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LIPPO LIMITED

力寶有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 226)

LIPPO CHINA RESOURCES LIMITED

力寶華潤有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 156)

OVERSEAS REGULATORY ANNOUNCEMENT

This announcement is made pursuant to Rule 13.10(B) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The attached document has been released by Healthway Medical Corporation Limited (“Healthway”) on the Singapore Exchange Securities Trading Limited (“SGX”). Healthway, a company listed on the sponsor-supervised listing platform of the SGX, is regarded as a subsidiary of each of Lippo Limited (“Lippo”) and Lippo China Resources Limited (“LCR”) under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Listing Rules respectively.

By Order of the Board

LIPPO LIMITED

Davy Lee

Secretary

By Order of the Board

LIPPO CHINA RESOURCES LIMITED

Millie Luk

Secretary

Hong Kong, 3rd July, 2017

As at the date of this announcement, the board composition of each of Lippo and LCR is as follows:

Lippo

Executive Directors:

Dr. Stephen Riady (*Chairman*)

Mr. John Luen Wai Lee

(*Managing Director and
Chief Executive Officer*)

Non-executive Directors:

Mr. Jark Pui Lee

Mr. Leon Nim Leung Chan

Independent Non-executive Directors:

Mr. Edwin Neo

Mr. King Fai Tsui

Mr. Victor Ha Kuk Yung

LCR

Executive Directors:

Dr. Stephen Riady (*Chairman*)

Mr. John Luen Wai Lee

(*Chief Executive Officer*)

Mr. James Siu Lung Lee

Non-executive Director:

Mr. Leon Nim Leung Chan

Independent Non-executive Directors:

Mr. Edwin Neo

Mr. King Fai Tsui

Mr. Victor Ha Kuk Yung

Annual Reports and Related Documents::**Issuer & Securities**

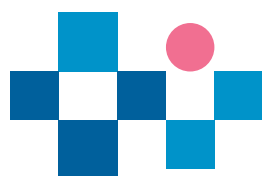
Issuer/ Manager	HEALTHWAY MEDICAL CORPORATION LIMITED
Securities	HEALTHWAY MEDICAL CORP LTD - SG1X09940682 - 5NG
Stapled Security	No

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Additional Details

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**HEALTHWAY
MEDICAL**

*Always Caring,
Always Personal*

A N N U A L R E P O R T 2 0 1 6

This annual report has been prepared by Healthway Medical Corporation Limited (the "Company") and its contents have been reviewed by PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this annual report. This annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this annual report, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Ms Gillian Goh, Director, Head of Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.



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CORPORATE PROFILE



Dr John Cheng, Head of Primary Care (Medical)

Healthway Medical Corporation Limited (“Healthway Medical Corporation” together with its subsidiaries, the “Group”) is a leading private healthcare provider with one of the largest network of clinics and medical centres in Singapore. The Group has a strong presence in owning, operating and managing close to 100 clinics and medical centres. These clinics are easily accessible and located across most parts of Singapore, as well as within major private hospitals.

Since our inception in 1990, our mission remains resolutely committed to provide quality medical services and facilities that are both easily accessible and affordable to patients.

From our beginnings in Primary Healthcare, we now offer an extended range of comprehensive specialist disciplines such as orthopaedics, cardiology, general surgery, ophthalmology (eye), otorhinolaryngology (ear, nose & throat), psychological wellness, specialist dentistry, aesthetics, child development, paediatrics, obstetrics and gynaecology.

PRIMARY HEALTHCARE DIVISION

With over sixty (60) General Practitioner (GP) and dental clinics island-wide, our Primary Healthcare Division forms one of the largest networks of private clinics delivering outpatient medical services to both private patients and corporate clientele in Singapore.

We have a large team of dedicated doctors, nurses and care-givers who are committed to provide quality treatment and management for patients with health concerns on primary healthcare. Our doctors are highly experienced and they delve into the psychological health, social support, home environment and life-style of their patients, amongst other factors, to improve their patients' well-being.

Through our strategic network of clinics, we aim to provide convenience and accessibility for our patients to receive value and affordable healthcare services. In addition, our participation in the Community Health Assist Scheme (CHAS) and the Pioneer Generation Program enables us to bring subsidised healthcare to Singaporeans who are under these programs, to receive treatment and management of their medical conditions.

Family Medicine

Our integrated network of clinics offers a wide spectrum of other services including chronic care management, vaccinations, health screenings, vocational medical examinations, travel health services, house-calls, radiology and laboratory services. Our growing chain of clinics in Family Medicine is conveniently located within the communities or in major housing estates.

We remain dedicated to continuously provide high quality healthcare services through our established network, under the brand names of Healthway Medical, Silver Cross and Peace, to always meet the medical needs of our patients.

Dentistry

Our team of highly experienced dentists provides a wide range of general and specialist dental services, through our dentistry group of Healthway Dental, Aaron Dental, Universal Dental and Popular Dental clinics throughout Singapore.

Each dental clinic is positioned to provide the full spectrum of services including restorative dentistry and cosmetic dentistry at affordable and competitive prices.

Medical Aesthetics and Wellness

NeuGlow has been providing high quality treatment to patients for more than 10 years in medical aesthetics and wellness. NeuGlow clinics are well-equipped with facilities and machines required for extensive treatments customised to every individual's needs. We aim to deliver optimal results with minimal discomfort to every patient's face, skin or body during the treatment.



Dr Lee Hock Leong, Head of Primary Care (Dental)



Women & Children Division

Back row from left to right: Dr Ng Ying Woo, Dr Chan Kit Yee, Dr Tan Zhen Han,
Dr Liew Woei Kang, Dr Sanveen Kang, Dr Jenny Tang
Front row from left to right: Dr Natalie Epton, Dr Wong Chin Khoon, Dr Phuah Huan Kee

Japanese Medical & Dental Centre

As primary healthcare is our Group's core business, we have a dedicated team of Japanese doctors, dentist and staff, specially handpicked to deliver high quality medical and dental services to our Japanese patients residing in Singapore and around the region. Dr Sato Kenichi who is a renowned delegate of Japan Primary Care Association, is our resident General Physician. Our Japanese Medical Director of the centre, Dr Yoshikuni Yasuyo, is also well-trained in Traditional Chinese Medicine and does acupuncture. The centre is conveniently located in The Centrepoint, next to our Health Screening Centre.

Healthcare Benefits Management

Healthcare Benefits Management leverages on the strengths of our network of clinics and in-house IT systems to offer the most desirable solutions for our clients to better manage their corporate healthcare implementations. Our corporate healthcare packages have benefited many of our clients in today's demanding milieu, which include several large corporations and insurers.

SPECIALISTS DIVISION

Operating from a centralised platform, the Group is able to leverage on other clinical resources from each of our medical specialty groups. This enables us to serve an increasing number of patients and develop more specialist services and facilities to meet the rising healthcare needs of our patients.

Paediatrics

We are one of the largest private healthcare providers in paediatric medical services in Singapore, comprising of leading paediatric chains – SBCC Baby

& Child Clinic (formerly known as Singapore Baby & Child Clinic) and Thomson Paediatric Centre. We provide greater convenience to parents and our young patients with clinics located ideally within major private hospitals and major residential estates.

Our experienced paediatricians sub-specialise in many areas such as neonatology, cardiology, neurology, asthma, allergy, gastroenterology, growth, immunology and rheumatology.

Through our participation in the Baby Bonus Scheme with Oversea-Chinese Banking Corporation Limited, we are able to provide easy and alternative means of payment for parents.



Adult Specialists Division

Back row from left to right: Dr Christopher G. L. Hobbs, Dr Thong Jiunn Yew,
Dr Leong Quor Meng, Dr Seng Kok Han, Dr James Pan
Front row from left to right: Dr Marcus Tan, Dr Brian Khoo



Child Development

Our team of qualified specialists and therapists is dedicated to work closely and cohesively with parents to accurately assess every child's needs as our commitment stems from the belief that it is essential to start every child with good care from an early age.

We offer a complete and comprehensive assessment for paediatric neurology, including specialised evaluations and interventions for children with special developmental needs at our Child Development Centre.

Obstetrics & Gynaecology

SBCC Women's Clinics provide a comprehensive range of services including general gynaecology services, general obstetrics care, well-women screening packages, antenatal/pregnancy packages and pre-marital screening packages. Our clinics are located in the high density residential estates of Clementi and Ang Mo Kio, to deliver premier and holistic care to a greater reach of patients.

Our team of dedicated specialists, trained and equipped with the latest medical technology, aims to bring first-class and personalised medical care to women of all ages at affordable prices.

Orthopaedics

Island Orthopaedic Consultants is a leading orthopaedic chain under our Group, with a team of senior orthopaedic surgeons who are reputable in orthopaedic and sports medicine. Our orthopaedic clinics are located at most of the major private hospitals in Singapore.

Our specialists' combined expertise provides treatment for a wide spectrum of orthopaedic and trauma conditions, such as knee/hip replacements, sports medicine/surgery, spine surgery and minimally invasive orthopaedic procedures.

Cardiology

At the Nobel Heart Centre located in Mount Alvernia Hospital, we are steadfast in providing holistic services in cardiovascular disease diagnosis, management, treatment and prevention at reasonable prices to our patients.

Nobel Heart Centre is also supported by a fully equipped cardiovascular laboratory and highly trained staff to perform elective and emergency angiogram, angioplasty and stent implantation.

Otorhinolaryngology

(Ear Nose & Throat, Head & Neck and Thyroid)

Nobel Ear, Nose & Throat and Nobel Head & Neck and Thyroid Surgery Centre, is conveniently located within Gleneagles Medical Centre.

Our Nobel Centre is committed to provide patient-centric services. Our diagnostic and therapeutic equipment enables us to manage and treat a full spectrum of common ear, nose & throat, and head & neck conditions faced by patients of all ages, including complex head and neck surgeries. It is also fully equipped to conduct sleep studies and allergy testing.

Ophthalmology (Eye)

At Nobel Eye and Vision Centre located in Mount Alvernia Medical Centre, we are dedicated in providing high quality specialist eye examinations with stringent processes to ensure high level of safety and accurate results. Our centre also makes arrangement to educate patients on preventive eye care as many eye diseases have the best visual outcome with early detection and treatment.

General Surgery

Nobel Surgery Centre, conveniently situated at Mount Alvernia Medical Centre, aims to provide accessible and affordable general surgery services including gastrointestinal, laparoscopic and colorectal surgery.

Nobel Surgery Centre has taken on the important mission to implement various programs to support the prevention of colon cancer, which is the most common cancer in Singapore.

Specialist Dentistry

We offer specialist and aesthetic dentistry services such as orthodontics, crowns and bridges, veneers, whitening as well as prosthodontic dentistry, comprising of services like implants at Neuglow Dental, which is conveniently located in The Centrepoint.

Psychological Wellness

The Group's specialist field in psychiatry augments our repertoire of services through two of our psychological wellness clinics located at Novena Medical Centre and within a major housing community in Ang Mo Kio.

Our experienced psychiatrists at Nobel Psychological Wellness Clinic are committed to care for the well-being of every patient. We provide accessible, quality and affordable services. Our clinics are distinctively designed with our patients in mind to provide them an optimum conducive environment that enhances comfort to the patients' mental health.

We also provide staff welfare packages to corporate companies that are interested in improving the mental health of their employees, as well as packages that support various government initiatives and agencies.

Allied Health

We have a team of qualified professional physiotherapists and psychologists who are experienced to diagnose, treat and rehabilitate people of all ages and specialties. Together with a range of technical and support staff they deliver explicit patient care, rehabilitation, treatment, diagnostics and health improvement interventions to restore and maintain optimal physical, sensory, psychological, cognitive and social functions.

CHAIRMAN'S MESSAGE



“

For our financial year ended 31 December 2016 (“FY2016”), revenue was up by 2.6% to S\$96.7 million, an increase of S\$2.4 million.

”

Dear Shareholders,

Thank you for your support in what has been a challenging year for Healthway Medical Corporation Limited (“HMC” or “Company” or “Group”). In the course of 2016, the Company had changes within our Board of Directors, as well as in our senior management team. Our financial performance was adversely impacted by the higher allowance for doubtful trade and other receivables, as well as the allowance for impairment of goodwill which collectively were the main contributors to the loss after tax for the last financial year. For most of 2016, we were also involved in a proposed acquisition by International Healthway Corporation Limited (“IHC”) of HMC, which eventually lapsed. Despite these challenges, we pulled together to rise above and today, HMC is moving forward with renewed confidence.

Financial Performance

For our financial year ended 31 December 2016 (“FY2016”), revenue was up by 2.6% to S\$96.7 million, an increase of S\$2.4 million. The improvement came mainly from an increase in revenue of S\$3.0 million from our Specialist & Wellness Healthcare segment due to a greater patient load, which offset the decrease of S\$0.6 million in our Primary Healthcare segment revenue. Other income and other (losses)/gains for FY2016 was S\$1.5 million, compared to S\$7.8 million in FY2015 – a decrease of S\$6.3 million, or 80.7%.

For FY2016, the Group’s total expenses increased by 43.3%, or S\$43.1 million, to S\$142.5 million. The increase was mainly due to a higher allowance for doubtful trade and other receivables of S\$33.1 million, allowance for impairment of goodwill of S\$6.0 million, higher staff costs of S\$2.7 million, as well as higher finance expenses of S\$0.3 million. There were marginal changes in the costs of medical supplies and consumables, laboratory and related expenses, depreciation of property, plant and equipment, as well as amortisation of intangible assets. The increase in allowance for doubtful trade and other receivables, which includes loans receivable, is further elaborated below.

As a result, for FY2016, the Group suffered a net loss attributable to shareholders after tax of S\$44.1 million. Disregarding the allowances for doubtful trade and other receivables and impairment of goodwill, the

Group’s net loss before income tax would have been S\$0.3 million and net loss attributable to shareholders would have been S\$0.1 million.

The Group has decided to make an additional allowance for a doubtful loan receivable of S\$21.6 million in FY2016 arising from the loans to medical centres in China owned by Wei Yi Shi Ye Co. Ltd. (“Wei Yi”) and which are managed by the Group. The loan receivables from Wei Yi are a result of the funding and the provision of management and related services by the Group to Wei Yi’s medical centres in China. These loan receivables are intended to enable the Group to expand our medical practice footprint in China. In FY2015, Wei Yi received a Letter of Intent for the proposed acquisition of Wei Yi, from which proceeds were intended to be used for the settlement of the loan receivables to the Group. However, in FY2016, there was no progress in relation to this proposed acquisition. Given the uncertainty surrounding the recovery of this loan, the Group has made a full allowance of impairment on this loan. The Group will continue to pursue all avenues available to recover this loan.

The Group has also made an additional allowance of doubtful loan and other receivables of S\$15.0 million in FY2016 in relation to a loan receivable from Healthway Medical Enterprises Pte. Ltd. (“HME”), an incubator of medical clinics in Singapore. HME, as of 31 December 2016, was owned by an unrelated third party and managed by the Group. This allowance was made mainly due to the challenging operating environment in Singapore, which resulted in higher operating costs and weaker performance from HME’s clinics. The Group will continue to pursue all avenues available for the recovery of the outstanding loan and other receivables.

Proposed Acquisition Lapsed

In June 2015, the Group announced the proposed acquisition of HMC by IHC by way of a Scheme of Arrangement (“Scheme”). However, as the conditions precedent under the agreement were not fulfilled by the long stop date of 30 June 2016, the agreement expired and lapsed. Accordingly, the Scheme was not completed.

Changes in Board Directors and Key Management

In August 2016, the constitution of the Board changed significantly with the resignations of Mr Yeow Ming

Ying as Non-Executive Director, and Mr Pee Tong Lim, Ms Kuek Chiew Hia and Mr Syed Abu Bakar Bin S Mohsin Almohdzar as Independent Directors. I would like to take this opportunity to thank them for their contributions while they were in office.

The Board subsequently welcomed new Independent Directors, Mr Ho Sun Yee and Mr Lin Weiwen Moses. I joined the Board as an Independent Director in August 2016 and was later appointed as the Chairman on 1 October 2016. Our primary focus then was to ensure the business viability of HMC. As shareholders would have known, HMC then faced very challenging financing conditions. We explored multiple options and deliberated them carefully so that as the Board, we can make the most appropriate decisions to ensure HMC is able to continue as a going concern, and to protect all shareholder interests.

There were also changes in our key management. Mr Wong Yee Kong Andrew resigned as President on 31 August 2016, while Mr Chew Khong Yuen, who was appointed the Financial Controller on 21 March 2016, resigned on 21 January 2017. I would like to thank them for their contributions during their tenure.

We welcomed Ms Veronica Chan Wee Ping as President of HMC on 1 September 2016 and Ms Goh Lay Lan as the Financial Controller on 25 November 2016. Together with other members of the management, they have been working very hard to keep HMC going.

Placement of Shares

In September 2016, the Group placed out 133.3 million shares and raised gross proceeds of approximately S\$4.0 million. The net proceeds (after deducting expenses) of approximately S\$3.75 million have been fully used for working capital purposes (approximately S\$1.69 million) and to support expansionary plans within Singapore (approximately S\$2.06 million).

Challenges Ahead

As we crossed into the new financial year ending 31 December 2017 ("FY2017"), there remains much to do in ensuring the business viability of HMC. The

Board and the Management have worked hard to secure additional funds to strengthen our financial position, in order to ease the Group's pressing liquidity issues and improve our business viability. Subsequently, our new investors joined HMC in early FY2017.

With our financial position now strengthened, our management can better focus on the business operations to bring the Group back on track. Also, our staff, doctors and suppliers can now have greater confidence in our business continuity. In fact, we can look forward with greater optimism with our expanded clinic network following the acquisition of HME in May 2017.

Appreciation

On behalf of the Board of Directors, I wish to express our greatest appreciation to all our doctors and clinical professionals who have stood steadfast with HMC amidst the uncertainties, and for their commitment and dedication in a challenging year. Our sincere gratitude also goes to the management team and support staff for their invaluable contributions. We also wish to thank our business partners and bankers for their support. And to our shareholders, thank you for your patience and support, especially in supporting our resolutions in the most recent extraordinary general meeting.

As I look back on an eventful year as Chairman of the Board, I am thankful for my colleagues and management team members for their support. I am honoured to have had the opportunity to work alongside my colleagues, and help steer HMC through a difficult period.

I am confident that HMC has emerged stronger, and will continue to forge ahead to realise its full potential as Singapore's premier healthcare company.

MR KHOO YEE HOE

Non-Executive Independent Chairman

BOARD OF DIRECTORS

Mr Khoo Yee Hoe

Non-Executive Independent Chairman

Mr Khoo was appointed as an Independent Director on 22 August 2016 and was re-designated as Non-executive Independent Chairman on 1 October 2016.

Mr Khoo is a seasoned banker with over 40 years of multi-faceted experience in the banking and finance sector. He has held various leadership and management positions in Consumer Banking, Private Banking and Corporate Banking, where he was responsible for developing strong client relationships, strategic planning, development and implementation in domestic and international markets.

Currently, Mr Khoo is managing his own Management Consultancy business and is serving as a Director on the Boards of various profit and non-profit organisations, including Manulife (Singapore) Pte. Ltd., where he is an Independent Director.

Mr Wong Ong Ming Eric

Non-Executive Non-Independent Director

Mr Wong was appointed as the Non-Executive Non-Independent Chairman on 5 May 2015 and was re-designated as Non-Executive Non-Independent Director on 1 October 2016.

Mr Wong embarked on his career with the Singapore Police Force as a police officer, holding the highest rank of acting assistant superintendent.

He has held various positions, namely the senior personnel executive at Fairchild Semiconductor (S) Pte Ltd; personnel and security director at SGS-Thomson Microelectronics – Singapore; human resource and security director at TECH Semiconductor (S) Pte Ltd; human resource and security director at Universal

Gateway International Pte Ltd, and Director for Central Services in Healthway Medical Corporation Limited ("HMC"), where he was responsible for human resource and general management functions.

