNAUDITED)

The Group recorded a revenue of S\$9.8 million for the nine months ended 30 September 2019 (the “**Period**”), representing an increase of approximately 28.9% when compared with that of approximately S\$7.6 million for the corresponding period in 2018 (the “**Corresponding Period**”).

The gross profit of the Group for the Period was S\$6.9 million, representing an increase of approximately 35.3% when compared with that of approximately S\$5.1 million for the Corresponding Period.

The Group recorded a net profit after tax of approximately S\$1.3 million for the Period (net loss after tax of the Group of approximately S\$0.9 million for the Corresponding Period). Such change from net loss after tax to net profit after tax was mainly due to the one-off non-recurring listing expenses of approximately S\$2.4 million incurred in the Corresponding Period.

The board of Directors (the “**Board**”) has resolved not to declare the payment of a dividend for the Period (the Corresponding Period: Nil).

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2019

		Nine months ended 30 September	
	<i>Notes</i>	2019 (unaudited) S\$	2018 (unaudited) S\$
Revenue	3	9,780,985	7,606,621
Other income		58,730	150,813
Consumables and medical supplies used		(1,947,100)	(1,750,686)
Medical professional costs		(931,960)	(710,732)
Employee benefits expenses		(3,228,895)	(2,388,955)
Depreciation of plant and equipment		(269,925)	(310,581)
Listing expense		–	(2,380,319)
Other operating expenses		(1,855,428)	(1,080,499)
Profit/(loss) before income tax		1,606,407	(864,338)
Income tax expense	4	(334,847)	(3,227)
Profit/(loss) and total comprehensive income/(expense) attributable to owners of the Company for the period		1,271,560	(867,565)
Earnings/(loss) per share attributable to owners of the Company for the period (expressed in Singapore cent per share)	5		
Basic and diluted		0.28 cent	(0.19 cent)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2019

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Share Premium	Other reserves ^(Note)	Retained earnings	Total		
	S\$	S\$	S\$	S\$	S\$	S\$	S\$
As at 1 January 2018 (audited)	-	-	420,000	1,278,411	1,698,411	-	1,698,411
Comprehensive loss							
Loss for the period	-	-	-	(867,565)	(867,565)	-	(867,565)
Transactions with owners recognised directly in equity							
Issuance of new shares, net of transaction costs	224,138	11,382,835	-	-	11,606,973	-	11,606,973
Capitalisation of shares	672,414	(672,414)	-	-	-	-	-
Balance as at 30 September 2018 (unaudited)	896,552	10,710,421	420,000	410,846	12,437,819	-	12,437,819
As at 1 January 2019 (audited)	896,552	10,710,421	420,000	547,801	12,574,774	(160)	12,574,614
Comprehensive profit							
Profit for the period	-	-	-	1,271,560	1,271,560	-	1,271,560
Balance as at 30 September 2019 (unaudited)	896,552	10,710,421	420,000	1,819,361	13,846,334	(160)	13,846,174

Note:

Other reserves represented the combined share capital of Dtap @ Bencoolen Pte Ltd (formerly known as Straits Health Corp Pte Ltd), Dtap @ Holland V Pte Ltd (formerly known as Dtap @ Scotts Pte Ltd), Dtap @ Somerset Pte Ltd (formerly known as Brunel Clinics Pte Ltd), Republic Healthcare Pte Ltd, Republic Healthcare Holdings Pte Ltd and S Aesthetics Clinic Pte Ltd (formerly known as BM Aesthetics Pte Ltd) before the Reorganisation (as defined in Note 1.2 to the unaudited condensed consolidated financial statements of the Group for the Period (the "**Unaudited Condensed Consolidated Financial Statements**")).



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

1 General Information and Reorganisation

1.1 General information

The Company was incorporated in the Cayman Islands on 3 January 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the operating of medical clinics business in the Republic of Singapore ("**Singapore**") and the provision of management advisory services.

1.2 Pursuant to a group reorganisation to rationalise the structure of the Group (the "**Reorganisation**") in preparation of the listing of the Company's shares (the "**Shares**") in issue on GEM, the Company became the holding company of the Group. Details of the Reorganisation are set out in the section headed "History, Reorganisation and Group Structure" in the prospectus of the Company dated 1 June 2018 (the "**Prospectus**") and Note 1.2 to the Group's audited financial consolidated statements for the year ended 31 December 2018 (the "**Audited 2018 Consolidated Financial Statements**").

On 18 May 2018, the Company issued 389,999,900 new Shares through capitalisation of HK\$3,899,999 standing to the credit of the share premium account of the Company. Also, as a result of the share offer, 130,000,000 new Shares were issued at an offer price of HK\$0.60 per Share.