His last posting before being appointed as a Non-Executive Non-Independent Chairman of HMC was Non-Executive Director of International Healthway Corporation Limited and Director of Healthway Medical Enterprises Pte Ltd.

Mr Sonny Yuen Chee Choong

Independent Director

Mr Yuen was appointed as an Independent Director on 10 March 2014 and was last re-elected on 29 April 2014.

Mr Yuen started his career with EuroCopter SEA in 1985. He was with Sumitomo Bakelite Singapore Pte. Ltd. since 1989 and was appointed as General Manager from 1995 to 2004. He later moved on to Libra 2002 Pte Limited where he was appointed as Director until 2006. From 2006 to 2007, Mr Yuen joined Executive Network International Pte Ltd as Senior Consultant.

Currently, Mr Yuen is the Managing Director of JonDavidson Pte. Ltd., a provider of professional recruitment, consultancy & training services.

Mr Yuen holds a BBA degree from National University of Singapore. He also holds a Master of Business Administration from University of Hull, United Kingdom.

He is very active in community service. Mr Yuen currently serves as the President of NUS Business School Alumni Association; he is also the Founding President of Raffles Hall Association.

Mr Ho Sun Yee
Independent Director

Mr Ho was appointed as an Independent Director on 13 July 2016.

Mr Ho has extensive experience working in the healthcare and management consultancy industry.

He has held various position, namely, Chief of Staff at Siloam Hospitals Group (Indonesia); the Chief Executive Officer at Singapore Heart Foundation; Chief Operating Officer at National Volunteer & Philanthropy Centre; Director at Jurong HealthConnect; Chief Executive Officer at YMCA of Singapore; Deputy General Manager at DBS Land Subsidiary Premier Health, where he was responsible for marketing and general management functions.

Currently, Mr Ho is the Managing Partner of Decision Processes International (DPI), a management consulting and organisational development firm, and is responsible for the Philippines market.

Mr Ho holds a Master of Business Administration from National University of Singapore.

Mr Lin Weiwen Moses
Independent Director

Mr Lin was appointed as an Independent Director on 1 August 2016.

He is a commercial litigation lawyer and has extensive experience dealing with corporate and commercial disputes as well as corporate insolvency and restructuring matters in various industry sectors.

Mr Lin has practised at several local and international law firms including Shook Lin & Bok LLP and Hill Dickinson LLP, and also worked in-house at a marine liability insurer, Charles Taylor Plc.

Mr Lin is currently a director with Incisive Law LLC, which is in a formal legal alliance with international law firm, Ince & Co LLP.

Mr Lin holds a Bachelor of Laws (2nd Class (Upper) Honours) from University College London (UCL) as well as a Graduate Diploma in Singapore Law from the National University of Singapore.

Mr Anand Kumar
Non-Executive Non-Independent Director

Mr Kumar was appointed as a Non-Executive Non-Independent Director on 24 March 2017. He is a representative and Founding Partner of Gateway Partners, an investment firm focused on growth capital and special situations across markets in Southeast Asia, South Asia, the Middle East and Africa.

Mr Kumar has over 25 years of experience in Mergers & Acquisitions, Equity Capital Markets and Leveraged Finance in Southeast Asia. Prior to joining Gateway Partners in 2014, Mr Kumar held leadership positions in several leading investment banks including Standard Chartered Bank and Morgan Stanley. Leadership positions in Standard Chartered included Global Head of Capital Markets and Co-Head, Wholesale Bank for Southeast Asia and Australia. At Morgan Stanley, he was the Head of Mergers & Acquisitions and Restructuring for Southeast Asia.

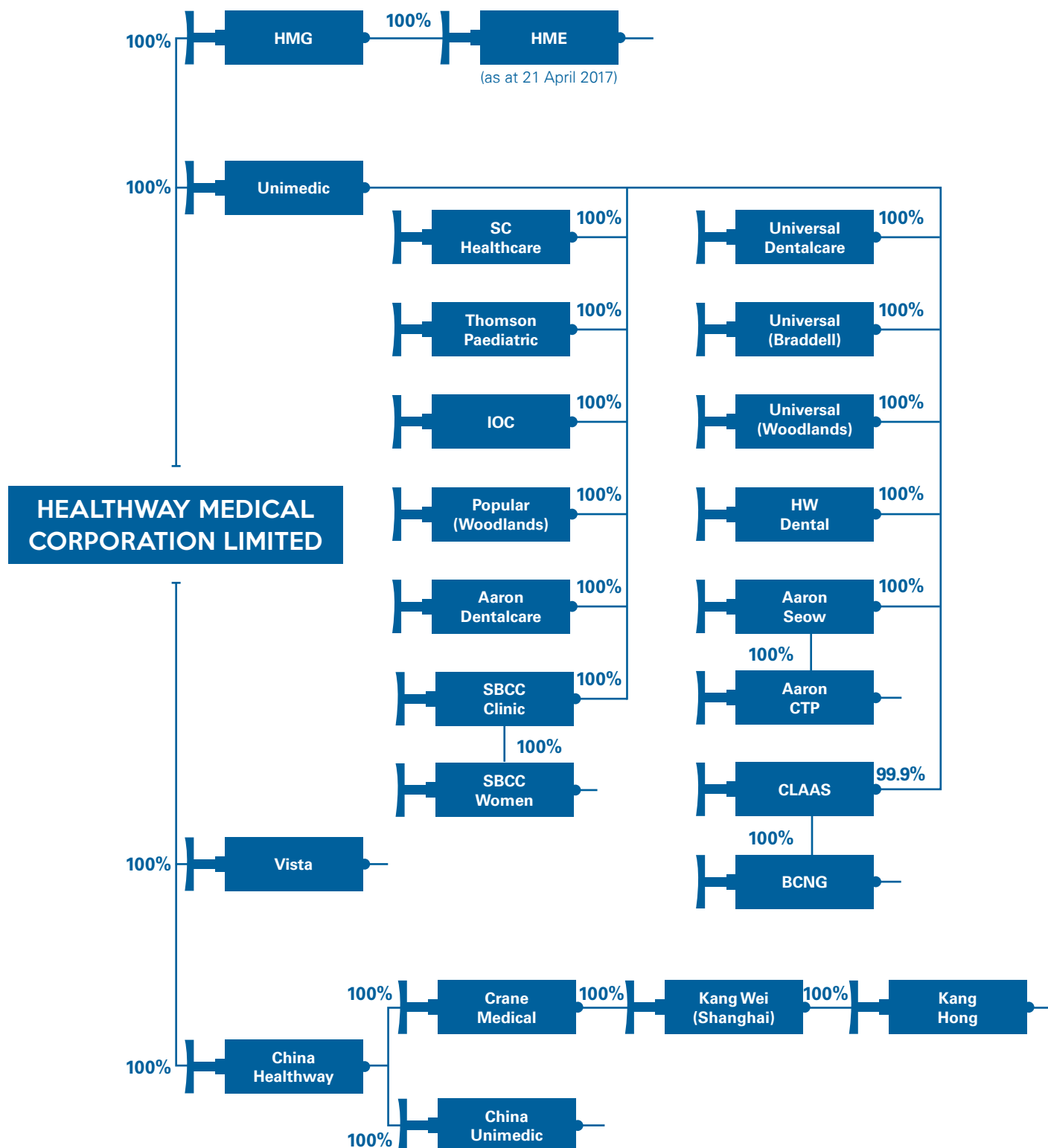
Mr Kumar holds a Master of Business Administration degree from Vanderbilt University, U.S.A

OUR GROUP STRUCTURE

As at 31 December 2016
(unless otherwise stated)



HEALTHWAY
MEDICAL



GROUP STRUCTURE DEFINITIONS

"Aaron CTP"	:	Aaron CTP Dental Surgery Pte. Ltd.
"Aaron Dentalcare"	:	Aaron Dentalcare Pte. Ltd.
"Aaron Seow"	:	Aaron Seow International Pte Ltd
"BCNG"	:	BCNG Holdings Pte. Ltd.
"China Healthway"	:	China Healthway Pte. Ltd.
"China Unimedic"	:	China Unimedic Pte. Ltd.
"CLAAS"	:	CLAAS Medical Centre Pte. Ltd.
"Crane Medical"	:	Crane Medical Pte. Ltd.
"HW Dental"	:	Healthway Dental Pte. Ltd.
"HME"	:	Healthway Medical Enterprises Pte Ltd
"HMG"	:	Healthway Medical Group Pte Ltd
"IOC"	:	Island Orthopaedic Consultants Pte Ltd
"Kang Wei (Shanghai)"	:	Kang Wei Investment Consultancy (Shanghai) Co., Ltd
"Kang Hong"	:	Kang Hong (Shanghai) Medical Equipment Lease Co., Ltd
"Popular (Woodlands)"	:	Popular Dental (Woodlands) Pte. Ltd.
"SBCC Clinic"	:	SBCC Clinic Pte Ltd
"SBCC Women"	:	SBCC Women's Clinic Pte. Ltd.
"SC Healthcare"	:	Silver Cross Healthcare Pte Ltd
"Thomson Paediatric"	:	Thomson Paediatric Clinic Pte Ltd
"Unimedic"	:	Unimedic Pte. Ltd.
"Universal Dentalcare"	:	Universal Dentalcare Pte Ltd
"Universal (Braddell)"	:	Universal Dental Group (Braddell) Pte. Ltd
"Universal (Woodlands)"	:	Universal Dental Group (Woodlands) Pte. Ltd
"Vista"	:	Vista Medicare Pte. Ltd.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Khoo Yee Hoe
(Non-Executive Independent Chairman)

Wong Ong Ming Eric
(Non-Executive Non-Independent Director)

Sonny Yuen Chee Choong
(Independent Director)

Ho Sun Yee
(Independent Director)

Lin Weiwen Moses
(Independent Director)

Anand Kumar
(Non-Executive Non-Independent Director)

AUDIT COMMITTEE

Sonny Yuen Chee Choong
(Chairman)
Lin Weiwen Moses
Ho Sun Yee

NOMINATING COMMITTEE

Ho Sun Yee
(Chairman)
Wong Ong Ming Eric
Sonny Yuen Chee Choong

REMUNERATION COMMITTEE

Lin Weiwen Moses
(Chairman)
Wong Ong Ming Eric
Sonny Yuen Chee Choong

COMPANY SECRETARIES

Wee Woon Hong
Srikanth Rayaprolu

REGISTERED OFFICE

2 Leng Kee Road
#06-07 Thye Hong Centre
Singapore 159086
Telephone: (65) 6323 4415
Facsimile: (65) 6479 5347
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SHARE REGISTRAR

Boardroom & Corporate Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355

SPONSOR

PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318

AUDITORS

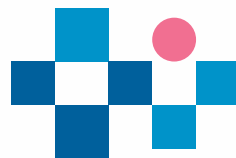
PricewaterhouseCoopers LLP
Certified Public Accountants
8 Cross Street
#17-00 PWC Building
Singapore 048242
Partner-in-charge: Tham Tuck Seng
Date of Appointment: 3 August 2012

PRINCIPAL BANKERS

DBS Bank Limited
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982

United Overseas Bank Limited
80 Raffles Place
UOB Plaza 1
Singapore 048624

Australia and New Zealand Banking Group Ltd
10 Collyer Quay
Level 20 Ocean Financial Centre
Singapore 049315



**HEALTHWAY
MEDICAL**

*Always Caring,
Always Personal*

REPORT OF CORPORATE GOVERNANCE

The Board of Directors (the “Board” or the “Directors”) of Healthway Medical Corporation Limited (“HMC” or the “Company” and together with its subsidiaries, the “Group”) is committed to maintaining a high standard of corporate governance to ensure greater transparency and to protect the interests of the Company’s shareholders (the “Shareholders”).

The Company has put in place various policies and practices that will safeguard the interests of Shareholders and enhance Shareholders’ value as part of its effort to maintain high standards of corporate governance. This report describes the corporate governance practices and procedures adopted by the Company with specific reference to the Code of Corporate Governance 2012 (the “Code”) and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the “SGX-ST”) in January 2015 (the “Guide”). The Company has complied with the principles and guidelines as set out in the Code and the Guide where appropriate, and deviations from the Code and the Guide have been explained.

Principle 1: The Board’s Conduct of its Affairs

The Company is headed by an effective Board to lead and control the Company.

As at the date of this report, the Board comprises the following members:-

Khoo Yee Hoe (Non-Executive Independent Chairman)
Anand Kumar (Non-Executive Non-Independent Director)
Wong Ong Ming Eric (Non-Executive Non-Independent Director)
Sonny Yuen Chee Choong (Independent Director)
Ho Sun Yee (Independent Director)
Lin Weiwen Moses (Independent Director)

The Board is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group.

Matters which specifically require the Board’s decision or approval are those involving:-

- corporate strategy and business plans;
- investment and divestment proposals;
- funding decisions of the Group;
- nominations of Directors for appointment to the Board and appointment of key personnel;
- announcement of quarterly, half year and full year results, annual report and accounts;
- material acquisitions and disposal of assets; and
- all matters of strategic importance.

All other matters are delegated to Board Committees whose actions are monitored and endorsed by the Board. These Board Committees include the Audit Committee (the “AC”), the Nominating Committee (the “NC”) and the Remuneration Committee (the “RC”), all of which operate within clearly defined terms of reference and functional procedures.

To get a better understanding of the Group’s business, the Company adopts a policy whereby the Directors are encouraged to request for further explanations, briefings or informal discussion on the Company’s operations or business with the management of the Company (the “Management”).

REPORT OF CORPORATE GOVERNANCE

The Board conducts scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. The Company's Constitution ("Constitution") provide for Board meetings by means of teleconference. The attendance of the Directors at meetings of the Board and Board Committees, and the frequency of these meetings for the financial year ended 31 December 2016 ("FY2016") are disclosed as follows:-

Name of Director	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Khoo Yee Hoe ⁽¹⁾	1	1	-	-	-	-	-	-
Wong Ong Ming Eric	6	6	-	-	6	5	-	-
Sonny Yuen Chee Choong	6	6	5	5	6	6	-	-
Ho Sun Yee ⁽²⁾	2	2	2	2	2	2	-	-
Lin Weiwen Moses ⁽³⁾	2	2	2	2	-	-	-	-
Yeow Ming Ying ⁽⁴⁾	4	3	-	-	-	-	-	-
Kuek Chiew Hia ⁽⁵⁾	4	4	3	3	4	3	1	1
Pee Tong Lim ⁽⁶⁾	4	4	3	3	4	3	1	1
Syed Abu Bakar bin S Mohsin Almohdzar ⁽⁷⁾	4	2	3	0	-	-	1	0

Notes:

- 1 Mr Khoo Yee Hoe was appointed as Independent Director of the Company on 22 August 2016
- 2 Mr Ho Sun Yee was appointed as Independent Director of the Company on 13 July 2016
- 3 Mr Lin Weiwen Moses was appointed as Independent Director of the Company on 1 August 2016
- 4 Mr Yeow Ming Ying resigned as Non-Executive Director of the Company on 10 August 2016
- 5 Ms Kuek Chiew Hia resigned as Independent Director of the Company on 10 August 2016
- 6 Mr Pee Tong Lim resigned as Independent Director of the Company on 10 August 2016
- 7 Mr Syed Abu Bakar bin S Mohsin Almohdzar resigned as Independent Director of the Company on 10 August 2016

Newly-appointed Directors undergo an orientation program with materials provided to help them get familiarised with the business and organisation structure of the Group. To get a better understanding of the Group's business, the Directors are also given the opportunity to visit the Group's operational facilities and meet with Management.

The Board as a whole is updated quarterly during the Board and AC meetings on risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards, so as to enable them to properly discharge their duties as Board or Board Committee members. For first time Directors, the Company will arrange relevant training courses for them to familiarize with the duties and responsibilities as a Director of a listed company. The Company also encourages Directors to attend training courses organized by the Singapore Institute of Directors or other training institutions in connection with their duties as Directors. Pursuant to their respective appointments as a Director of HMC during the financial year, Mr Lin Weiwen Moses and Mr Khoo Yee Hoe had attended the LCD Module 1: Understanding the Regulatory Environment in Singapore conducted by The Singapore Institute of Directors and Mr Anand Kumar had attended the director's training conducted by Allen and Gledhill LLP.

REPORT OF CORPORATE GOVERNANCE

Principle 2: Board Composition and Guidance

The Board currently has six (6) Directors, comprising four (4) Independent Directors and two (2) Non-Executive Non-Independent Directors. Information regarding each Board member is provided under the Board of Directors section set out on pages 11 and 12 of this Annual Report.

The independence of each Director is reviewed annually by the NC. The NC adopts the definition in the Code as to what constitutes an independent director in its review to ensure that there is a strong independent element on the Board such that the Board is able to exercise objective judgment on corporate affairs independently. The Independent Directors have confirmed that they do not have any relationship with the Company or its related corporations, its 10% Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Company.

The NC is of the view that Mr Khoo Yee Hoe, Mr Sonny Yuen Chee Choong, Mr Ho Sun Yee and Mr Lin Weiwen Moses are independent. The NC is satisfied that the Board has substantial independent elements to ensure that objective judgment is exercised on corporate affairs.

The Board, through the NC, has examined its structure, size and composition and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender.

The Board and the Board committees comprise Directors who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge and strategic planning experience as follows:

<i>Balance and Diversity of the Board</i>		
	Number of Directors	Proportion of Board
Core Competencies		
- Accounting or finance	3	50%
- Business management	6	100%
- Legal or corporate governance	6	100%
- Relevant industry knowledge or experience	5	83%
- Strategic planning experience	5	83%
- Customer based experience or knowledge	6	100%

Hence, the NC is of the view that the current Board and Board Committees comprise persons who as a group provide capabilities required for the Board and Board Committees to be effective.

REPORT OF CORPORATE GOVERNANCE

The Board has taken the following steps to maintain or enhance its balance and diversity:

- Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and
- Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board.

The NC will consider the results of these exercises in its recommendation for the appointment of new directors and/or the re-appointment of incumbent directors.

Principle 3: Role of Chairman and Chief Executive Officer

Mr Khoo Yee Hoe is the Non-Executive Independent Chairman while Ms Veronica Chan Wee Ping is the President of the Company. Ms Veronica Chan Wee Ping assumes the role similar to that of a Chief Executive Officer and bears overall daily operational responsibility for the Group's business. The Chairman and the President are not related to each other. There is a clear division of responsibilities between the Chairman and the President, which ensures there is a balance of power and authority at the top of the Group.

The Chairman is responsible for the formulation of the Group's strategic direction, and ensures that Board meetings are held when necessary and sets the Board agenda. The Chairman ensures that all Board members are provided with complete, adequate and timely information. As a rule, the Board papers are sent to the Directors in advance for Directors to be adequately prepared for the meetings.

Ms Veronica Chan Wee Ping oversees the medical practice groups of the Primary Healthcare, Specialist Healthcare & Wellness divisions.

Taking into account the current corporate structure and the scope of the Company's operations, the Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence.

The Board concurs with the NC that as the Chairman is an Independent Non-executive Director who is not related to the President, the size of the Board is relatively small with only 6 members of whom more than half are Independent Directors, there would not be a need for a Lead Independent Director. The Independent Directors collectively are and have been available to Shareholders as a channel of communication between Shareholders and the Board or Management. The Independent Directors meet or communicate periodically without the presence of the other Directors and collectively provide feedback to the Chairman as matters arising from such meetings. During FY2016, the Independent Directors have met at least once in the absence of Management.

REPORT OF CORPORATE GOVERNANCE

Principle 4: Board Membership

The NC currently comprises three (3) Directors, namely Mr Ho Sun Yee and Mr Sonny Yuen Chee Choong (both are Independent Non-Executive Directors); and Mr Wong Ong Ming Eric. The Chairman of the NC is Mr Ho Sun Yee. The NC has written terms of reference that describe the responsibilities of its members.

The principal functions of the NC are as follows:-

- to review and recommend the nomination or re-nomination of the Directors having regard to the Director's contribution and performance;
- to set criteria for identifying candidates and reviewing nominations for the appointments referred to above, chief executive officer and/or President;
- to determine on an annual basis whether or not a Director is independent;
- to make plans for succession, in particular for the Chairman of the Board and Chief Executive Officer; and
- to assess the overall performance of the Board and contribution of each Director to the effectiveness of the Board.

In the nomination and selection process, the NC identifies the candidates and reviews the nominations for the appointments based on the following criteria:-

- (i) at least half of directors shall be independent directors; and
- (ii) the candidate shall be a fit and proper person to hold such office, and the most qualified candidate nominated for the office, taking into account the candidate's track record, age, experience, capabilities and other relevant factors.

Each member of the NC shall abstain from voting on any recommendation and/or participating in respect of matters in which he has an interest.

When an existing director chooses to retire or the need for a new director arises, either to replace a retiring director or to enhance the Board's strength, the NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointment as a new director. Candidates may be suggested by directors or management or sourced from external sources. The NC will interview the shortlisted candidates and assess them based on objective criteria approved by the Board such as integrity, independent mindedness, possession of the relevant skills required or skills needed to complement the existing Board members, ability to commit the time and effort to carry out his responsibilities, good decision making track record, relevant experience and financial literacy. The NC then nominates the most suitable candidate to the Board for approval. Pursuant to his appointment as a Director of the Company by the Board, the candidate will be required to stand for re-election at the next Annual General Meeting ("AGM") of the Company pursuant to the Constitution.

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The NC meets at least once a year. Under Regulation 98 of the Company's Constitution, one third (1/3) of the Board is to retire by rotation and subject themselves to re-election by Shareholders at every AGM. The NC will assess and evaluate whether Directors retiring at each AGM are properly qualified for reappointment by virtue of their skills, experience, performance and contributions to the Board.

The NC has recommended to the Board that Mr Sonny Yuen Chee Choong be nominated for re-election at the forthcoming AGM pursuant to Regulation 98 of the Company's Constitution. In making the recommendations, the NC had considered the Director's overall contributions and performance. Mr Sonny Yuen Chee Choong will, upon re-election as a Director of the Company, remain as the Chairman of the AC and a member of the NC and RC. Mr Sonny Yuen Chee Choong is considered independent by the Board for the purposes of Rule 704(7) of the Listing Manual (Section B: Rules of Catalist) of Singapore Exchange Securities Trading Limited ("Rules of Catalist").

Under Regulation 102 of the Company's Constitution, any new Director so appointed by the Directors shall hold office until the next annual general meeting of the Company and shall be eligible for re-election. Mr Khoo Yee Hoe, the Non-Executive Independent Chairman of the Company, who would be retiring under Regulation 102 of the Company's constitution, has decided not to seek re-election at the forthcoming AGM due to competing time commitments. Mr Ho Sun Yee, an Independent Director of the Company and the Chairman of the NC and a member of the AC, who would be retiring under Regulation 102 of the Company's constitution, has decided not to seek re-election at the forthcoming AGM due to competing time commitments.

The NC has recommended to the Board that Mr Lin Weiwen Moses and Mr Anand Kumar be nominated for re-election at the forthcoming AGM pursuant to Regulation 102 of the Company's Constitution. Mr Lin Weiwen Moses will, upon re-election as a Director of the Company, remain as the Independent Director, Chairman of the RC and a member of the AC. Mr Anand Kumar will, upon re-election as a Director of the Company, remain as the Non-Independent Non-Executive Director of the Company. Mr Lin Weiwen Moses is considered independent by the Board for the purposes of Rule 704(7) of the Rules of Catalist.

Pursuant to Mr Ho Sun Yee not seeking re-election at the forthcoming AGM, he will cease to be the Chairman of the NC and member of the AC upon conclusion of the forthcoming AGM. His replacement for each committee will be announced by the Company in due course.

There is no Director who has multiple listed company board representations. The Board is satisfied that each Director is able to and has been adequately carrying out his duties as a Director of the Company. The Board is of the view that the assessment of whether each Director is able to devote sufficient time to discharge his or her duties should not be restricted to the number of board representation. The considerations in assessing the capacity of Directors include the following:

- Expected and/or competing time commitments of Directors;
- Geographical location of Directors;
- Size and composition of the Board; and
- Nature and scope of the Group's operations and size.

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The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, and is satisfied that all Directors have discharged their duties adequately for FY2016. As such, the Board does not propose to set the maximum number of listed company board representations which directors may hold until such need arises. The NC would continue to review from time to time the board representations of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

The dates of appointment, last re-election and directorships of the Directors in other listed companies are set out below:

Name of Director	Date of Appointment	Last Re-Election Date	Directorships in Other Listed Companies	
			Present	Last Three Years
Khoo Yee Hoe	22 August 2016	-	Nil	Nil
Wong Ong Ming Eric	5 May 2015	29 April 2016	Nil	International Healthway Corporation Limited
Sonny Yuen Chee Choong	10 March 2014	29 April 2014	Nil	Nil
Ho Sun Yee	13 July 2016	-	Nil	Nil
Lin Weiwen Moses	1 August 2016	-	Nil	Nil
Anand Kumar	24 March 2017	-	Nil	Nil

Further details of the Directors, including their principal commitments, are provided under the Board of Directors section set out on pages 11 and 12 of this Annual Report.

Principle 5: Board Performance

The NC decides on how the Board's and its Board Committees' performance and individual Directors' contributions are to be evaluated and to propose objective performance criteria, subject to the Board's approval, which address how the Directors have enhanced long-term Shareholders' value. The Board has also implemented a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and the Board Committees, and for assessing the contribution from each individual Director to the effectiveness of the Board. Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director.

In evaluating the Board's and its Board Committees' performance, the NC considers a set of quantitative and qualitative performance criteria that has been approved by the Board. The performance criteria for the Board and Board Committee's evaluation are in respect of:

- Board size and composition;
- Board information;
- Board process and accountability;
- Board Committee performance in relation to discharging their responsibilities set out in the respective terms of reference; and
- Standards of conduct.

REPORT OF CORPORATE GOVERNANCE

The individual Director's performance criterion is in relation to the Director's:

- a. Interactive skills;
- b. Knowledge including industry or professional expertise, specialist or functional contribution and regional expertise;
- c. Duties including attendance at meetings, meeting preparation, participation and performance of specific assignments; and
- d. Conduct including maintenance of independence, disclosure of related party transactions and compliance with company policies.

During the financial year, all Directors completed a board evaluation questionnaire designed to seek their view on various aspects of the Board and Board Committees' performance as described above. All Directors also completed a Directors' Peer Evaluation and Self-Assessment Questionnaire in relation to the assessment of individual director's contribution. The Chairman, in consultation with the NC, acted on the results of the performance evaluations. Where appropriate, the Chairman will propose new members be appointed to the Board or seek the resignation of Directors.

The NC has assessed the current Board's and Board Committees' performance to-date and individual Director's contributions, and is of the view that the performance of the Board as a whole, the Board Committees and individual Directors, was satisfactory. Accordingly, the Board has met its performance objectives.

Principle 6: Access to Information

In order to ensure that the Board is able to fulfil its responsibilities, the Management provides the Board with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Directors are furnished regularly with information from the Management about the Group as well as the relevant background information relating to the business to be discussed at the Board meetings. The Directors are also provided with the contact details of the senior management and the Company Secretaries to facilitate separate and independent access.

The types of information and frequency of provision by the Management to Non-Executive Directors are as follows:

<i>Types of information provided by the Management to Non-Executive Directors</i>		
	Information	Frequency
1.	Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)	Quarterly
2.	Updates to the Group's operations and the markets in which the Group operates in	Quarterly
3.	Budgets and/or forecasts (with variance analysis), management accounts (with financial ratios analysis)	Half-yearly
4.	Reports on on-going or planned corporate actions	Quarterly
5.	Enterprise risk framework and internal auditors' ("IA") report(s) and external auditor's report(s)	Annually
6.	Research report(s)	As and when available
7.	Shareholding statistics	Half-yearly

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In furtherance of their duties, each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil his duties and responsibilities as a Director of the Company.

The Company Secretaries and/or his/her representatives attend all quarterly Board meetings. Together with the Management, the Company Secretaries are responsible for ensuring that appropriate Board procedures are followed and that the requirements of the Companies Act (Chapter 50) of Singapore, and the provisions in the Rules of Catalist are complied with. The appointment and removal of the Company Secretaries is a matter for the Board as a whole.

Changes to regulations and accounting standards are closely monitored by the Management. The Directors are briefed either during Board and Board Committee meetings or by the Company Secretaries of these changes especially where these changes have an important bearing on the Directors' disclosure obligations.

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

The RC currently comprises two (2) Independent Directors, namely Mr Lin Weiwen Moses, Mr Sonny Yuen Chee Choong and one Non-Executive Non-Independent Director, Mr Wong Ong Ming Eric. The Chairman of the RC is Mr Lin Weiwen Moses. The RC has written terms of reference that describe the responsibilities of its members.

The RC's principal responsibilities are to review and recommend to the Board a framework of remuneration for the Directors and executive officers, and to determine specific remuneration package for the President. The RC should cover all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind. The recommendations are submitted to the Board for endorsement.

Each member of the RC shall abstain from voting on any recommendation and/or participating in respect of matters in which he or she has an interest.

The Non-Executive Directors do not have service agreements with the Company. They are paid fixed Directors' fees, which are determined by the Board, appropriate to the level of their contributions, taking into account factors such as the effort and time spent and the responsibilities of the Non-Executive Directors. The Directors' fees are subject to approval by Shareholders at the AGM.

Mr Wong Ong Ming Eric, the Company's Non-Executive Non-Independent Director and Mr Sonny Yuen Chee Choong, the Company's Independent Director, have each entered into a Management Consultancy Agreement dated 2 November 2015 with Healthway Medical Group Pte. Ltd., the Company's wholly-owned subsidiary, for a period of approximately five months from 2 November 2015 to 31 March 2016. Under their respective Management Consultancy Agreements, Mr Wong was paid a monthly fee of S\$2,500 while Mr Yuen, S\$22,000. Mr Yuen's contract was subsequently further extended by three months to 30 June 2016 on the same terms and conditions ("Extension"). Mr Yuen's key duties are, *inter alia*, reviewing and advising Healthway Medical Group Pte. Ltd. on the process flow of billing and invoicing corporate clients and trading partners and analysing collection process to improve collection of overdue receivables. For a period from June 2016 to August 2016, Mr Wong was paid monthly allowance of S\$3,000 for transition in new management. Except as disclosed in this Annual Report, the Non-Executive Directors do not receive any other compensation from the Company.

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The Company had entered into a service agreement with Ms Veronica Chan Wee Ping with effect from 1 September 2016 for her appointment as President of the Company.

The review of the remuneration of the executive directors and executive officers takes into consideration the performance and the contributions of the directors and officers to the Company based on their distinct individual's job responsibilities and gives due regard to the financial and business performance of the Group. The Group seeks to offer a competitive level of remuneration to attract, motivate and retain senior management of the required competency to run the Group successfully. The RC also has full authority to obtain any external professional advice on matters relating to remuneration as and when the need arises.

The Company adopts a remuneration policy that comprises a fixed as well as variable component. The fixed component is in the form of base salary and benefits while the variable component is in the form of performance bonus determined based on the level of achievement of corporate and individual performance objectives.

The following performance conditions were chosen for the Group to remain competitive and to motivate the executive directors and executive officers to work in alignment with the goals of all stakeholders:

Performance Conditions	Short-term Incentives	Long-term Incentives
Qualitative	1. Leadership 2. People development 3. Commitment 4. Teamwork 5. Current market and industry practices 6. Macro-economic factors	1. Current market and industry practices

Notwithstanding the challenging environment in FY2016, the RC is satisfied that the performance conditions were met for FY2016.

There are no termination, retirement or any post-employment benefits to directors and key officers.

The Company does not have any employee share option scheme or other long-term employee incentive scheme.

The remuneration of each individual Director and President to the nearest thousand is not disclosed as the Board believes that the disclosure may be prejudicial to its business interests given the highly competitive healthcare business environment the Company operates in. The RC has reviewed the practice of the industry and considered the pros and cons of such disclosure.

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The level and mix of the Directors' and President's remuneration for FY2016 are set out below:

Name of Director/President	Fee %	Salary %	Bonus %	Benefits* %	Total %
Below S\$250,000					
Yeow Ming Ying ¹	9	72	15	4	100
Wong Ong Ming Eric ²	100	-	-	-	100
Pee Tong Lim ³	100	-	-	-	100
Syed Abu Bakar Bin S Mohsin Almohdzar ⁴	100	-	-	-	100
Kuek Chiew Hia ⁵	100	-	-	-	100
Sonny Yuen Chee Choong	100	-	-	-	100
Ho Sun Yee ⁶	100	-	-	-	100
Moses Lin Weiwen ⁷	100	-	-	-	100
Khoo Yee Ho ⁸	100	-	-	-	100
Wong Yee Kong Andrew ⁹	-	96	-	4	100
Veronica Chan Wee Ping ¹⁰	-	94	-	6	100

Notes:-

1. Mr Yeow Ming Ying resigned as President, Medical Service Singapore of the Company and was redesignated to Non-Executive Director on 1 March 2016. Mr Yeow Ming Ying resigned as Non-Executive Director of the Company on 10 August 2016.
2. Mr. Wong Ong Ming Eric was re-designated from Non-Executive Non Independent Chairman to Non-Executive Non-Independent Director of the Company on 30 September 2016.
3. Mr Pee Tong Lim resigned as Independent Director of the Company on 10 August 2016.
4. Mr Syed Abu Bakar bin S Mohsin Almohdzar resigned as Independent Director of the Company on 10 August 2016.
5. Ms Kuek Chiew Hia resigned as Independent Director of the Company on 10 August 2016.
6. Mr Ho Sun Yee was appointed as Independent Director of the Company on 13 July 2016.
7. Mr Lin Weiwen Moses was appointed as Independent Director of the Company on 1 August 2016.
8. Mr Khoo Yee Hoe was appointed as Independent Director of the Company on 22 August 2016 and re-designated to Non-Executive Independent Chairman of the Board of the Company on 1 October 2016.
9. Mr Wong Yee Kong Andrew was appointed and resigned as a President of the Company on 1 March 2016 and 31 August 2016 respectively.
10. Ms Veronica Chan Wee Ping was appointed as a President of the Company on 1 September 2016.

* Other benefits include mainly employers' contributions to the Central Provident Fund and transport allowances.

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Annual remuneration of top 4 key executives who are not Directors or the President in remuneration bands of S\$250,000 are set out below for FY2016.

	Number of employees
S\$250,000 to S\$499,999	1
Below S\$250,000 *	3

*Note: Includes one key executive under the category of “Below S\$250,000” who resigned on 20 Jan 2017.

The Code recommends that the name and the remuneration of at least the top five (5) key executives or key management personnel who are not also Directors or the President (equivalent to a Chief Executive Officer) be disclosed within the bands of S\$250,000, as well as the total remuneration paid to them. The Company takes the view that only four (4) persons are considered key executive or key management personnel as defined in the code. The remuneration of these four (4) key executives was not disclosed as recommended by the code as the Board is of the opinion that the details of individual key executives and the total remuneration paid to them are confidential and full disclosure of such information would not be in the interest of the Company.

No employee of the Company and its subsidiaries was an immediate family member of a Director or the President (equivalent to a Chief Executive Officer) and whose remuneration exceeded S\$50,000 in FY2016.

Principle 10: Accountability

The announcements for the quarterly, half-year and full-year financial results are released via the SGXNET. All material information relating to the Company is disseminated via SGXNET.

The Board ensures that the Management maintains a sound system of internal controls to safeguard the Shareholders’ investment and the Group’s assets.

The Management will provide all members of the Board with management accounts of the Group’s performance, with explanatory details on its operations on a quarterly basis. Board papers are given prior to any Board meeting to facilitate effective discussion and decision-making.

Principle 11: Risk Management and Internal Controls

The Board believes that the system of internal controls maintained by the Management provides reasonable assurance against material financial misstatements or loss and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislations, regulations and best practices and the identification and management of business risks.

The Board has received assurance from the President, Ms Veronica Chan Wee Ping and the Financial Controller, Ms Goh Lay Lan that the financial records have been properly maintained and the financial statements for the financial year ended 31 December 2016 give a true and fair view of the Company’s operations and finances, and the Company’s risk management and internal control systems were adequate and effective as at 31 December 2016 (the “Assurance”).

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Based on the internal controls established and maintained by the Group, work performed by the internal auditors and external auditors in the course of their statutory audit, reviews performed by the Management and various Board Committees and the Assurance received, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls addressing the financial, operational, compliance and information technology controls risks, and risk management systems of the Company were adequate and effective as at 31 December 2016.

The Board and the AC noted that all internal controls contain inherent limitations and no systems of internal controls could provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities. The Board will continue its risk assessment process, which is an on-going process, with a view to improve the Company's internal controls system.

The Company is gradually placing emphasis on sustainability and would implement appropriate policies and programmes when the opportunities arise.

Principle 12: Audit Committee

The AC, which has written terms of reference clearly setting out its authority and duties, is currently made up of three (3) Independent Directors, namely Mr Sonny Yuen Chee Choong, Mr Lin Weiwen Moses and Mr Ho Sun Yee. The Chairman of the AC is Mr Sonny Yuen Chee Choong. The Board is of the view that the AC has the necessary experience and expertise required to discharge its duties.

The AC schedules a minimum of four (4) meetings in each financial year. The meetings are held, *inter alia*, for the following purposes:-

- to review with the external auditors the audit plan, their evaluation of the system of accounting controls, their letter to the Management and the Management's response;
- to review the quarterly, half year and full year financial statements including balance sheet and profit and loss accounts, before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Rules of Catalist and any other relevant statutory or regulatory requirements;
- to review the internal control procedures and ensure co-ordination between the external auditors and the Management, and review the assistance given by the Management to the external auditors, and discuss problems and concerns, if any, arising from the interim and full year audits, and any matters which the external auditors may wish to discuss (in the absence of the Management, where necessary);
- to review the independence of the external auditors;
- to review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response;

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- to consider and recommend the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the external auditors;
- to review interested person transactions (if any) falling within the scope of Chapter 9 of the Rules of Catalist;
- to undertake such other reviews and projects as may be requested by the Board, and to report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- generally undertake such other functions and duties as may be required by statute or the Rules of Catalist, or by such amendments as may be made thereto from time to time.

The AC is also responsible for the review of the internal audit plans and the evaluation by the internal auditor of the Company's system of internal controls.

In addition, the AC is given the task to commission investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any laws, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and to review the findings thereof.

The AC meets with the external and internal auditors, without the presence of Management, at least annually, to review the adequacy of audit arrangements, with emphasis on the scope and quality of their audit, and the independence, objectivity and observations of the auditors. The AC has reasonable resources to enable it to discharge its functions properly. The external auditors present to the AC the audit plan and updates relating to any change of accounting standards which have a direct impact on financial statements during the AC meetings. The AC has met with the external and internal auditors, without the presence of Management during FY2016.

Certain Singapore-incorporated subsidiaries of the Company were audited by different auditors as disclosed in Note 15 to the financial statements in this Annual Report. The Board and AC have considered this and are satisfied that the appointment of different auditing firms would not compromise the standard and effectiveness of the audit of the Company by the Company's auditor, PricewaterhouseCoopers LLP ("PwC") based on the adequacy of resources and experience of the other auditors. Therefore, Rule 712 and Rule 716 of the Rules of Catalist has been complied with by the Company.

The aggregate amount of fees paid or payable to the external auditors of the Company, broken down into audit and non-audit services during FY2016 are as follows:-

Audit fees	S\$590,400
Non-audit fees	S\$ 4,000
Total	S\$594,400

The AC will review the independence of the external auditors annually. The non-audit service rendered by the external auditors for FY2016 was not substantial.

REPORT OF CORPORATE GOVERNANCE

Following the AC's review of the volume and nature of all non-audit services of the Group provided by PwC, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of PwC, the AC is of the opinion that PwC is suitable for re-appointment and the AC has accordingly recommended to the Board that PwC be nominated for re-appointment as auditors of the Company at the forthcoming AGM.