The Shares in issue were successfully listed on GEM on 15 June 2018 (the "**Listing**").



2 Basis of Presentation and Accounting Policies

2.1 Basis of preparation and significant accounting policies

The Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board and the applicable disclosure provisions of the GEM Listing Rules. The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Audited 2018 Consolidated Financial Statements. The accounting policies and methods of computation used in the Unaudited Condensed Consolidated Financial Statements are the same as those followed in the preparation of the Audited 2018 Consolidated Financial Statements.

All IFRSs effective for the accounting period commencing on 1 January 2019, together with the relevant transitional provisions, have been adopted by the Group in preparation of these Unaudited Condensed Consolidated Financial Statements. The adoption of these new/revised IFRSs does not result in changes to the Group’s accounting policies and has no material effect on the amounts reported for the current or prior period.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

These Unaudited Condensed Consolidated Financial Statements have been reviewed by the audit committee of the Board (the “**Audit Committee**”).

3 Revenue and segment results

Revenue represents the net amounts received and receivable for services rendered by the Group in the normal course of business to external customers. The following is an analysis of the Group's revenue from its major business activities:

	Nine months ended 30 September	
	2019 (unaudited) S\$	2018 (unaudited) S\$
Medical services		
Treatment services	5,753,490	4,899,188
Medical investigation services	3,040,290	1,848,500
Consultation services	987,205	790,145
	9,780,985	7,537,833
Others services <i>(Note)</i>	–	68,788
	9,780,985	7,606,621

Note: Other services mainly include the provision of medical and healthcare related advisory services.

4 Income tax expense

	Nine months ended 30 September	
	2019 (unaudited) S\$	2018 (unaudited) S\$
Current tax:		
Singapore profits tax	334,847	3,227

The Group is subjected to Singapore corporate tax rate of 17% on the estimated assessable profit for the Period.

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to income tax in the Cayman Islands.

5 Earnings/(loss) per share

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the number of ordinary Shares in issue during the Period.

	Nine months ended 30 September	
	2019 (unaudited) S\$	2018 (unaudited) S\$
Profit/(loss) attributable to owners of the Company	1,271,560	(867,565)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	460,876,000	460,876,000
Earnings/(loss) per share in Singapore cent	0.28	(0.19)

The calculation of the basic earnings/(loss) per share is based on the profit/(loss) for the period attributable to owners of the Company and the ordinary Shares in issue. The number of ordinary Shares for the purpose of basic earnings/(loss) per share for the Period and the Corresponding Period is based on the assumption that 390,000,000 ordinary Shares are in issue and issuable, as if the Reorganisation and capitalisation issue in respect of the Listing was effective on 1 January 2017.

(b) Diluted

The diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share due to the absence of potential dilutive ordinary Shares during the respective periods.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has been a primary healthcare services provider operating a network of general practice clinics under the brand “Dr. Tan & Partners” or “DTAP” in short, in Singapore since 2010. We provide treatment solutions for common medical conditions, with a focus on sexual health and infectious diseases. In addition, we also have a medical aesthetic clinic under the brand “S Aesthetics” (“SA”) which focuses on providing treatment solutions for common skin conditions and basic medical aesthetics services.

As at the date of this report, we operate (i) seven DTAP clinics, including the clinics at Robertson, Novena, Somerset, Bencoolen, Raffles Place, Holland Village and Siglap; and (ii) two SA clinics at Scotts Road. We will be operating an additional clinic at Bugis (currently in the midst of preparation for opening).

The net proceeds raised from the Listing (the “**Net Proceeds**”) amounting to approximately S\$9.1 million would facilitate the Group’s future expansion and business growth within Singapore.

Looking forward, the Group expects the business environment to continue to be challenging and competitive. We shall continue to manage the Group’s expenditure, particularly staff costs through upgrading and leveraging on technology to reduce labour intensity. We believe that we have built up our reputation over the years and shall tap on it to enable us to become a leading premium general practice clinic network in Singapore, delivering holistic care in a collaborative environment.

OUTLOOK AND PROSPECTS

Continued investments and keeping abreast of technological developments have helped in keeping the Group’s competitive edge, particularly with regard to the medical aesthetics field. The Group continues to see strong interests in demand in our sexual health and infectious diseases niche market in Singapore.

The Group believes that the numerous initiatives and continuation of current investment policies will enhance the overall competitive position in our operating environments and contribute to our success. Moving forward, the Group will leverage existing platforms and growth momentum to continue with the first 9 months success; as well as follow the Group’s policies in operation to strengthen its financial position.



FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately S\$2.2 million or 28.9% from approximately S\$7.6 million for the Corresponding Period to approximately S\$9.8 million for the Period. The increase was mainly due to the growth in sales of existing services carried out by our Group with increased market penetration and brand awareness.

Gross profit and gross profit margin

The Group's gross profit increased by approximately S\$1.8 million from approximately S\$5.1 million for the Corresponding Period to approximately S\$6.9 million for the Period. The Group's gross profit margin increased from 67.6% for the Corresponding Period to approximately 70.6% for the Period. The increase was mainly due to the growth in sales of existing services carried out by our Group with more efforts placed on reducing the drugs costs used in treatments.

Employee benefits expenses

Our employee benefits expenses increased by approximately S\$0.8 million or 33.3% from approximately S\$2.4 million for the Corresponding Period to approximately S\$3.2 million for the Period. Such increase was primarily attributable to the recruitment of new doctors, aestheticians and clinic assistants.

Other operating expenses

The Group's other operating expenses increased by approximately S\$0.8 million or 72.7% from approximately S\$1.1 million for the Corresponding Period to approximately S\$1.9 million for the Period. Such increase was mainly attributable to the increases in marketing and rental costs in view of more operating clinics as compared with those for the Corresponding Period.

Profit/(loss) for the period attributable to owners of the Company

As a result of the foregoing, the Group turned from a loss attributable to owners of the Company of approximately S\$0.9 million for the Corresponding Period to a profit attributable to owners of the Company of approximately S\$1.3 million for the Period. Such change was mainly due to the one-off non-recurring Listing expenses of approximately S\$2.4 million incurred in the Corresponding Period.



DIVIDEND

The Board has resolved not to declare the payment of a dividend for the Period (the Corresponding Period: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2019, we had 53 employees in Singapore (As at 31 December 2018: 36 employees), all of whom were employed on a full-time basis. The remuneration package of our employees generally comprises basic salaries, discretionary bonuses and welfare benefits such as annual leave, sick leave, maternity leave and child care leave.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

During the Period, the Group financed its operations mainly through cash generated from our operating activities and capital contribution from the Company's shareholders (the "Shareholders").

As at 30 September 2019, we had cash and cash equivalents of approximately S\$11.9 million (As at 31 December 2018: S\$12.4 million) and the Group had no bank borrowings (As at 31 December 2018: Nil).

GEARING RATIO

The Group's gearing ratio, which is calculated based on the total debt (including amount due to related party) divided by total equity as at the respective period/year ended, as at 30 September 2019 was 19.1% (As at 31 December 2018: 12.2%).

We believe that our liquidity position would further be strengthened by using a combination of cash generated from operating activities and the Net Proceeds. Going forward, we intend to use working capital in accordance with the section headed "Business Objectives and Future Plans" in the Prospectus.

CAPITAL STRUCTURE

As at 30 September 2019, the capital structure of the Company comprised issued Share capital and reserves.



FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group does not have other plans for material investments and capital assets.

SIGNIFICANT INVESTMENTS OR MATERIAL ACQUISITIONS AND DISPOSALS

During the Period, the Group did not make any significant investments or material acquisitions and disposal of subsidiaries, associates or joint ventures.

COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2019, the Group had no material commitments and contingent liabilities.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The Group operates solely in Singapore with almost all transactions being denominated in Singapore dollars (“**S\$**”) which is the functional currency of the Group. In addition, a majority of the Group’s assets and liabilities are denominated in S\$. Accordingly, the Group is not exposed to any significant foreign exchange risk.

The Group did not use any hedging contracts to engage in speculative activities during the Period.

CHARGE ON ASSETS

As at 30 September 2019, there was no significant pledge on the Group’s assets (As at 31 December 2018: Nil).

SIGNIFICANT EVENT AFTER THE PERIOD

Subsequent to the Period, the Group is in the process of changing its company secretary, authorised representative, process agent and auditor.



CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEME

The Shareholders approved and adopted a share option scheme (the “Share Option Scheme”) by way of written resolutions of the Shareholders on 18 May 2018 (the “Adoption Date”), which became effective upon the commencement of dealings of the Shares on GEM of the Stock Exchange on 15 June 2018.

No share option has been granted or agreed to be granted by the Company under the Share Option Scheme since the Adoption Date and up to the date of this report. Therefore, no share options lapsed or were exercised or cancelled during the Period and there were no outstanding share options as at 30 September 2019 and up to the date of this report.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”), which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, recorded in the register referred to therein; or (c) notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long Position in the Shares

Name of Director/ Chief Executive	Capacity/ Nature of interest	Number of Shares/ underlying Shares interested	Percentage of the Company’s issued Shares*
Dr. Tan Cher Sen Alan (“Dr. Tan”)	Interest of a controlled corporation ^(Note)	390,000,000	75%



Note:

These Shares are held by Cher Sen Holdings Limited (“**Cher Sen**”). The entire issued share capital of Cher Sen is legally and beneficially owned by Dr. Tan, the chairman of the Board and an executive Director. Accordingly, Dr. Tan is deemed to be interested in all the Shares held by Cher Sen under Part XV of the SFO.

* The percentage represents the total number of the Shares and the underlying Shares, if any, interested divided by the number of issued Shares of 520,000,000 as at 30 September 2019.

Long position in the ordinary shares of associated corporation

Name of Director/ Chief Executive	Name of associated corporation	Capacity/ Nature of interest	Number of shares held	Percentage of interest
Dr. Tan <i>(Note (2))</i>	Cher Sen <i>(Note (1))</i>	Beneficial owner	50,000	100%

Notes:

- (1) Cher Sen is a direct Shareholder and is an associate corporation of the Company within the meaning of Part XV of the SFO.
- (2) Dr. Tan is a director of Cher Sen.

Save as disclosed above, as at 30 September 2019, none of the Directors nor the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) recorded in the register referred to therein pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.



SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 September 2019, so far as is known to the Directors, the following entity, other than the Directors and the chief executive of the Company, had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long Position in the Shares

Name of Shareholder	Capacity/ Nature of interest	Number of Shares interested or held	Percentage of the Company's issued Shares*
Cher Sen ^{(Notes (1) and (2))}	Beneficial owner	390,000,000	75%

Notes:

- (1) Cher Sen is a direct Shareholder.
- (2) Cher Sen is legally and beneficially owned as to 100% by Dr. Tan.

* The percentage represents the number of Shares interested divided by the number of issued Shares of 520,000,000 as at 30 September 2019.

Save as disclosed above, as at 30 September 2019, so far as is known by or otherwise notified to the Directors, no other entity (other than a Director or the chief executive of the Company) had interests and short positions in the Shares and underlying Shares as required to be recorded in the register to be kept by the Company under Section 336 of the SFO.



DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the controlling Shareholders or their respective close associates (as defined under the GEM Listing Rules) had any business or interest in a business apart from the Group's business which had competed or was likely to compete, either directly or indirectly, with the businesses of the Group and any other conflicts of interest which any such person or entity had or might have with the Group during the Period.

CORPORATE GOVERNANCE PRACTICES

The Company is firmly committed to maintaining and ensuring a high level of corporate governance standards and will review and improve the corporate governance practices and standards regularly. The Company has adopted and has complied with all the applicable code provisions of the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules (the "**CG Code**") during the Period.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions (the "**Own Code of Conduct**") on terms no less exacting from the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard of Dealings**"). In response to a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had fully complied with the Required Standard of Dealings and the required standard set out in the Own Code of Conduct during the Period.

COMPLIANCE ADVISER'S INTERESTS IN THE COMPANY

As at 30 September 2019, as notified by the Company's compliance adviser, Titan Financial Services Limited ("**Titan**"), save for the compliance agreement dated 25 January 2018 and entered into between the Company and Titan concerning the fees payable by the Company to Titan for acting as in the capacity of compliance adviser, none of Titan or its directors, employees or close associates (as defined in the GEM Listing Rules) had any interests in the securities of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.



PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, the Company did not redeem any of its listed securities, nor did the Company or any of its subsidiaries purchase or sell such securities.

AUDIT COMMITTEE

The Company has established the Audit Committee on 18 May 2018 with written terms of reference in compliance with code provision C.3 of the CG Code and Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee are, among other things, to make recommendations to the Board on the appointment, re-appointment and removal of external auditors and to review and monitor the financial reporting process, risk management and internal control systems by the Group. The Audit Committee comprises three independent non-executive Directors (the “**INEDs**”), namely Mr. Leung Ho San Jason, Mr. Soh Sai Kiang and Mr. Kevin John Chia. Mr. Leung Ho San Jason is the chairman of the Audit Committee. The Audit Committee has reviewed the Unaudited Condensed Consolidated Financial Statements and this report and is of the view that such Statements and report have been prepared in compliance with the applicable accounting standards, the GEM Listing Rules and other legal requirements, and that adequate disclosures have been made.

By Order of the Board
Republic Healthcare Limited
Tan Cher Sen Alan
Chairman and Executive Director

Singapore, 5 November 2019

As at the date of this report, the executive Directors are Dr. Tan Cher Sen Alan (Chairman) and Mr. Toh Han Boon (Chief Financial Officer) and the INEDs are Mr. Leung Ho San Jason, Mr. Soh Sai Kiang and Mr. Kevin John Chia.