As announced by the Company on 11 April 2017, the Audit Committee has appointed BDO LLP as the independent reviewer to look into the extension of loans by the Group to Healthway Medical Enterprises Pte. Ltd. and Wei Yi Shi Ye Co. Ltd., with the objective of establishing whether there are any breaches of the Rules of Catalist. As at 30 June 2017, the said independent review is still ongoing and the Company has not received any report from BDO LLP.

Whistle-blowing Policy

The AC has put in place a whistle-blowing Policy, whereby employees of the Group and external parties, which includes the Group's business associates, may in confidence, raise concerns about possible improper financial reporting or other matters to Mr Sonny Yuen Chee Choong, the AC Chairman. The objective for such arrangement is to ensure independent investigations of such matters and for appropriate follow-up actions. Reports of suspected fraud, corruption, dishonest practices or other similar matters can be lodged via email to Mr Sonny Yuen Chee Choong, the AC Chairman at whistleblow@healthwaymedical.com

Principle 13: Internal Audit

The AC is aware of the need to establish a system of internal controls within the Group to safeguard Shareholders' interests and the Group's assets, and to manage risks. The system is intended to provide reasonable but not absolute assurance against material misstatements or loss, and to safeguard assets and ensure maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislations, regulations and best practices, and the identification and containment of business risks.

The size of the operations of the Group does not warrant the Group having an in-house internal audit function. The Group has therefore appointed Messrs Yang Lee & Associates ("Yang Lee"), a professional firm to undertake the functions of an internal auditor.

The scope of the internal audit is:-

- to review the effectiveness of the Group's material internal controls;
- to provide assurance that key business and operational risks are identified and managed;
- to determine that internal controls are in place and functioning as intended; and
- to evaluate that Company's operations are conducted in an effective and efficient manner.

The AC has reviewed with the internal auditors their audit plan and their evaluation of the system of internal controls, their audit findings and the Management's responses to those findings; the effectiveness of material internal controls, including financial, operational and compliance controls and overall risk management of the Company and the Group for FY2016. The AC is satisfied that Yang Lee is adequately qualified (given, *inter alia*, its adherence to standards set by internationally recognised professional bodies) and resourced and has the appropriate standing within the Group to discharge its duties effectively.

REPORT OF CORPORATE GOVERNANCE

Principle 14: Shareholder Rights

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholder Meetings

The Company is committed to maintaining and improving its level of corporate transparency of financial results and other pertinent information. Other than the routine announcements made in accordance with the requirements of the Rules of Catalist, the Company has issued additional announcements to update Shareholders on the activities of the Company and the Group in FY2016.

The Company does not practise selective disclosure. Price-sensitive information is first publicly released via SGXNET before the Company meets with any group of investors or analysts. Results and annual reports are announced or issued within the mandatory period (and where this is not possible, relevant extensions of time are sought in accordance with applicable laws, regulations and rules).

All Shareholders will receive the Company's annual report and notice of AGM. At the AGM, Shareholders will be given the opportunity and time to air their views and ask the Directors or the Management questions regarding the Company.

In addition, if the need arises, the Company may organise media/analyst briefings to enable a better appreciation of the Group's performance and developments, which will also act as platforms to solicit and understand the view of Shareholders and investors.

The Company does not have a dedicated investor relations team. The Company's President, Ms Veronica Chan Wee Ping is responsible for the Company's communication with Shareholders.

The Chairmen of the Board, AC, RC and NC as well as the external auditors will be present and on hand to address all issues raised at the AGM. While the AGM of the Company is a principal forum for dialogue and interaction with all Shareholders, the Company will consider use of other forums such as analyst briefings as and when applicable.

The Constitution of the Company allow members of the Company to appoint not more than two (2) proxies to attend and vote on their behalf at a general meeting. In line with the amendments to the Companies Act, Chapter 50 of Singapore, corporate shareholders of the Company who provide nominee or custodial services to third parties are allowed to appoint more than two proxies to attend and vote on their behalf at general meetings.

Separate resolutions are proposed at general meetings for each distinct issue. All resolutions are put to vote by poll, and their detailed results will be announced via SGXNET after the conclusion of the general meeting.

The Company does not have a fixed dividend policy. The form, frequency, and amount of dividend will depend on the Group's earnings, financial position, results of operations, capital needs, plans for expansion and other factors that the Board may deem appropriate. The Board had not declared or recommended dividend payment for FY2016 as the Board wants to ensure that there are adequate resources for the Company's expansion plans and to respond to any adverse changes in the macroeconomic environment.

REPORT OF CORPORATE GOVERNANCE

Dealing in Securities

The Company has adopted policies in line with the requirements of Rule 1204(19) of the Rules of Catalist on dealings in the Company's securities.

The Company prohibits its officers from dealing in the Company's shares on short term considerations or when they are in possession of unpublished price-sensitive information. The Company, its Directors and its Officers are not allowed to deal in the Company's shares during the period commencing two (2) weeks before the announcement of the Company's financial results for each of the first three (3) quarters and one (1) month before the announcement of the Company's full year financial results, as the case may be, and ending on the date of the announcement of the relevant financial results.

Interested Person Transactions

The Company has adopted an internal policy in respect of any transaction with an interested person, which sets out the procedures for review and approval of such interested person transaction.

All interested person transactions will be documented and submitted periodically to the AC for their review to ensure that such transactions are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the Company.

There were no interested person transactions entered into by the Group that are S\$100,000 and above during FY2016

Non-Sponsor Fees

No non-sponsor fees was paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. for FY2016.

Material Contracts and Loans

The material contract that is still subsisting at the end of FY2016 or if not then subsisting, which was entered into since the end of the previous financial year is as follows:

1. The Management Consultancy Agreement and the Extension entered into between Mr Sonny Yuen Chee Choong and Healthway Medical Group Pte. Ltd., further details of which are disclosed in the page 25 of this Annual Report,

Pursuant to Rule 1204(8) of the Rules of Catalist, the Company confirmed that except as disclosed in the Directors' Statement and financial statements and the above mentioned material contract, there were no other material contracts and loans of the Company and its subsidiaries involving the interests of any Director or controlling shareholder of the Company, either still subsisting at the end of FY2016 or if not then subsisting, which were entered into since the end of the previous financial year.

REPORT OF CORPORATE GOVERNANCE

Risk Management

The Management frequently reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Company's policies and strategies. The significant risk management policies are as disclosed in the audited financial statements.

Use of Proceeds

A. Placement

The net proceeds from the placement, which was completed on 27 September 2016, was approximately S\$3,750,000 (after deducting expenses pertaining to the Placement of approximately S\$249,000) ("Net Proceeds"). The Net Proceeds have been fully utilised on 25 October 2016 as follows:

Intended Purposes	Amount utilised (S\$)	Amount unutilised (S\$)
Working Capital ¹	1,687,500	-
Expansionary Plan in Singapore	2,062,500	-
Total	3,750,000	-

Notes:

1. Utilised mainly for payment of salaries and loans repayments.

The above utilisations are in accordance with the intended purposes as stated in the Company's announcement dated 29 August 2016.

B. Tranche 1 of Convertible Notes ("T1 CN B")

The net proceeds from the issuance of T1 CN B, which was completed on 23 March 2017, was approximately S\$8.3 million (after deducting the upfront fee of S\$1.4 million and estimated expenses of S\$0.3 million) ("T1 Net Proceeds"). The T1 Net proceeds have been fully utilised on 24 March 2017 for the payments of (i) remaining salaries for February 2017; and (ii) salaries for March 2017. The utilisation was in accordance with the intended purposes as stated in the Company's announcement dated 23 March 2017.

REPORT OF CORPORATE GOVERNANCE

C. Tranche 2 of Convertible Notes ("T2 CN B")

The net proceeds from the issuance of T2 CN B, which was completed on 21 April 2017, was approximately S\$59.8 million (after deducting estimated expenses of S\$0.2 million) ("T2 Net Proceeds"). As at 29 June 2017, the T2 Net proceeds have been utilised as follows:

Intended Purposes	Amount Allocated (S\$) Million	Amount Utilised (S\$) Million	Amount Unutilised (S\$) Million
Short term liquidity needs	23.8	19.96	3.84
Organic expansion of GP clinics	2.0	0.53	1.47
Acquisition of specialists' clinics – hospital-based oncology and dermatology clinics	16.0	-	16.0
Acquisition of specialists' clinics – paediatrics	18.0	-	18.0
Total	59.8	20.49	39.31

Notes:

The utilisation was in accordance with the intended purposes as stated in the Company's circular dated 6 April 2017.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2016 and the balance sheet of the Company as at 31 December 2016.

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 46 to 113 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Wong Ong Ming Eric

Ho Sun Yee

appointed on 13 July 2016

Khoo Yee Hoe

appointed on 22 August 2016

Lin Weiwen Moses

appointed on 01 August 2016

Sonny Yuen Chee Choong

Anand Kumar

appointed on 24 March 2017

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

Directors' interests in shares or debentures

- (a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2016	At 1.1.2016 or date of appointment, if later	At 31.12.2016	At 1.1.2016 or date of appointment, if later
Healthway Medical Corporation Limited (Number of ordinary shares)				
Wong Ong Ming Eric	274,084	274,084	19,380	19,380

- (b) The directors' interests in the ordinary shares of the Company as at 21 January 2017 were the same as those as at 31 December 2016.

Share options

No options were granted during the financial year to subscribe for unissued shares of the Company or its related corporations.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its related corporations.

There were no unissued shares of the Company or its related corporations under option at the end of the financial year.

Audit Committee

The members of the Audit Committee at the end of the financial year were as follows:

Sonny Yuen Chee Choong (Chairman)
Ho Sun Yee
Lin Weiwen Moses

All members of the Audit Committee are independent non-executive directors.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

Audit Committee (continued)

The Audit Committee held 5 meetings during the financial year. In performing its functions, the Audit Committee had met with the Company's internal and external auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system on the balance sheet of the Company and the consolidated financial statements of the Group.

The Audit Committee reviewed the quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption. The Audit Committee also reviewed interested person transactions (as defined in Chapter 9 of the Rules of Catalist) transacted during the financial year.

The Audit Committee has full access to and the co-operation of the management of the Company for it to discharge its functions.

The external and internal auditors had unrestricted access to the Audit Committee. The Audit Committee is satisfied with the independence and objectivity of the external auditors and has confirmed with the external auditors that there has been no provision of non-audit services by external auditors.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent Auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Wong Ong Ming Eric
Director

Sonny Yuen Chee Choong
Director

INDEPENDENT AUDITOR'S REPORT

To the members of Healthway Medical Corporation Limited

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Healthway Medical Corporation Limited (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated statement of comprehensive income of the Group for the year ended 31 December 2016;
- the balance sheet of the Group as at 31 December 2016;
- the balance sheet of the Company as at 31 December 2016;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Emphasis of Matter

We draw attention to Note 31 (d) to the financial statements which states that on 27 February 2017 the Company announced that the Singapore Exchange Securities Trading Limited ("SGX-ST") requested the Company to appoint an independent reviewer ("Independent Reviewer") to look into the extensions of loans by the Group to Healthway Medical Enterprises Pte. Ltd. and Wei Yi Shi Ye Co. Ltd., with the objective of establishing whether there are any breaches of the SGX-ST Listing Manual Section B: Rules of Catalyst, and that as of the date of this report, the Independent Reviewer has yet to complete their review and the Group has not received any reports from the Independent Reviewer and accordingly the outcome of this review is unknown. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

To the members of Healthway Medical Corporation Limited

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and brand name of the Group As at 31 December 2016, as disclosed in Note 17(a) to the financial statements, the net book value of goodwill and brand name with indefinite useful life amounted to \$115,767,000. We focused on management's impairment assessment of goodwill and brand name with indefinite useful life, as disclosed in Note 3(a) to the financial statements, because of the significant judgement involved in estimating the discount rate, terminal growth rate and revenue growth rate, which are the key assumptions used in the computation of the recoverable amount.	We held discussions with management to understand their assessment and decisions. We reviewed the impairment assessment and value-in-use calculations prepared by management. With the assistance of our internal valuation specialists, we assessed the appropriateness of the key assumptions used in the value-in-use calculations. We evaluated management's sensitivity analysis to assess the impact on the recoverable amount of the goodwill and brand name with indefinite useful life of reasonable possible changes to the key assumptions.

INDEPENDENT AUDITOR'S REPORT

To the members of Healthway Medical Corporation Limited

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Amounts due from Healthway Medical Enterprises Pte. Ltd. ("HME") As disclosed in Note 3(b) to the financial statements, HME is a company that owns medical clinics in Singapore, and as at 31 December 2016, the Group has a net carrying amount due from HME amounting to \$49,758,000, comprising a gross amount of \$67,758,000 due from HME and a corresponding allowance for impairment of \$18,000,000. We focused on the following key matters in relation to the amounts due from HME due to the significance of the related amounts to the financial statements and the financial difficulties faced by HME: a) Accuracy and existence of the amounts due from HME; and b) Recoverability of the amounts due from HME which is based on value-in-use calculations as the Group has the first right to acquire these medical clinics from HME as disclosed in Note 3 (b) to the financial statements. We focused on the impairment assessment because of the significant judgement involved in estimating the discount rate, terminal growth rate and revenue growth rate, which are the key assumptions used in the computation of the recoverable amount as disclosed in Note 3 (b) to the financial statements.	a) In relation to the accuracy and existence of the amounts due from HME, we: - Sighted minutes of the board of directors meetings, and attended audit committee meetings where matters relevant to the Group's amounts due from HME were deliberated on; - Sighted loan agreements with HME; - Sighted the management and administrative services agreement with HME; - Held discussions with management to understand the reasons for the increase in the gross amounts due from HME; and - Obtained confirmation from HME that it is in agreement with the gross amounts due from HME as recorded in the financial statements of the Group. b) In relation to the recoverability of amounts due from HME, we: - Held discussions with management to understand their assessment and decisions; - Reviewed the impairment assessment and value-in-use calculations prepared by management; - With the assistance of our internal valuation specialists, assessed the appropriateness of the key assumptions used in the value-in-use calculations; and - Evaluated management's sensitivity analysis to assess the impact on the recoverable amount of reasonable possible changes to the key assumptions.

INDEPENDENT AUDITOR'S REPORT

To the members of Healthway Medical Corporation Limited

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Amounts due from Wei Yi Shi Ye Co. Ltd. ("Wei Yi") As disclosed in Note 3(c) to the financial statements, Wei Yi is a company which owns medical centres in China, and as at 31 December 2016, the Group has a net carrying amount due from Wei Yi amounting to \$Nil, comprising a gross loan amount of \$36,381,000 and a corresponding allowance for impairment of \$36,381,000. We focused on the following key matters in relation to the amounts due from Wei Yi due to the significance of the related amounts to the financial statements and the financial difficulties faced by Wei Yi: a) Accuracy and existence of the amounts due from Wei Yi; and b) Management's impairment assessment as disclosed in Note 3(c) to the financial statements in relation to the amounts due from Wei Yi.	a) In relation to the accuracy and existence of the amounts due from Wei Yi, we: - Sighted minutes of the board of directors meetings and attended audit committee meetings where matters relevant to the Group's amounts due from Wei Yi were deliberated on; - Sighted loan agreements with Wei Yi and its medical centres; - Sighted the management and administrative services agreement with the medical centres of Wei Yi; - Held discussions with management to understand the reasons for the increase in the gross amounts due from Wei Yi; and - Obtained confirmation from Wei Yi that it is in agreement with the gross amounts due from Wei Yi as recorded in the financial statements of the Group. b) In relation to management's impairment assessment over the amounts due from Wei Yi, we: - Held discussions with management to understand their assessment and decisions and to understand the financial difficulties faced by Wei Yi; - Obtained the latest available management accounts of Wei Yi; and - Reviewed the past payment history of Wei Yi.

INDEPENDENT AUDITOR'S REPORT

To the members of Healthway Medical Corporation Limited

Other Information

Management is responsible for the other information. The other information comprises the Corporate Profile, Chairman's Message, Board of Directors, Our Group Structure, Group Structure Definitions, Corporate Information, Report of Corporate Governance, Directors' Statement, Shareholding Statistics, Notice of Annual General Meeting and Proxy Form (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

To the members of Healthway Medical Corporation Limited

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

To the members of Healthway Medical Corporation Limited

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tham Tuck Seng.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 30 June 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	Note	2016 \$'000	2015 \$'000
Revenue	4	96,678	94,273
Other income	5	2,264	6,867
Other (losses)/gains	6	(738)	989
Expenses			
- Medical supplies and consumables used		(15,558)	(15,170)
- Laboratory and related expenses		(3,659)	(3,825)
- Staff costs	7	(62,042)	(59,299)
- Depreciation of property, plant and equipment	16	(1,553)	(1,340)
- Amortisation of intangible assets	17	(71)	(295)
- Rental on operating leases		(8,334)	(8,228)
- Allowance for doubtful trade and other receivables	26(b)	(37,962)	(4,812)
- Reversal of allowance for doubtful trade and other receivables	26(b)	176	441
- Impairment of goodwill		(6,046)	-
- Finance expenses	8	(1,332)	(1,078)
- Other expenses		(6,117)	(5,827)
Total expenses		(142,498)	(99,433)
(Loss)/Profit before income tax		(44,294)	2,696
Income tax credit/(expense)	9(a)	185	(1,013)
Total (loss)/profit		(44,109)	1,683
Other comprehensive losses:			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
- Fair value gains	24	-	9
- Reclassification	24	-	(727)
		-	(718)
Currency translation (losses)/gains arising from consolidation		(117)	136
Other comprehensive losses, net of tax		(117)	(582)
Total comprehensive (loss)/income		(44,226)	1,101

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	Note	2016 \$'000	2015 \$'000
(Loss)/Profit attributable to:			
Equity holders of the Company		<u>(44,109)</u>	<u>1,683</u>
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		<u>(44,226)</u>	<u>1,101</u>
(Loss)/Earnings per share for (loss)/profit attributable to equity holders of the Company (cents per share)			
Basic and diluted (loss)/earnings per share	10	<u>(1.87)</u>	<u>0.07</u>

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET – GROUP AND COMPANY

As at 31 December 2016

		← Group →		← Company →	
	Note	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
ASSETS					
Current assets					
Cash and bank balances	11	2,780	2,884	1,368	1,947
Trade and other receivables	12	67,289	81,341	6,553	10,927
Inventories	13	2,270	2,290	-	-
Current income tax recoverable	9(b)	175	-	-	-
		72,514	86,515	7,921	12,874
Non-current assets					
Other receivables	12	1,186	22,010	-	-
Investments in subsidiaries	15	-	-	195,060	197,113
Property, plant and equipment	16	4,999	5,897	-	-
Intangible assets	17	115,787	121,902	-	66
Deferred tax assets	22	-	18	-	43
		121,972	149,827	195,060	197,222
Total assets		194,486	236,342	202,981	210,096
LIABILITIES					
Current liabilities					
Trade and other payables	18	28,409	24,326	3,737	2,184
Current income tax liabilities	9(b)	-	1,296	145	328
Borrowings	19	10,698	12,653	4,282	8,293
		39,107	38,275	8,164	10,805
Non-current liabilities					
Borrowings	19	3,152	5,984	1,203	4,285
Deferred income tax liabilities	22	25	-	-	-
Provisions	21	292	357	-	-
		3,469	6,341	1,203	4,285
Total liabilities		42,576	44,616	9,367	15,090
NET ASSETS		151,910	191,726	193,614	195,006
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	23	208,214	204,430	208,214	204,430
Treasury shares	23	-	(3,049)	-	(3,049)
Currency translation reserve		718	835	-	-
Accumulated losses		(57,022)	(10,490)	(14,600)	(6,375)
Total equity		151,910	191,726	193,614	195,006

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

		Share	Treasury	Fair value	Currency	Capital	Accumulated	Total
	<u>Note</u>	<u>capital</u>	<u>shares</u>	<u>reserve</u>	<u>translation</u>	<u>reserve</u>	<u>losses</u>	<u>equity</u>
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2016								
Beginning of financial year		204,430	(3,049)	-	835	-	(10,490)	191,726
Loss for the year		-	-	-	-	-	(44,109)	(44,109)
Issue of new shares								
pursuant to placement	23	3,999	-	-	-	-	-	3,999
Share issue expenses	23	(215)	-	-	-	-	-	(215)
Treasury shares re-issued	23	-	3,049	-	-	(2,423)	-	626
Reclassification of loss on re-issuance of treasury shares		-	-	-	-	2,423	(2,423)	-
Other comprehensive losses for the year		-	-	-	(117)	-	-	(117)
End of financial year		208,214	-	-	718	-	(57,022)	151,910
2015								
Beginning of financial year		204,430	(3,049)	718	699	-	(12,173)	190,625
Profit for the year		-	-	-	-	-	1,683	1,683
Other comprehensive losses for the year		-	-	(718)	136	-	-	(582)
End of financial year		204,430	(3,049)	-	835	-	(10,490)	191,726

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2016

	Note	2016 \$'000	2015 \$'000
Cash flows from operating activities			
(Loss)/profit before income tax		(44,294)	2,696
Adjustments for:			
- Depreciation of property, plant and equipment	16	1,553	1,340
- Amortisation of intangible assets	17	71	295
- Loss on disposal of property, plant and equipment		172	80
- Allowance for doubtful trade and other receivables		37,962	4,812
- Impairment of goodwill		6,046	-
- Interest expense	8	1,332	1,078
- Interest income	5	(14)	(1,806)
- Gain on disposal of available-for-sale financial assets	6	-	(727)
- Unrealised currency translation (gains)/losses		738	(262)
		3,566	7,506
Change in working capital:			
- Inventories		20	103
- Trade and other receivables		(2,902)	424
- Trade and other payables		5,012	3,095
- Provisions		(65)	(9)
Cash generated from operations		5,631	11,119
Income tax paid		(1,243)	(304)
Net cash provided by operating activities		4,388	10,815
Cash flows from investing activities			
Additions to property, plant and equipment		(347)	(658)
Additions of intangible assets		-	-
Proceeds on disposal of property, plant and equipment		52	44
Loans to HME and Wei Yi		(1,309)	(4,961)
Proceeds from sale of available-for-sale financial asset		-	765
(Advances to)/Receipts from HME and Wei Yi - net		(467)	(5,790)
Interest received		14	11
Net cash used in investing activities		(2,057)	(10,589)
Cash flows from financing activities			
Proceeds from issuance of shares		3,999	-
Share issue expenses		(215)	-
Proceeds from re-issuance of treasury shares		626	-
Fixed deposits pledged		(71)	282
Proceeds from borrowings		14,160	27,131
Repayment of borrowings		(18,750)	(25,650)
Repayment of finance lease liabilities		(923)	(902)
Interest paid		(1,332)	(1,078)
Net cash used in financing activities		(2,506)	(217)
Net (decrease)/increase in cash and cash equivalents		(175)	9
Cash and cash equivalents			
Beginning of financial year	11	1,046	1,037
Effects of currency translation on cash and cash equivalents		*	*
End of financial year	11	871	1,046

*Less than \$1,000

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Healthway Medical Corporation Limited (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 2 Leng Kee Road, #06-07 Thye Hong Centre, Singapore 159086.

The principal activities of the Company are those of an investment holding company and to carry on the business of healthcare management. The principal activities of its subsidiaries are set out in Note 15.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2016

On 1 January 2016, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(a) Provision of medical services

Revenue from the provision of medical services is recognised when the services are rendered. Where services are provided in stages, revenue is recognised over the period when the services are performed, typically within twelve months from the date of the transaction. Deferred revenue is recognised on the balance sheet when cash is collected upfront for services which have yet to be rendered.

(b) Management and administrative fees

Management and administrative fees are recognised when the services are rendered and where it is probable that the benefits will flow to the Group.

(c) Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the term of the lease.

(d) Interest income

Interest income, including income arising from other financial instruments, is recognised using the effective interest method.

2.3 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) Subsidiaries (continued)

(i) Consolidation (continued)

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets – Goodwill on Acquisition" for the subsequent accounting policy on goodwill.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) Subsidiaries (continued)

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

2.4 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (refer to Note 2.6 on borrowing costs). The projected cost of restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the restoration is incurred as a consequence of either acquiring the asset or using the asset for purpose other than to produce inventories. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(b) Depreciation

Depreciation is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Leasehold improvements	2 to 10 years
Medical equipment	5 to 10 years
Computers	1 to 3 years
Furniture and fittings	5 to 10 years
Office equipment	5 to 10 years
Signboards	2 to 10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other gains".

2.5 Intangible assets

(a) Goodwill on acquisitions

Goodwill on acquisitions of subsidiaries and businesses on or after 1 January 2010 represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired.

Goodwill on acquisition of subsidiaries and businesses prior to 1 January 2010 represents the excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.5 Intangible assets (continued)

(a) Goodwill on acquisitions (continued)

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisitions prior to 1 January 2001. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in profit or loss on disposal.

(b) Acquired brand name

Acquired brand name with indefinite life are initially recognised at cost and are subsequently carried at cost less accumulated impairment losses.

(c) Acquired computer software licences

Acquired computer software licences are initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of three years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.6 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2.7 Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.8 Impairment of non-financial assets

(a) *Goodwill and brand name*

Goodwill and brand name that have indefinite useful life, recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill and brand name may be impaired.

For the purpose of impairment testing of goodwill and brand name, goodwill and brand name are allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill and brand name, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill and brand name allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) *Intangible assets*

Property, plant and equipment

Investments in subsidiaries

Intangible assets (other than goodwill and brand name), property, plant and equipment and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.8 Impairment of non-financial assets (continued)

(b) Intangible assets

Property, plant and equipment

Investments in subsidiaries (continued)

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill and brand name is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill and brand name is recognised in profit or loss.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "cash and cash equivalents" (Note 11) and "trade and other receivables" (Note 12) on the balance sheet.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) Subsequent measurement

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest and dividend income on available-for-sale financial assets are recognised separately in income. Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve.

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(e) Impairment (continued)

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) Available-for-sale financial assets

In addition to the objective evidence of impairment described in Note 2.9(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was previously recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.11 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of certain subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

2.12 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.14 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.15 Leases

(a) *When the Group is the lessee:*

The Group leases certain plant and machinery under finance leases and commercial and office premises under operating leases from non-related parties.

(i) *Lessee – Finance leases*

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) *Lessee – Operating leases*

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.15 Leases (continued)

(b) When the Group is the lessor (operating leases):

(i) Lessor - Operating leases

The Group leases commercial and office premises under operating leases to non-related parties.

Leases of commercial and office premises to non-related parties where the Group has leased under operating leases (Note 2.15(a)(ii)) are classified as operating leases. Rental income from these operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

2.16 Inventories

Inventories comprising pharmacy, medical and surgical supplies are measured at the lower of cost and net realisable value. The cost of inventories is determined based on the weighted average basis and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Allowance is made for all damaged, expired and slow moving items.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.17 Income taxes (continued)

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.18 Provisions

Provisions for asset restoration are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amounts have been reliably estimated.

The Group recognises the estimated costs of restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.18 Provisions (continued)

Changes in the estimated timing or amount of the expenditure or discount rate for asset restoration costs are adjusted against the cost of the related property, plant and equipment, unless the decrease in the liability exceeds the carrying amount of the assets or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in profit or loss immediately.

The provision for restoration costs relates to the estimated costs of dismantling, removing and restoring the commercial premises to its original condition at the expiration of the lease period.

2.19 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.20 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollars, which is the functional currency of the Company. All information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.20 Currency translation (continued)

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

All foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other gains".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.22 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.23 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in capital reserve.

2.24 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.25 Government grants

Grants from government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment assessment of goodwill and brand name

Goodwill and brand name with indefinite useful life are tested for impairment annually and whenever there is an indication that they may be impaired.

The recoverable amounts of these assets and its cash-generating units (CGU) have been determined based on value-in-use calculations. Significant judgements are used, in particular in relation to the estimate of the discount rates, terminal growth rate and the revenue growth rates applied in computing the recoverable amounts of the different CGUs. In making these estimates, management has relied on past performance and its expectations of market developments in Singapore. Specific estimates are disclosed in Note 17.

The Group has recognised an additional impairment charge during the financial year amounting to \$6,046,000, which resulted in the carrying amount of goodwill being reduced to \$88,454,000 as at 31 December 2016.

The key assumptions used in the value-in-use calculations that were subject to significant judgement were relating to the estimation of the discount rate, terminal growth rate and revenue growth rate as follows:

Discount rate	8.5%
Terminal growth rate	2.0%
Revenue growth rate	3.0%-7.0%

An unfavourable change by 10% to any of the individual key assumptions as compared to management's estimates as listed above, would not have resulted in an additional impairment to goodwill or brand name with indefinite useful life being required as at 31 December 2016.

(b) Impairment assessment of amount due from Healthway Medical Enterprises Pte. Ltd ("HME")

HME is a company that owns medical clinics in Singapore. The Group, in addition to providing loans to HME for the development, setup and operations of these medical clinics, also provides management and administrative services to HME. As at 31 December 2016, the Group has a net carrying amount due from HME amounting to \$49,758,000, comprising a gross amount of \$67,758,000 due from HME and a corresponding allowance for impairment of \$18,000,000 (Note 12).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3. Critical accounting estimates, assumptions and judgements (continued)

(b) *Impairment assessment of amount due from Healthway Medical Enterprises Pte. Ltd ("HME") (continued)*

Management reviews its loans and receivables, including those due from HME for objective evidence of impairment quarterly, and as the Group has the first right to acquire these medical clinics from HME, management's assessment of the recoverable amount of the amounts due from HME is based on a value-in-use calculation. Significant judgements are used, in particular in relation to the estimate of the discount rate, terminal growth rate and revenue growth rate applied in computing the recoverable amount. In making these estimates, management has relied on past performance and its expectations of market developments in Singapore.

During the financial year ended 31 December 2016, the challenging operating environment in Singapore resulted in an increase in operating costs and an overall underperformance in the results of HME's clinics. Accordingly, the Group has recognised an additional impairment charge during the financial year amounting to \$15,000,000 which resulted in the carrying amount of loans and receivables due from HME being reduced to \$49,758,000 as at 31 December 2016.

The key assumptions used in the value-in-use calculations that were subject to significant judgement were relating to the estimation of the discount rate, terminal growth rate and revenue growth rate as follows:

Discount rate	8.5%
Terminal growth rate	2.0%
Revenue growth rate	8.5%

An unfavourable change by 10% to any of the individual key assumptions as compared to management's estimates as listed above, would not have resulted in an additional impairment being required as at 31 December 2016.

Subsequent to the year ended 31 December 2016, upon approval of the shareholders' at the Extraordinary General Meeting held on 21 April 2017, the Group exercised its right and acquired HME. Accordingly, HME has become a wholly owned-indirect subsidiary of the Company (Note 31(c)).

(c) *Impairment assessment of loan receivable due from Wei Yi Shi Ye Co. Ltd. ("Wei Yi")*

The loan receivable is due from Wei Yi, a company which owns medical centres in China. The Group, in addition to providing loans for the development, setup and operations of these medical centres, also provides management and administrative services to the medical centres. As at 31 December 2016, the Group has a net carrying amount due from Wei Yi amounting to \$Nil, comprising a gross loan amount of \$36,381,000 and a corresponding allowance for impairment of \$36,381,000 (Note 12).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3. Critical accounting estimates, assumptions and judgements (continued)

- (c) *Impairment assessment of loan receivable due from Wei Yi Shi Ye Co. Ltd. ("Wei Yi") (continued)*

Based on funding requirements of Wei Yi's medical centres in China, the Group's gross loan to Wei Yi has increased from S\$15,353,000 as at 31 December 2010 to S\$36,381,000 as at 31 December 2016 and includes unpaid management and administrative fees as well as unpaid interest charges.

Management reviews its loans and receivables, including those due from Wei Yi for objective evidence of impairment quarterly.

In the previous financial year, a letter of intent was signed between a third party and the sole shareholder of Wei Yi to acquire Wei Yi at a purchase consideration of \$21,000,000 and the sales proceeds was intended to be utilised by the sole shareholder of Wei Yi for the settlement of the loans provided by the Group. In the current financial year, management was informed by the sole shareholder of Wei Yi that negotiations with the third party had not progressed further since the signing of the aforementioned letter of intent, and given the current financial position of Wei Yi and uncertainty surrounding the recovery of this loan, management has made an additional allowance of impairment on this loan amounting to \$21,569,000 during the current financial year which resulted in the carrying amount of amounts due from Wei Yi being reduce to \$Nil as at 31 December 2016.

Management will continue to pursue all avenues available to recover this loan.

4. Revenue

	<u>Group</u>	
	2016	2015
	\$'000	\$'000
Medical services	96,616	93,116
Management and administrative fees charged to:		
- Wei Yi	62	257
- HME	-	900
	96,678	94,273

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

5. Other income

	<u>Group</u>	
	2016	2015
	\$'000	\$'000
Interest income		
- Bank deposits	14	11
- Loan receivable	-	1,795
	14	1,806
Recovery of staff cost from HME	-	3,303
Rental income	324	315
Rental of medical equipment	360	389
Government grant income		
- Wage Credit Scheme	529	384
- Special Employment Credit	212	121
Others	825	549
	2,264	6,867

6. Other (losses)/gains

	<u>Group</u>	
	2016	2015
	\$'000	\$'000
Reclassification from other comprehensive income on disposal of available-for-sale financial assets (Note 24)	-	727
Foreign exchange (loss) / gain	(738)	262
	(738)	989

7. Staff costs

	<u>Group</u>	
	2016	2015
	\$'000	\$'000
Wages and salaries	58,479	56,215
Employer's contribution to defined contribution plans including Central Provident Fund	3,563	3,084
	62,042	59,299

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

8. Finance expenses

	Group	
	2016	2015
	\$'000	\$'000
Interest expense		
- Bank borrowings	1,185	964
- Finance lease liabilities	147	114
	1,332	1,078

9. Income taxes

(a) Income tax (credit)/expense

	Group	
	2016	2015
	\$'000	\$'000
Tax expense attributable to profit is made up of:		
- Profit for the financial year:		
Current income tax	165	1,326
Deferred income tax (Note 22)	43	(268)
	208	1,058
- Under/(over) provision in prior financial years:		
Current income tax	(393)	(91)
Deferred income tax (Note 22)	-	46
	(185)	1,013

	Group	
	2016	2015
	\$'000	\$'000
(Loss)/Profit before income tax	(44,294)	2,696
Tax calculated at tax rate of 17% (2015: 17%)	(7,530)	458
Effects of:		
- over provision in prior years	(393)	(45)
- expenses not deductible for tax purposes	7,683	1,103
- statutory stepped income exemption	(41)	(194)
- corporate income tax rebate	(27)	(124)
- income not subject to tax	-	(126)
- tax losses not recognised	-	53
- utilisation of previously unrecognised tax losses	(16)	(15)
- others	139	(97)
Tax (credit)/ charge	(185)	1,013

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

9. Income taxes (continued)

(a) Income tax (credit)/expense (continued)

The Corporate Income Tax ("CIT") rebate was introduced by the Minister for Finance of Singapore and is applicable to the Group and the Company from 1 January 2012 for a period of 5 years. The CIT rebate allows companies in the Group to receive a 50% rebate on its tax payable subject to a maximum rebate of \$25,000 and \$20,000 for the financial years ended 31 December 2016 and 31 December 2015 respectively.

(b) Movement in current income tax liabilities

	<u>Group</u>		<u>Company</u>	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Beginning of financial year	1,296	365	328	101
Income tax paid	(1,243)	(304)	(338)	(162)
Tax expense	165	1,326	145	371
(Over)/under provision in prior financial years	(393)	(91)	10	18
End of financial year	(175)	1,296	145	328

10. (Loss)/Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	<u>Group</u>	
	2016	2015
Net (loss)/profit attributable to equity holders of the Company (\$'000)	(44,109)	1,683
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	2,353,082	2,308,236
Basic (loss)/earnings per share (cents per share)	(1.87)	0.07

Diluted earnings per share for the year ended 31 December 2016 and 31 December 2015 are computed on the same basis as basic earnings per share as there were no options and warrants granted and there were no other potential ordinary shares outstanding.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

11. Cash and bank balances

	<u>Group</u>		<u>Company</u>	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	861	1,035	65	646
Short-term bank deposits	1,919	1,849	1,303	1,301
	2,780	2,884	1,368	1,947

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	<u>Group</u>	
	2016	2015
	\$'000	\$'000
Cash and bank balances (as above)	2,780	2,884
Less: Bank deposits pledged as collateral for banking facilities	(1,909)	(1,838)
Cash and cash equivalents per consolidated statement of cash flows	871	1,046

The weighted average effective interest rates relating to cash and cash equivalents, at the balance sheet date for the Group and Company are 0.55% (2015: 0.50%) and 0.89% (2015: 0.63%) respectively. Interest rates reprice at intervals of one month.

Bank deposits are pledged as security for certain borrowings (Note 19).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

12. Trade and other receivables

	<u>Group</u>		<u>Company</u>	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
<u>Current</u>				
Trade receivables	12,987	12,226	-	-
Unbilled receivables	3,188	2,193	-	-
	16,175	14,419	-	-
Allowance for impairment loss	(4,750)	(3,533)	-	-
Net receivables	11,425	10,886	-	-
Other receivables – non-related companies	6,284	6,161	4,537	4,537
Allowance for impairment loss	(5,273)	(5,273)	(4,527)	(4,527)
	1,011	888	10	10
Amounts due from HME [Note (a)]				
- Loan receivable	57,000	57,000	-	-
- Trade and other receivables	10,758	10,291	2,993	7,367
- Allowance for impairment loss	(18,000)	(3,000)	-	-
	49,758	64,291	2,993	7,367
Deposits	4,833	4,737	3,540	3,540
Prepayments	262	539	10	10
	67,289	81,341	6,553	10,927
<u>Non-current</u>				
Amounts due from Wei Yi [Note (b)]				
- Loan receivable	36,381	35,812	-	-
- Allowance for impairment loss	(36,381)	(14,812)	-	-
	-	21,000	-	-
Deposits	1,186	1,010	-	-
	1,186	22,010	-	-

The fair values of non-current deposits and loan receivables carried at amortised cost approximate their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

12. Trade and other receivables (continued)

(a) Amounts due from HME

HME is a company that owns medical clinics in Singapore. The Group, in addition to providing loans to HME for the development, setup and operations of these medical clinics, also provides management and administrative services to HME. At the balance sheet date, the loan bears a floating interest rate of 4.25% per annum (2015: 4.25%). During the financial year, the Group extended the existing loan by an additional \$Nil (2015: \$2,000,000) and made further net advances amounting to \$467,000 (2015: net advances amounting to \$5,790,000) to HME.

The Group also provides management and administrative services to HME in return for management and administrative fees and also has the right to recover staff cost as part of the management and administrative services arrangement.

In view of the current operating environment and to ease the cash flow of HME, management did not recognise any interest income, management and administrative fees or recovery of staff cost during the current financial year. The Group however retains its right to claim the unrecognised interest income, management and administrative fees and recovery of staff cost as at 31 December 2016 of \$3,028,000, \$1,500,000 and \$5,505,000 respectively. In the previous financial year, \$1,795,000, \$900,000 and \$3,303,000 was recognised in relation to interest income, management and administrative fees and recovery of staff cost respectively.

The loan is repayable in full on 30 June 2017 and the Group has the first right to acquire these medical clinics from HME at a price to be agreed between the parties.

Subsequent to the balance sheet date, upon approval of the shareholders' at the Extraordinary General Meeting held on 21 April 2017, the Group exercised its right and acquired HME and accordingly HME became a wholly owned-indirect subsidiary of the Company (Note 31(c)).

An aggregate impairment loss of \$15,000,000 (2015: \$3,000,000) was recognised during the financial year in the profit or loss (Note 3(b)).

(b) Amounts due from Wei Yi Shi Ye Co. Ltd. ("Wei Yi")

The loan receivable is due from Wei Yi, a company which owns medical centres in China. The Group, in addition to providing loans for the development, setup and operations of these medical centres, also provides management and administrative services to the medical centres. This loan is denominated in Chinese Renminbi and is secured by way of corporate guarantees from the Wei Yi's holding company. The loan bears interest at a rate not exceeding 10% of the People's Bank of China variable lending rate of 4.35% (2015: 4.90%) per annum, subject to mutual agreement between both parties.

At the Group's request, the owner of Wei Yi agreed and appointed Jamie Fan Wei Zhi as the sole Executive Director and legal representative of Wei Yi to provide better visibility to the Group over the utilisation of the funds that have been provided to Wei Yi. Jamie Fan Wei Zhi is the daughter of Fan Kow Hin, who was the Executive Chairman of the Company up to 16 May 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

12. Trade and other receivables (continued)

(b) Amounts due from Wei Yi Shi Ye Co. Ltd. ("Wei Yi") (continued)

During the financial year, the Group extended the existing loan by an additional \$1,309,000 (2015: \$3,223,000). No interest income was recognised during the current and previous financial year due to the uncertain operating circumstances of Wei Yi. The loan is not expected to be repaid within 12 months from the balance sheet date.

In return for the management and administrative services provided to Wei Yi, the Group recognised management and administrative fees amounting to \$62,000 (2015: \$257,000) during the financial year (Note 4).

In the previous financial year, a letter of intent was signed between a third party and the sole shareholder of Wei Yi to acquire Wei Yi at a purchase consideration of \$21,000,000 and the sales proceeds was intended to be utilised by the sole shareholder of Wei Yi for the settlement of the loans provided by the Group. In the current financial year, management was informed by the sole shareholder of Wei Yi that negotiations with the third party had not progressed further since the signing of the aforementioned letter of intent, and given the current financial position of Wei Yi and uncertainty surrounding the recovery of this loan, management has made an additional allowance of impairment on this loan amounting to \$21,569,000 during the current financial year which resulted in the carrying amount of amounts due from Wei Yi being reduce to \$Nil as at 31 December 2016.

Management will continue to pursue all avenues available to recover this loan.

13. Inventories

	<u>Group</u>	
	2016	2015
	\$'000	\$'000
Pharmacy, medical and surgical supplies, at cost	2,270	2,290

14. Available-for-sale financial assets

	<u>Group and Company</u>	
	2016	2015
	\$'000	\$'000
Beginning of financial year	-	756
Fair value gains/(losses) recognised in other comprehensive income (Note 24)	-	9
Disposals	-	(765)
End of financial year	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

15. Investments in subsidiaries

	<u>Company</u>	
	2016	2015
	\$'000	\$'000
Equity investments at cost	12,343	12,343
Amounts due from subsidiaries (non-trade)	247,173	243,180
Allowance for impairment loss	(64,456)	(58,410)
	195,060	197,113

Non-trade amounts due from subsidiaries are unsecured and interest-free. The settlement of these amounts is neither planned nor likely to occur in the foreseeable future. As these amounts are, in substance, a part of the Company's net investments in these subsidiaries, they are stated at cost less accumulated impairment loss.

As at 31 December, the Group had the following subsidiaries:

<u>Name of subsidiaries</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Equity holding</u>	
			2016	2015
			%	%
<i>Held by the Company</i>				
China Healthway Pte. Ltd. ⁽⁵⁾	Investment holding	Singapore	100	100
Healthway Medical Group Pte Ltd ⁽²⁾	Practice of general medical practitioners	Singapore	100	100
Unimedic Pte. Ltd. ⁽²⁾	Investment holding	Singapore	100	100
Vista Medicare Pte. Ltd. ⁽¹⁾	Provision of managed healthcare	Singapore	100	100
<i>Held by China Healthway Pte. Ltd.</i>				
China Unimedic Pte. Ltd. ⁽⁵⁾	Investment holding	Singapore	100	100
Crane Medical Pte. Ltd. ⁽²⁾	Investment holding	Singapore	100	100
<i>Held by Unimedic Pte. Ltd.</i>				
Aaron Dentalcare Pte. Ltd. ⁽¹⁾	Practice of dental surgery and operation of dental clinics	Singapore	100	100
Aaron Seow International Pte Ltd ⁽¹⁾	Practice of dental surgery and operation of dental clinics	Singapore	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

15. Investments in subsidiaries (continued)

<u>Name of subsidiaries</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Equity holding</u> 2016 %	2015 %
<i>Held by Unimedic Pte. Ltd.</i>				
(continued)				
CLAAS Medical Centre Pte. Ltd. ⁽⁵⁾	Investment holding	Singapore	99.9	99.9
Island Orthopaedic Consultants Pte Ltd ⁽¹⁾	Provision of orthopaedic services and operation of medical clinics	Singapore	100	100
Healthway Dental Pte. Ltd. ⁽⁵⁾	Practice of dental surgery and operation of dental clinics	Singapore	100	100
Popular Dental (Woodlands) Pte. Ltd. ⁽¹⁾	Practice of dental surgery and operation of dental clinics	Singapore	100	100
Thomson Paediatric Clinic Pte Ltd ⁽²⁾	Provision of paediatric services and operation of medical clinics	Singapore	100	100
Universal Dentalcare Pte Ltd ⁽⁵⁾	Practice of dental surgery and operation of dental clinics	Singapore	100	100
Universal Dental Group (Braddell) Pte. Ltd. ⁽⁵⁾	Practice of dental surgery and operation of dental clinics	Singapore	100	100
Universal Dental Group (Woodlands) Pte. Ltd. ⁽⁵⁾	Practice of dental surgery and operation of dental clinics	Singapore	100	100
SBCC Clinic Pte Ltd ⁽¹⁾	Provision of paediatric services and operation of medical clinics	Singapore	100	100
Silver Cross Healthcare Pte Ltd ⁽²⁾	Practice of general medical practitioners	Singapore	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

15. Investments in subsidiaries (continued)

<u>Name of subsidiaries</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Equity holding</u>	
			2016 %	2015 %
<i>Held by SBCC Clinic Pte. Ltd.</i>				
SBCC Women’s Clinic Pte. Ltd. ⁽⁵⁾	Provision of gynaecology services and operation of medical clinics	Singapore	100	100
<i>Held by CLAAS Medical Centre Pte. Ltd.</i>				
BCNG Holdings Pte. Ltd. ⁽¹⁾	Provision of services and products related to wellness and beauty	Singapore	100	100
<i>Held by Aaron Seow International Pte Ltd</i>				
Aaron CTP Dental Surgery Pte.Ltd. ⁽¹⁾	Practice of dental surgery and operation of dental clinics	Singapore	100	100
<i>Held by Crane Medical Pte. Ltd.</i>				
Kang Wei Investment Consultancy (Shanghai) Co., Ltd. ⁽³⁾	Provision of medical services and consultancy	China	100	100
<i>Held by Kang Wei Investment Consultancy (Shanghai) Co., Ltd.</i>				
Kang Hong (Shanghai) Medical Equipment Lease Co., Ltd. ⁽⁴⁾	Provision of medical services and consultancy	China	100	100

(1) Audited by Sashi Kala Devi Associates

(2) Audited by PricewaterhouseCoopers LLP, Singapore

(3) Audited by ZhongxingCai Guanghua CPA LLP

(4) Audited by Shanghai Yongming C.P.A Partnership

(5) Audited by Gleneagle Trust

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

16. Property, plant and equipment

<u>Group</u>	<u>Leasehold</u>	<u>Medical</u>	<u>Computers</u>	<u>Furniture</u>	<u>Office</u>	<u>Signboards</u>	<u>Total</u>
2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Cost</i>							
Beginning of financial year	5,537	4,812	1,878	955	750	165	14,097
Additions	321	465	50	4	38	1	879
Disposals	(190)	(707)	(4)	(11)	(20)	-	(932)
End of financial year	5,668	4,570	1,924	948	768	166	14,044
<i>Accumulated depreciation and impairment losses</i>							
Beginning of financial year	2,626	2,427	1,747	761	530	109	8,200
Depreciation charge	801	584	67	42	49	10	1,553
Disposals	(11)	(665)	(4)	(10)	(18)	-	(708)
End of financial year	3,416	2,346	1,810	793	561	119	9,045
Net book value							
End of financial year	2,252	2,224	114	155	207	47	4,999

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

16. Property, plant and equipment (continued)

	Leasehold improvements \$'000	Medical equipment \$'000	Computers \$'000	Furniture and fittings \$'000	Office equipment \$'000	Signboards \$'000	Total \$'000
<u>Group</u>							
2015							
<i>Cost</i>							
Beginning of financial year	5,107	4,354	1,800	951	727	154	13,093
Additions	553	656	79	4	27	11	1,330
Disposals	(123)	(198)	(1)	-	(4)	-	(326)
End of financial year	5,537	4,812	1,878	955	750	165	14,097
<i>Accumulated depreciation and impairment losses</i>							
Beginning of financial year	2,090	2,003	1,677	712	481	99	7,062
Depreciation charge	578	579	71	49	53	10	1,340
Disposals	(42)	(155)	(1)	-	(4)	-	(202)
End of financial year	2,626	2,427	1,747	761	530	109	8,200
Net book value							
End of financial year	2,911	2,385	131	194	220	56	5,897

Included within additions in the consolidated financial statements are property, plant and equipment acquired under finance leases amounting to \$532,000 (2015: \$672,000).

The carrying amounts of property, plant and equipment held under financial leases are \$3,172,849 (2015: \$3,289,000) at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

17. Intangible assets

	<u>Group</u>		<u>Company</u>	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
<u>Composition:</u>				
Goodwill arising on consolidation [Note (a)]	88,454	94,500	-	-
Brand name [Note (a)]	27,313	27,313	-	-
Computer software licences [Note (b)]	20	89	-	66
	115,787	121,902	-	66

(a) Goodwill arising on consolidation and brand name

	<u>Goodwill</u>	<u>Brand name</u>	<u>Total</u>
	\$'000	\$'000	\$'000
<u>Group</u>			
2016			
<i>Cost</i>			
Beginning and end of financial year	152,910	27,313	180,223
<i>Accumulated impairment losses</i>			
Beginning of financial year	58,410	-	58,410
Impairment during the year	6,046	-	6,046
End of financial year	64,456	-	64,456
Net book value			
End of financial year	88,454	27,313	115,767
2015			
<i>Cost</i>			
Beginning and end of financial year	152,910	27,313	180,223
<i>Accumulated impairment losses</i>			
Beginning and end of financial year	58,410	-	58,410
Net book value			
End of financial year	94,500	27,313	121,813

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

17. Intangible assets (continued)

(a) Goodwill arising on acquisition and brand name (continued)

Impairment test for cash-generating units containing goodwill and brand name with indefinite useful life

For the purpose of impairment testing, goodwill and brand name with indefinite useful life are allocated to the respective Singapore operating divisions ("cash-generating units" or "CGUs") which represent the lowest level within the Group at which they are monitored for internal management purposes.

The aggregate carrying amount and impairment loss of goodwill and brand name with indefinite lives are allocated to each CGU identified according to service groups as follows:

<u>Group</u>	<u>Goodwill</u>				
	<u>Accumulated</u>		<u>Brand</u>	<u>Net book_</u>	<u>Net book</u>
	<u>Cost</u>	<u>impairment</u>			
	<u>2016</u>	<u>losses</u>			
	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Family medicine (comprising 40 clinics*)	41,313	-	8,000	49,313	49,313
Dentistry (comprising 16 clinics*)	7,191	(7,191)	-	-	6,046
Paediatrics (comprising 10 clinics*)	60,761	(39,411)	9,656	31,006	31,006
Orthopaedics (comprising 5 clinics*)	35,196	(16,293)	9,657	28,560	28,560
Wellness and aesthetic (comprising 1 clinic*)	4,657	(1,561)	-	3,096	3,096
Obstetrics & gynaecology (comprising 2 clinics*)	3,792	-	-	3,792	3,792
	152,910	(64,456)	27,313	115,767	121,813

*Number of clinics in operation as at 31 December 2016.

The recoverable amount of each CGU was determined based on its value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate for the various segments of the healthcare industry in Singapore.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

17. Intangible assets (continued)

(a) Goodwill arising on acquisition and brand name (continued)

Impairment test for cash-generating units containing goodwill and brand name with indefinite lives (continued)

Key assumptions used in the value-in-use calculations:

- The anticipated annual revenue growth rate for each CGU included in the cash flow projections ranged between 3% to 7% (2015: 3% to 7%) per annum for years 2017 to 2021.
- A discount rate of 8.5% (2015: 8.8%) was applied in determining the recoverable amount of the CGUs.
- The anticipated terminal growth rate for each CGU was approximately 2% (2015: 2%).

Other assumptions used in the value-in-use calculations:

- The anticipated annual cost growth rate for each CGU was approximately 3% (2015: 3%) for the years 2017 to 2021, which takes into consideration expected annual inflation rates in Singapore.

These assumptions were determined based on past performance and management's expectations of market developments with reference to internal and external sources. The growth rates used were consistent with forecasts included in industry reports. The discount rates used were pre-tax.

Based on management's assessment, an additional impairment loss of \$6,046,000 has been made on the dental CGU for the year ended 31 December 2016 (2015: Nil).

Sensitivity analysis

An unfavourable change by 10% to any of the individual key assumptions as compared to management's estimates, would not have resulted in an additional impairment to goodwill or brand name with indefinite useful life being required as at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

17. Intangible assets (continued)

(b) Computer software licenses

	<u>Group</u>		<u>Company</u>	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
<i>Cost</i>				
Beginning of financial year	1,670	1,670	1,448	1,448
Additions	-	-	-	-
End of financial year	1,670	1,670	1,448	1,448
<i>Accumulated amortisation</i>				
Beginning of financial year	1,581	1,286	1,382	1,093
Amortisation for the year	71	295	66	289
Currency translation	(2)	-	-	-
End of financial year	1,650	1,581	1,448	1,382
Net book value				
End of financial year	20	89	-	66

18. Trade and other payables

	<u>Group</u>		<u>Company</u>	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Trade payables to:				
- non-related parties	12,625	11,165	-	-
Other payables to:				
- non-related parties	3,281	2,826	928	497
- HME [Note 12]	2,299	2,299	-	-
- subsidiaries	-	-	1,927	601
	5,580	5,125	2,855	1,098
Deferred income	1,717	1,824	-	-
Accruals for operating expenses	8,487	6,212	882	1,086
	28,409	24,326	3,737	2,184

The non-trade amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

19. Borrowings

	<u>Group</u>		<u>Company</u>	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
<u>Current</u>				
Bank borrowings	9,315	10,132	4,282	7,060
Other loans	-	1,233	-	1,233
Finance lease liabilities (Note 20)	1,383	1,288	-	-
	10,698	12,653	4,282	8,293
<u>Non-current</u>				
Bank borrowings	2,173	4,713	1,203	4,285
Finance lease liabilities (Note 20)	979	1,271	-	-
	3,152	5,984	1,203	4,285
Total borrowings	13,850	18,637	5,485	12,578

(a) Security granted

Total borrowings include secured liabilities of \$2,367,000 (2015: \$4,833,000) for the Group and the Company. Bank borrowings of the Group and the Company are secured over certain bank deposits (Note 11). Finance lease liabilities of the Group are effectively secured over the leased property, plant and equipment (Note 16), as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of these finance lease liabilities.

(b) Fair value of non-current borrowings

The fair values of non-current borrowings approximate their carrying amounts and is computed based on cash flows discounted at market borrowing rates of an equivalent instrument of 5.35% (2015: 5.35%) per annum at the balance sheet date which the directors expect to be available to the Group.

(c) Undrawn borrowing facilities

	<u>Group</u>		<u>Company</u>	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Expiring within one year	3,696	142	2,633	-
Expiring beyond one year	400	167	-	167
	4,096	309	2,633	167

(d) Fixed rate borrowings amounting \$6,017,000 (2015: \$5,071,000) have interest rates ranging from 2.8% to 36.0% per annum (2015: 2.8% to 7.5%). The remaining floating rate borrowings have interest rates between 2.9% to 12.2% per annum (2015: 2.5% to 9.4%).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

19. Borrowings (continued)

(e) Bank borrowings and other loans comprise:

	<u>Group</u>		<u>Company</u>	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
(i) Revolving credit facilities	3,304	6,690	2,367	4,833
(ii) 5-year term loan facilities	733	-	-	-
(iii) 4-year term loan facilities	657	890	657	890
(iv) 3-year term loan facilities	3,405	6,872	2,461	5,622
(v) 2-year term loan facilities	14	393	-	-
(vi) 1-year term loan facilities	292	-	-	-
(vii) Short term loan	2,600	-	-	-
(viii) Other loans	-	1,233	-	1,233
(ix) Factoring credit facilities	483	-	-	-
	11,488	16,078	5,485	12,578

- (i) Revolving credit facilities amounting to \$2,367,000 (2015: \$4,833,000) are secured by time deposits of the Group and Company and the remaining revolving credit facilities are secured by joint and several guarantees from certain shareholders of the Company. There are no fixed repayment schedules.
- (ii) These Singapore dollar bank loans are 5-year term loan facilities mature in 2021.
- (iii) These Singapore dollar bank loans are 4-year term loan facilities which are secured by joint and several guarantees from certain shareholders of the Company. These loans mature in 2019.
- (iv) These Singapore dollar bank loans are 3-year term loan facilities of which \$1,333,000 (2015: \$4,872,000) are secured by joint and several guarantees from certain shareholders of the Company and \$694,000 (2015: \$Nil) are secured by certain employees of the Company. The outstanding loans as at 31 December 2016 will mature in 2017, 2018 and 2019.
- (v) These Singapore dollar bank loans are 2-year term loan facilities of which \$Nil (2015: \$55,000) are secured by joint and several guarantees from certain shareholders of the Company and \$14,000 (2015: \$338,000) are secured by employees of the Company. The outstanding loans as at 31 December 2016 will mature in 2017.
- (vi) This Singapore dollar bank loan is a 1-year term loan facility which is unsecured. This loan matures in 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

19. Borrowings (continued)

- (vii) These Singapore dollar bank loans are short term loan facilities of which \$600,000 (2015: \$Nil) are secured by a certain shareholder of the Company. These loans mature in 2017. A short term loan amounting to \$600,000 of the Group classified as current borrowings in the balance sheet as at 31 December 2016 ("affected loan") had a loan covenant relating to the consolidated tangible net worth of the Group which was not complied with as at 31 December 2016. The affected loan was fully repaid subsequent to the balance sheet date.
- (viii) This comprises of a loan from a wholly owned company of a former director amounting to \$Nil (2015: \$1,233,000). The loans were unsecured, interest-free and repayable on demand.
- (ix) This Singapore dollar factoring credit facility is unsecured.

20. Finance lease liabilities

The Group leases certain property, plant and equipment from non-related parties under finance leases.

	Group	
	2016	2015
	\$'000	\$'000
Minimum lease payments due		
- Not later than one year	1,470	1,394
- Between one and five years	1,021	1,333
	2,491	2,727
Less: Future finance charges	(129)	(168)
Present value of finance lease liabilities	2,362	2,559

The present values of finance lease liabilities are analysed as follows:

	Group	
	2016	2015
	\$'000	\$'000
Not later than one year (Note 19)	1,383	1,288
Later than one year (Note 19)		
- Between one and five years	979	1,271
Total	2,362	2,559

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

21. Provisions

	<u>Group</u>	
	2016	2015
	\$'000	\$'000
<i>Non-current</i>		
Provision for restoration costs	292	357

Movement in provision for restoration cost is as follows:

	<u>Group</u>		<u>Company</u>	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Beginning of financial year	357	366	-	-
Provision utilised	(150)	(20)	-	-
Provision made	85	11	-	-
End of financial year	292	357	-	-

The fair values of non-current provisions carried at amortised cost approximate their carrying amounts.

22. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred tax asset is expected to be settled after one year.

Movement in deferred income tax assets/(liabilities) is as follows:

	<u>Group</u>		<u>Company</u>	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Beginning of financial year	18	(204)	43	-
Tax (charged)/credited to profit or loss (Note 9(a))	(43)	222	(43)	43
End of financial year	(25)	18	-	43

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of \$2,100,000 (2015: \$2,910,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements in Singapore. These tax losses have no expiry dates.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

22. Deferred income taxes (continued)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

Group

Deferred income tax liabilities

	Accelerated tax <u>depreciation</u> \$'000
2016	
Beginning of financial year	(209)
(Charged)/credited to profit or loss	
- Profit for the financial year	11
- Overprovision in prior financial years	-
End of financial year	<u>(198)</u>

2015

Beginning of financial year	(204)
(Charged)/credited to profit or loss	
- Profit for the financial year	56
- Overprovision in prior financial years	(61)
End of financial year	<u>(209)</u>

Deferred income tax assets

	Employee <u>benefits</u> \$'000
2016	
Beginning of financial year	227
Charged to profit or loss	
- Profit for the financial year	(54)
End of financial year	<u>173</u>
2015	
Beginning of financial year	-
Credited to profit or loss	
- Profit for the financial year	212
- Overprovision in prior financial years	15
End of financial year	<u>227</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

22. Deferred income taxes (continued)

Company

Deferred income tax liabilities

Accelerated
tax
depreciation
\$'000

2016

Beginning of financial year

(11)

Credited to profit or loss

- Profit for the financial year

11

End of financial year

-

2015

Beginning of financial year

-

(Charged)/credited to profit or loss

- Profit for the financial year

50

- Under provision in prior financial years

(61)

End of financial year

(11)

Deferred income tax assets

Employee
benefits
\$'000

2016

Beginning of financial year

54

Charged to profit or loss

- Profit for the financial year

(54)

End of financial year

-

2015

Beginning of financial year

-

Credited to profit or loss

- Profit for the financial year

39

- Under provision in prior financial years

15

End of financial year

54

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

23. Share capital and treasury shares

	No. of ordinary shares		Amount	
	Issued share capital '000	Treasury shares '000	Share capital \$'000	Treasury shares \$'000
<u>Group and Company</u>				
2016				
Beginning of financial year	2,308,236	18,698	204,430	(3,049)
Shares issued	133,300	-	3,999	-
Share issue expenses	-	-	(215)	-
Treasury shares re-issued	18,698	(18,698)	-	3,049
End of financial year	2,460,234	-	208,214	-
2015				
Beginning and end of financial year	2,308,236	18,698	204,430	(3,049)

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

On 21 June 2016 and 22 June 2016, the company re-issued 8,000,000 treasury shares and 10,698,000 shares respectively for a consideration of approximately \$0.03 per share.

On 26 September 2016, the Company issued and allotted 133,300,000 placement shares at a placement price of \$0.03 per share.

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

24. Fair value reserve

	<u>Group and Company</u>	
	2016	2015
	\$'000	\$'000
Beginning of financial year	-	718
Available-for sale financial assets:		
- Fair value gains/(losses) (Note 14)	-	9
- Reclassification to profit or loss on disposal of available-for-sale financial asset (Note 6)	-	(727)
End of financial year	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

25. Movement in Company's accumulated losses

	Accumulated losses \$'000
2016	
Beginning of financial year	(6,375)
Total comprehensive income for the year	(5,802)
Reclassification of loss on re-issuance of treasury shares	(2,423)
End of financial year	<u>(14,600)</u>
2015	
Beginning of financial year	(7,900)
Total comprehensive income for the year	1,525
End of financial year	<u>(6,375)</u>

26. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. Detailed policies are established and carried out by management in accordance with the objectives and underlying principles approved by the Board of Directors.

(a) Market risk

(i) *Currency risk*

The Group operates in Asia with dominant operations in Singapore and China. The Group's monetary assets and liabilities are principally denominated in Singapore Dollar ("SGD").

The Group's exposure to currency risk principally arises from Chinese Renminbi ("RMB") denominated loans amounting \$36,381,000 (2015: \$35,812,000) extended to the owner of medical entities in China by a Singapore subsidiary with SGD functional currency.

Apart from these RMB loans, the Group and Company is not exposed to significant foreign currency risk on monetary assets and liabilities that are denominated in a currency other than the respective functional currencies.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

26. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk (continued)*

Sensitivity analysis

As at 31 December 2016, a 5% (2015: 5%) strengthening/weakening of SGD against RMB, with all other variables including tax rate being held constant, would decrease/increase profit before tax by approximately \$Nil (2015: \$1,050,000).

(ii) *Price risk*

Following the disposal during the previous financial year of the quoted security investments that were previously held by the Group (Note 14), the Group is no longer exposed to any significant price risk as at 31 December 2016.

(iii) *Cash flow and fair value interest rate risks*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities.

The Group's exposure to cash flow interest rate risks arises mainly from variable-rate borrowings.

Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which interest expense could be affected by an adverse movement in interest rates. Where necessary, the Group will consider using hedging strategies to reduce exposure to adverse interest rate movements.

The Group periodically reviews its liabilities and monitors interest rate fluctuations to ensure that the exposure to interest rate risk is within acceptable levels.

Sensitivity analysis

If interest rates had been higher/lower by 1% (2015: 1%) with all other variables including tax rate being held constant, the profit after tax for the Group and the Company would have been lower/higher by \$39,000 (2015: \$81,000) and \$24,000 (2015: \$66,000) respectively as a result of higher/lower interest expense on the variable-rate borrowings of the Group and Company.

The contractual repricing dates of the variable-rate borrowings of the Group and Company at the balance sheet date are 12 months or less.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

26. Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade and other receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history. For other financial assets, the Group adopts the policy of dealing only with credit worthy counterparties.

In relation to loan receivables (Note 12), the Group has entered into loan and management service agreements with HME and Wei Yi which are in the business of the provision of medical services, for which the Group provides long term funding for the development, set up and operations of these businesses. The arrangement results in amounts due to the Group which are classified under loan receivables. To assess a prospective party, the Group evaluates among other factors, the party's credit history, current financial position, as well as, its business outlook, taking into account the risks specific to the party, which include its market and industry dynamics, and internal strategic and business plans. Once the prospective party is contracted, the Group, based on past experience and expectations for the future, monitors on an on-going basis the party's planned cash flow projections and earnings, which would indicate whether the loan receivables are expected to be recoverable when they fall due.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

	<u>Group</u>		<u>Company</u>	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Corporate guarantees provided:				
- on subsidiaries' loans	-	-	5,004	3,163
- on subsidiaries' finance lease liabilities	-	-	2,067	1,929
	-	-	7,071	5,092

The trade and other receivables of the Group comprise 1 debtor (2015: 2 debtors) that represented 73% (2015: 20% and 62%) of the trade and other receivables.

The trade and other receivables of the Company comprise 1 debtor (2015: 1 debtor) that individually represented 46% (2015: 67%) of the trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

26. Financial risk management (continued)

(b) Credit risk (continued)

The credit risk for financial assets based on the information provided to key management is as follows:

	<u>Group</u>		<u>Company</u>	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Trade and other receivables:				
- Non-current	1,186	22,010	-	-
- Current	67,027	80,802	6,543	10,917
Cash and bank balances	2,780	2,884	1,368	1,947
	70,993	105,696	7,911	12,864

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. The remaining financial assets that are neither past due nor impaired are substantially due from companies with good collection track records with the Group.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade and other receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	<u>Group</u>		<u>Company</u>	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Past due 0 - 30 days	1,582	1,970	-	-
Past due 31 -120 days	2,088	2,355	-	-
Past due 121-365 days	1,669	1,346	-	-
	5,339	5,671	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

26. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Financial assets that are past due and/or impaired (continued)

The carrying amount of trade and other receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	<u>Group</u>		<u>Company</u>	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Not past due	59,654	23,085	4,527	4,527
Past due over 365 days	4,750	3,533	-	-
Less: Allowance for impairment	(64,404)	(26,618)	(4,527)	(4,527)
	-	-	-	-
	<u>Group</u>		<u>Company</u>	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Beginning of financial year	26,618	22,247	4,527	4,527
Allowance made	37,962	4,812	-	-
Reversal of allowance	(176)	(441)	-	-
End of financial year	64,404	26,618	4,527	4,527

The allowance made during the current financial year of \$37,962,000 mainly arose from the amounts due from HME and amounts due from Wei Yi, with allowances made during the financial year amounting to \$15,000,000 and \$21,569,000 respectively (Note 3(b) and 3(c)).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

26. Financial risk management (continued)

(c) Liquidity risk

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Contractual cash flows \$'000	Less than 1 year \$'000	Between 1 and 5 years \$'000
<u>Group</u>			
2016			
Non-derivative financial liabilities			
Bank loans	12,124	9,799	2,325
Other loans	-	-	-
Finance lease liabilities	2,491	1,470	1,021
Trade and other payables	26,692	26,692	-
	41,307	37,961	3,346
2015			
Non-derivative financial liabilities			
Bank loans	15,709	10,741	4,968
Other loans	1,233	1,233	-
Finance lease liabilities	2,727	1,394	1,333
Trade and other payables	22,502	22,502	-
	42,171	35,870	6,301
<u>Company</u>			
2016			
Non-derivative financial liabilities			
Bank loans	5,716	4,462	1,254
Trade and other payables	3,737	3,737	-
Corporate guarantees	3,062	3,062	-
	12,515	11,261	1,254
2015			
Non-derivative financial liabilities			
Bank loans	12,052	7,547	4,505
Other loans	1,233	1,233	-
Trade and other payables	2,184	2,184	-
Corporate guarantees	5,092	5,092	-
	20,561	16,056	4,505

At the balance sheet date, the Group was sourcing for funding which was secured by way of a cash injection subsequent to the balance sheet date amounting to \$70,000,000 following the convertible notes that were issued by the Company (Note 31(a)). As a result, the Group is expected to be able to fulfill its contractual commitments disclosed above.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

26. Financial risk management (continued)

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. At the balance sheet date, the Group was sourcing for funding which was secured by way of a cash injection subsequent to the balance sheet date amounting to \$70,000,000 following the convertible notes that were issued by the Company (Note 31(a)).

Management monitors capital based on a gearing ratio. The Group and the Company are also required by the borrowers to maintain a gearing ratio of not exceeding 1.25 times (2015: 1.25 times).

The gearing ratio is calculated as net interest-bearing debt divided by net tangible worth. Net tangible worth is calculated as total equity less intangible assets.

	<u>Group</u>		<u>Company</u>	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Net debt (interest-bearing debt)	13,850	17,404	5,485	11,345
Net tangible worth	36,123	69,824	193,614	194,940
Gearing ratio (times)	0.38	0.25	0.03	0.06

Except as disclosed in Note 19 (e) (vii) to the financial statements, the Group and Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2015 and 2016.

(e) Fair value measurements

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The carrying amounts of current borrowings approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

26. Financial risk management (continued)

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet, except for the following:

	<u>Group</u>		<u>Company</u>	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Loans and receivables	70,993	105,696	7,911	12,864
Financial liabilities at amortised cost	40,542	41,139	9,222	14,762

(g) Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements

\$'000	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet		
	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)+(d)	
			Net amounts of financial assets presented in the balance sheet	(d)(i) Financial assets / (liabilities)	(d)(ii) Financial collateral received	Net amount
<u>Group</u>						
As at						
31 December 2016						
Trade and other receivables from HME	17,034	(6,276)	10,758	-	-	10,758
As at						
31 December 2015						
Trade and other receivables from HME	20,761	(10,470)	10,291	-	-	10,291

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

26. Financial risk management (continued)

- (g) Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements (continued)

\$'000	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet	
	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)+(d)
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities	Net amounts of financial assets presented in the balance sheet	(d)(i) Financial assets / (liabilities)	(d)(ii) Financial collateral received
					Net amount
<u>Company</u>					
As at					
31 December 2016					
Trade and other receivables from HME	5,758	(2,765)	2,993	-	-
					2,993
As at					
31 December 2015					
Trade and other receivables from HME	10,512	(3,145)	7,367	-	-
					7,367

The agreement between the Group and the Company and the respective counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however each party has the option to settle such amounts on a net basis in the event of default of the other party.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following significant transactions took place between the Group and related parties at terms agreed between the parties:

(a) Related party transactions

	<u>Group</u>	
	2016	2015
	\$'000	\$'000
Net repayment of loan to a shareholder	-	50
Net repayment of loan to a wholly owned company of a former director	1,233	897
Management consultancy service fees paid to an independent director	132	44
Management advisory service fees paid to a non-executive non-independent chairman	17	5

(b) Key management personnel compensation

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The Board of Directors and senior management team are considered as key personnel of the Group.

Key management personnel compensation comprise:

	<u>Group</u>	
	2016	2015
	\$'000	\$'000
Wages and salaries	1,111	1,526
Employer's contribution to defined contribution plans, including Central Provident Fund	67	79
	1,178	1,605

Apart from the key management personnel compensation disclosed above, fees paid/payable to the directors amounted to \$319,997 (2015: \$501,669).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

28. Segment information

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Maker ("CODM") that are used to make strategic decisions, allocate resources, and assess performance. The CODM considers the business from both a geographic and business segment perspective and regularly reviews internal management reports for each of the business units.

Business segments

The Group has the following strategic business units.

- Primary Healthcare comprising family medicine, dentistry, healthcare benefit management and investment in strategic medical related business; and
- Specialist and Wellness Healthcare comprising paediatrics, orthopaedics, aesthetic medicine, obstetrics and gynaecology.

Geographical segments

The Group's operations are mainly in Singapore and China.

Major customer

The Group does not rely on a single external customer for 10% or more of the Group's revenue.

Whilst the CODM receives separate reports for each of the Group's strategic business units, they have been aggregated into the Primary Healthcare and Specialist and Wellness Healthcare segment. Such aggregation is determined by the nature of risks associated with each business segment as they offer different products and services and require different marketing strategies.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

28. Segment information (continued)

The segment information provided to the CODM for the reportable segments are as follows:

	Singapore		China	
	Primary Healthcare	Specialist and wellness healthcare	Specialist and wellness healthcare	Total
	\$'000	\$'000	\$'000	\$'000
2016				
Sales				
Total segment sales and sales to external parties	50,028	46,588	62	96,678
EBITDA	(21,741)	3,133	(22,744)	(41,352)
Depreciation	850	699	4	1,553
Amortisation	66	-	5	71
Segment assets	117,573	74,747	72	192,392
Segment assets include:				
- Additions to property, plant and equipment	335	544	-	879
Segment liabilities	16,126	12,143	432	28,701

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

28. Segment information (continued)

	Primary Healthcare \$'000	Singapore Specialist and wellness healthcare \$'000	China Specialist and wellness healthcare \$'000	Total \$'000
2015				
Sales				
Total segment sales and sales to external parties	50,596	43,420	257	94,273
EBITDA	1,088	4,289	(1,774)	3,603
Less: Net gain on disposal of available-for-sale financial asset	(727)	-	-	(727)
Adjusted EBITDA	361	4,289	(1,774)	2,876
Depreciation	604	731	5	1,340
Amortisation	290	-	5	295
Segment assets	137,934	75,452	21,089	234,475
Segment assets include:				
- Additions to property, plant and equipment	1,237	93	-	1,330
Segment liabilities	14,533	9,714	436	24,683

The revenue reported to the CODM is measured in a manner consistent with that in the statement of comprehensive income.

The CODM assesses the performance of the operating segments based on a measure of earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA") for continuing operations. This measurement basis excludes the effects of net gain on the disposal of available-for-sale financial assets that are not expected to recur regularly in every period which are separately analysed. Interest income and finance expenses are not allocated to segments, as this type of activity is driven by the Group Treasury, which manages the cash position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

28. Segment information (continued)

(a) Reconciliations

(i) Segment profits

A reconciliation of adjusted EBITDA to profit before tax is as follows:

	Group	
	2016	2015
	\$'000	\$'000
Adjusted EBITDA for reportable segments	(41,352)	2,876
Net gain on disposal of available-for-sale financial asset	-	727
Depreciation	(1,553)	(1,340)
Amortisation	(71)	(295)
Interest income	14	1,806
Finance expense	(1,332)	(1,078)
Profit before tax	(44,294)	2,696

(ii) Segment assets

The amounts reported to the CODM with respect to total assets are measured in a manner consistent with that of the financial statements. All assets are allocated to reportable segments other than deferred income tax assets, short-term bank deposits, and available-for-sale financial assets.

Segment assets are reconciled to total assets as follows:

	Group	
	2016	2015
	\$'000	\$'000
Segment assets for reportable segments	192,392	234,475
Unallocated:		
Deferred income tax assets (Note 22)	-	18
Short-term bank deposits (Note 11)	1,919	1,849
Current income tax recoverable	175	-
Total assets	194,486	236,342

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

28. Segment information (continued)

(a) Reconciliations (continued)

(iii) Segment liabilities

The amounts reported to the CODM with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than income tax liabilities, deferred income tax liabilities and borrowings.

Segment liabilities are reconciled to total liabilities as follows:

	<u>Group</u>	
	2016	2015
	\$'000	\$'000
Segment liabilities for reportable segments	28,701	24,683
Unallocated:		
Current income tax liabilities (Note 9(b))	208	1,296
Deferred income tax liabilities (Note 22)	25	-
Borrowings (Note 19)	13,850	18,637
Total liabilities	42,784	44,616

(b) Geographical information

	<u>Sales for continuing operations</u>	
	2016	2015
	\$'000	\$'000
Singapore	96,616	94,016
China	62	257
	96,678	94,273

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

29. Commitments

(a) Loan commitments

Loan commitments granted to the owners of medical centres in China are denominated in Chinese Renminbi and the undrawn commitments will expire in December 2016. Undrawn Chinese Renminbi loan commitments at the balance sheet date amounted to Singapore dollar equivalent of approximately \$91,000 (2015: \$84,000).

(b) Operating lease commitments - where the Group is a lessee

The Group leases a number of commercial and office premise under non-cancellable operating lease agreements. The leases typically run for an initial period of two to three years, with an option to renew the lease after that date.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	<u>Group</u>	
	2016	2015
	\$'000	\$'000
Not later than one year	7,173	7,395
Between one and five years	5,172	16,305
	12,345	23,700

(c) Corporate guarantees

The Company has issued corporate guarantees to banks and to a financial institution for credit facilities and finance lease liabilities granted to its subsidiaries as below:

	<u>Group</u>		<u>Company</u>	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Corporate guarantees provided:				
- on subsidiaries' loans	-	-	5,004	3,163
- on subsidiaries' finance lease liabilities	-	-	2,067	1,929
	-	-	7,071	5,092

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

30. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2016 or later periods and which the Group has not early adopted:

- FRS 115 Revenue from contracts with customers
(effective for annual periods beginning on or after 1 January 2017)

This is the converged standard on revenue recognition. It replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services. The core principle of FRS 115 is that entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1 Identify the contract(s) with a customer
- Step 2 Identify the performance obligations in the contract
- Step 3 Determine the transaction price
- Step 4 Allocate the transaction price to the performance obligations in the contract
- Step 5 Recognise revenue when (or as) the entity satisfies a performance obligation.

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group is in the midst of undertaking a detailed assessment of how the financial statements would be affected by the new accounting standards. However, based on management's preliminary assessment, management is of the view that the adoption of this new accounting standard will not result in a material impact to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

30. New or revised accounting standards and interpretations (continued)

- FRS 109 *Financial instruments*
(effective for annual periods beginning on or after 1 January 2018)

The complete version of FRS 109 replaces most of the guidance in FRS 39. FRS 39 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the finance asset. Investments in equity instruments are required to be measured at fair value through profit or loss in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness test. It requires and economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required by is different to that current prepared under FRS 39.

This amendment is not expected to have any significant impact on the financial statements of the Group.

31. Events occurring after the Balance Sheet date

- a) Issuance of zero coupon convertible notes

On 24 March 2017, the Company issued the first tranche of the convertible notes amounting to \$10,000,000 pursuant to the subscription agreement entered into between the Company and Gateway Partners (the "Subscriber") on 23 March 2017. The first tranche of the convertible notes has a conversion price of \$0.03384 per share, and as such, the first tranche of convertible notes is convertible to a total of 295,508,274 new shares. After deducting the upfront fees of \$1,400,000, the Company received \$8,600,000 from the Subscriber.

Subsequently, upon approval of the shareholders' at the Extraordinary General Meeting ("EGM") held on 21 April 2017, the Company issued the second tranche of the convertible notes and received a further \$60,000,000 from the Subscriber. The second tranche of the convertible notes also has a conversion price of \$0.03384 per share, and as such, the second tranche of convertible notes is convertible to a total of 1,773,049,645 new shares.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

31. Events occurring after the Balance Sheet date (continued)

a) Issuance of zero coupon convertible notes (continued)

The two tranches of convertible notes that have been issued, grant the subscriber a right to convert the total cash injected to the Company of \$70,000,000 into 2,068,557,919 new shares of the company. These new shares shall rank *pari passu* in all respects with and carry all rights similar to the existing shares, save that they will not rank for any dividends, rights, allotments or other distributions, the record date for which precedes the date of issuance of the conversion shares.

Subsequent to the balance sheet date, convertible notes amounting to \$25,000,000 has been converted into 738,770,686 new shares and accordingly the total number of issued shares of the Company has increased to 3,199,004,867 shares from 2,460,236,181 shares as at 31 December 2016.

b) Change in holding and ultimate holding company

On 7 February 2017, Lippo China Resources Limited, through its subsidiary, Gentle care Pte Ltd, launched a voluntary conditional cash offer for all the issued and paid-up ordinary shares of the Company. Upon closure of the voluntary cash offer on 12 May 2017, Lippo China Resources Limited owns more than 50% of the issued and paid-up share capital of the Company and accordingly, the Company along with its subsidiaries are now subsidiaries of Lippo China Resources Limited, company incorporated in the Hong Kong Special Administrative Region of the People's Republic of China.

As a result, in the opinion of the directors, the ultimate holding company of the Company is now Lippo Capital Limited, a company incorporated in the Cayman Islands.

c) Acquisition of Healthway Medical Enterprises Pte. Ltd. ("HME")

Upon approval of the shareholders' at the EGM held on 21 April 2017, the Group exercised its right and acquired 100% of the share capital HME for a purchase consideration of \$3,540,000. Accordingly HME has become a wholly owned-indirect subsidiary of the Company subsequent to the balance sheet date.

d) Independent review

On 27 February 2017 the Company announced that the Singapore Exchange Securities Trading Limited ("SGX-ST") requested the Company to appoint an independent reviewer ("Independent Reviewer") to look into the extensions of loans by the Group to HME and Wei Yi with the objective of establishing whether there are any breaches of the SGX-ST Listing Manual Section B: Rules of Catalist. As of the date of this report, the Independent Reviewer has yet to complete their review and the Group has not received any reports from the Independent Reviewer.

The directors are of the opinion that the loans extended to HME and Wei Yi were appropriate when remitted and properly authorised and that there has not been a breach of the SGX-ST Listing Manual Section B: Rules of Catalist.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

32. Authorisation of the financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Healthway Medical Corporation Limited on 30 June 2017.

SHAREHOLDING STATISTICS

As at 15 June 2017

Issued and fully paid	: S\$236,699,599.0977
Number of shares with voting rights	: 3,199,004,867
Number of treasury shares held	: Nil
Number of subsidiary holdings held	: Nil
Class of shares	: Ordinary shares
Voting rights	: 1 vote per ordinary share

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information provided and to the best knowledge of the Directors, approximately 32.35% of the issued ordinary shares of the Company were held in the hands of the public as at 15 June 2017 and therefore Rule 723 of the Rules of Catalist is complied with.

DISTRIBUTION OF SHAREHOLDINGS

<u>Range of Shareholdings</u>	<u>Number of Shareholders</u>	<u>Percentage</u>	<u>Number of Shares</u>	<u>Percentage</u>
1 - 99	220	3.90	7,020	0.00
100 - 1,000	324	5.75	192,423	0.01
1,001 - 10,000	1,071	19.00	6,153,769	0.19
10,001 - 1,000,000	3,910	69.36	458,384,619	14.33
1,000,001 and above	112	1.99	2,734,267,036	85.47
TOTAL	5,637	100.00	3,199,004,867	100.00

TWENTY LARGEST SHAREHOLDERS

<u>S/N</u>	<u>Name of Shareholder</u>	<u>Shares Held</u>	<u>Percentage</u>
1	GENTLE CARE PTE. LTD.	1,270,169,892	39.71
2	OCBC SECURITIES PRIVATE LIMITED	483,392,616	15.11
3	KGI SECURITIES (SINGAPORE) PTE LTD.	166,248,404	5.20
4	RHB SECURITIES SINGAPORE PTE. LTD.	145,921,515	4.56
5	CITIBANK NOMINEES SINGAPORE PTE LTD	128,973,810	4.03
6	ONG CHIN HUI (WANG ZHENHUI) OR LIM BEE LING (LIN MEILING)	74,599,400	2.33
7	RAFFLES NOMINEES (PTE) LIMITED	26,972,136	0.84
8	PHILLIP SECURITIES PTE LTD	25,374,693	0.79
9	UOB KAY HIAN PRIVATE LIMITED	21,806,188	0.68
10	DBS NOMINEES (PRIVATE) LIMITED	20,706,979	0.65
11	CIMB SECURITIES (SINGAPORE) PTE. LTD.	20,441,400	0.64
12	TAN KOON	18,967,300	0.59
13	MAYBANK KIM ENG SECURITIES PTE. LTD.	18,963,005	0.59
14	HANIF MOEZ NOMANBHOY	17,613,811	0.55
15	ONG CHIN HUI (WANG ZHENHUI)	16,272,000	0.51
16	TEOH TEIK KEE	13,000,000	0.41
17	TAN KHEEN SENG @JOHN	12,523,964	0.39
18	GOH LEONG HAI	10,000,000	0.31
19	LIM OON HOCK	10,000,000	0.31
20	NEO TEE KHIN	9,500,000	0.30
	TOTAL	2,511,447,113	78.50

SHAREHOLDING STATISTICS

As at 15 June 2017

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
Chee Yin Meh ⁽²⁾	-	-	403,738,212	12.62
Continental Equity Inc ⁽³⁾	-	-	165,212,700	5.16
Rickon Holdings Limited ⁽⁴⁾	-	-	1,759,988,783	55.02
Lippo China Resources Limited ⁽⁵⁾	-	-	1,759,988,783	55.02
Skyscraper Realty Limited ⁽⁶⁾	-	-	1,759,988,783	55.02
First Tower Corporation ⁽⁷⁾	-	-	1,759,988,783	55.02
Lippo Limited ⁽⁸⁾	-	-	1,759,988,783	55.02
Lippo Capital Limited ⁽⁹⁾	-	-	1,759,988,783	55.02
Lanius Limited ⁽¹⁰⁾	-	-	1,759,988,783	55.02
Gentle Care Pte. Ltd. ⁽¹¹⁾	1,594,776,083	49.85	-	-
Valiant Leader Limited ⁽¹²⁾	-	-	1,594,776,083	49.85
Tamsett Holdings Limited ⁽¹³⁾	-	-	1,594,776,083	49.85

Notes:

- (1) Percentage calculated based on 3,199,004,867 voting Shares as at 15 June 2017.
- (2) Chee Yin Meh is deemed to be interested in 403,738,212 Shares by virtue of her interest in One Organisation Limited.
- (3) Continental Equity Inc. ("CEI") is deemed to be interested in 126,951,300 Shares held by OCBC Securities Pte. Ltd. ("OCBC") (acting as nominee for CEI), and 38,261,400 Shares held by Citibank Noms S'pore Pte Ltd UBS AG Singapore Branch ("Citibank") (acting as nominee for CEI).
- (4) Rickon Holdings Limited ("Rickon") is deemed to be interested in the Shares held by OCBC and Citibank (acting as nominees for CEI) and the Shares held by Gentle Care Pte. Ltd. ("Gentle Care") by virtue of its shareholding in CEI and Tamsett Holdings Limited ("Tamsett") (an indirect holding company of Gentle Care and a wholly-owned subsidiary of Rickon) respectively. Rickon is the direct holding company of CEI.
- (5) Lippo China Resources Limited ("LCR") is deemed to be interested in the Shares held by OCBC and Citibank (acting as nominees for CEI) and the Shares held by Gentle Care by virtue of its shareholding in Rickon. LCR is a direct holding company of Rickon and is an indirect holding company of CEI and Gentle Care.
- (6) Skyscraper Realty Limited ("Skyscraper") is deemed to be interested in the Shares held by OCBC and Citibank (acting as nominees for CEI) and the Shares held by Gentle Care by virtue of its shareholding in LCR. Skyscraper is a direct holding company of LCR and is an indirect holding company of CEI and Gentle Care.

SHAREHOLDING STATISTICS

As at 15 June 2017

- (7) First Tower Corporation ("First Tower") is deemed to be interested in the Shares held by OCBC and Citibank (acting as nominees for CEI) and the Shares held by Gentle Care by virtue of its shareholding in Skyscraper. First Tower is a direct holding company of Skyscraper and is an indirect holding company of CEI and Gentle Care.
- (8) Lippo Limited ("Lippo") is deemed to be interested in the Shares held by OCBC and Citibank (acting as nominees for CEI) and the Shares held by Gentle Care by virtue of its shareholding in First Tower. Lippo Limited is a direct holding company of First Tower and is an indirect holding company of CEI and Gentle Care.
- (9) Lippo Capital Limited ("Lippo Capital") is deemed to be interested in the Shares held by OCBC Securities Pte. Ltd. and Citibank (acting as nominees for CEI) and the Shares held by Gentle Care by virtue of its shareholding in Lippo. Lippo Capital is a direct holding company of Lippo and is an indirect holding company of CEI and Gentle Care.
- (10) Lanius Limited ("Lanius") is deemed to be interested in the Shares held by OCBC and Citibank (acting as nominees for CEI) and the Shares held by Gentle Care by virtue of its shareholding in Lippo Capital. Lanius is the holder of the entire issued share capital of Lippo Capital which is an indirect holding company of CEI and Gentle Care.
- (11) Gentle Care is a wholly-owned subsidiary of Valiant Leader Limited ("Valiant Leader"). Gentle Care holds 1,270,169,892 shares through its CDP account and 324,606,191 shares through OCBC Securities Private Limited (acting as nominee of Gentle Care).
- (12) Valiant Leader is deemed to be interested in the Shares held by Gentle Care by virtue of its shareholding in Gentle Care. Valiant Leader is the direct holding company of Gentle Care.
- (13) Tamsett is deemed to be interested in the Shares held by Gentle Care by virtue of its shareholding in Valiant Leader. Tamsett is a direct holding company of Valiant Leader and is an indirect holding company of Gentle Care.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the tenth Annual General Meeting ("**AGM**") of Healthway Medical Corporation Limited (the "**Company**") will be held at The National University of Singapore Society, Kent Ridge Guild House, 9 Kent Ridge Drive, Singapore 119241 on Wednesday, 19 July 2017 at 2.00 p.m., for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2016 together with the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect the following Director retiring by rotation under Regulation 98 of the Company's Constitution:- **(Resolution 2)**

Mr Sonny Yuen Chee Choong (see explanatory note 1)
3. To re-elect the following Directors retiring under Regulation 102 of the Company's Constitution:-

Mr Lin Weiwen Moses (see explanatory note 2) **(Resolution 3)**
Mr Anand Kumar (see explanatory note 3) **(Resolution 4)**
4. To record the retirement of Mr Khoo Yee Hoe and Mr Ho Sun Yee, Directors retiring under Regulation 102 of the Company's Constitution. Mr Khoo Yee Hoe and Mr Ho Sun Yee have decided not to seek re-election and will retire at the conclusion of the AGM. (see explanatory note 4)
5. To approve payment of a honorarium of S\$180,000 to the Directors of the Company. (see explanatory note 5) **(Resolution 5)**
6. To re-appoint Messrs PricewaterhouseCoopers LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**
7. To transact any other business that may be properly transacted at an annual general meeting.

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions (with or without amendments) as ordinary resolution:-

8. **Ordinary Resolution: The Proposed General Share Issue Mandate (the “Share Issue Mandate”) (Resolution 7)**

“That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”), and Rule 806 of the Listing Manual (Section B: Rules of Catalist) (the “**Rules of Catalist**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), authority be and is hereby given to the directors of the Company (the “**Directors**”) to:-

- (a) (i) allot and issue shares in the capital of the Company (the “**Shares**”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit;

- (b) (notwithstanding that the authority conferred by this resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this resolution was in force,

provided always that:-

- (i) the aggregate number of Shares to be issued pursuant to this resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) shall not exceed one hundred per cent (100%) of the total issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a *pro-rata* basis to existing shareholders of the Company (the “**Shareholders**”) (including Shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) shall not exceed fifty per cent (50%) of the total issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (ii) below);

NOTICE OF ANNUAL GENERAL MEETING

- (ii) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the percentage of total issued Shares shall be based on total issued Shares (excluding treasury shares and subsidiary holdings) at the time of passing this resolution, after adjusting for:-
 - (1) new Shares arising from the conversion or exercise of any convertible securities outstanding at the time this authority is given;
 - (2) new Shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time of passing this resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and
 - (3) any subsequent bonus issue, consolidation or subdivision of Shares;
- (c) in exercising the authority conferred by this resolution, the Directors shall comply with the provisions of the Rules of Catalist for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act, and otherwise, and the Company's Constitution for the time being; and
- (d) (unless revoked or varied by the Company in a general meeting) this authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier."

(see explanatory note 6)

BY ORDER OF THE BOARD

Wee Woon Hong
Srikanth Rayaprolu
Company Secretaries

4 July 2017
Singapore

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:-

1. Mr Sonny Yuen Chee Choong will, upon re-election as Director of the Company, remain as an Independent Director of the Company and the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee of the Company. The Board considers him independent for the purposes of Rule 704(7) of the Rules of Catalist. Mr Sonny Yuen Chee Choong does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders. Further information on Mr Sonny Yuen Chee Choong can be found in the Annual Report 2016.
2. Mr Lin Weiwen Moses will, upon re-election as Director of the Company, remain as an Independent Director of the Company and the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company. The Board considers him independent for the purposes of Rule 704(7) of the Rules of Catalist. Mr Lin Weiwen Moses does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders. Further information on Mr Lin Weiwen Moses can be found in the Annual Report 2016.
3. Mr Anand Kumar will, upon re-election as Director of the Company, remain as the Non-Independent Non-Executive Director of the Company. Mr Anand Kumar does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders. Further information on Mr Anand Kumar can be found in the Annual Report 2016.
4. Mr Khoo Yee Hoe and Mr Ho Sun Yee will retire as Directors of the Company at the conclusion of the AGM. Upon Mr Ho Sun Yee's retirement, he will cease to be the Chairman of the Nominating Committee and a member of the Audit Committee of the Company.
5. A honorarium of S\$180,000 will be paid to the Non-Executive Directors of the Company as at 4 July 2017 for the support and guidance during the restructuring of the Company. The Directors' fees for the financial year ended 31 December 2016 have been approved at the last AGM. The Directors' fees for the financial year ending 31 December 2017 will be tabled for shareholders' approval at the next annual general meeting.
6. Under the Rules of Catalist, a share issue mandate approved by shareholders as an ordinary resolution will enable directors of an issuer to issue an aggregate number of new shares and/or convertible securities of the issuer of up to one hundred per cent (100%) of the total issued shares (excluding treasury shares and subsidiary holdings) as at the time of passing of the resolution approving the share issue mandate, of which the aggregate number of new shares and/or convertible securities to be issued other than on a *pro rata* basis to existing shareholders must be not more than fifty per cent (50%) of the total issued shares of the issuer (excluding treasury shares and subsidiary holdings).

The Directors are of the opinion that the Share Issue Mandate will enable the Company to respond faster to business opportunities and to have greater flexibility and scope in negotiating with third parties in potential fund raising exercises or other arrangements or transactions involving the capital of the Company.

NOTICE OF ANNUAL GENERAL MEETING

The ordinary resolution 7 proposed in item 8 above, if passed, will empower the Directors from the date of the AGM until the date of the next annual general meeting is to be held or is required by law to be held, whichever is the earlier, to allot and issue shares and/or convertible securities in the capital of the Company. The aggregate number of shares and convertible securities which the Directors may allot and issue under this resolution, shall not exceed one hundred per cent (100%) of the Company's issued share capital (excluding treasury shares and subsidiary holdings) of which the aggregate number of shares and/or convertible securities to be issued other than on a pro-rata basis to existing shareholders shall not exceed fifty per cent (50%) of the Company's issued share capital (excluding treasury shares and subsidiary holdings) at the time of passing of this resolution. This authority will, unless previously revoked or varied at a general meeting, expire at the next annual general meeting of the Company.

Notes:-

- (i) A member of the Company entitled to attend and vote at the AGM may appoint not more than two (2) proxies to attend and vote instead of him.
- (ii) Where a member appoints two (2) proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.
- (iii) Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the member. Where such member appoints more than two (2) proxies, the number and class of shares to be represented by each proxy must be stated.
- (iv) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.
- (v) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 2 Leng Kee Road, #06-07 Thye Hong Centre, Singapore 159086 not less than 48 hours before the time appointed for holding the AGM.
- (vi) All resolutions put to vote at the AGM shall be decided by way of poll.
- (vii) A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the AGM in order for the Depositor to be entitled to attend and vote at the above AGM.

NOTICE OF ANNUAL GENERAL MEETING

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's and its proxy(ies)'s or representative's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior express consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, (iii) undertakes that the member will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iv) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty. Your and your proxy and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

HEALTHWAY MEDICAL CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number 200708625C)

PROXY FORM ANNUAL GENERAL MEETING

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member is deemed to have accepted and agreed to the personal data privacy terms set out in the Notice of Annual General Meeting dated 4 July 2017. "Personal data" in this proxy form has the same meaning as "personal data" in the Personal Data Protection Act 2012 ("PDPA"), which includes your and your proxy's and/or representative's name, address and NRIC/Passport No.

*I / We, _____ (Name) _____ (NRIC/Passport no.)

of _____ (Address)

being a *member/members of Healthway Medical Corporation Limited (the "**Company**") hereby appoint:-

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and/or

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing *him/her, the Chairman of the Annual General Meeting ("**AGM**") of the Company as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf at the AGM of the Company to be held at The National University of Singapore Society, Kent Ridge Guild House, 9 Kent Ridge Drive, Singapore 119241 on 19 July 2017 at 2.00 p.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/their discretion.

☐	Please tick here if more than two proxies will be appointed (Please refer to note 3). This is only applicable for intermediaries such as banks and capital markets services licence holders which provide custodial services.
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All resolutions put to vote at the AGM will be decided by way of poll.

No.	Ordinary Resolutions Relating to:	Number of Votes For **	Number of Votes Against**
1.	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016		
2.	Re-election of Mr Sonny Yuen Chee Choong as a Director of the Company		
3.	Re-election of Mr Lin Weiwen Moses as a Director of the Company		
4.	Re-election of Mr Anand Kumar as a Director of the Company		
5.	Approval for payment of honorarium to the Directors of the Company		
6.	Re-appointment of Messrs PricewaterhouseCoopers LLP as Auditors of the Company and to authorise the Directors to fix their remuneration		
7.	Authority to issue and allot shares pursuant to the Share Issue Mandate		

* Delete accordingly

** If you wish to exercise all your votes "For" or "Against", please indicate with a tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2017

	Total Number of Shares in:
(a) CDP Register	
(b) Register of Members	

Signature(s) of Shareholder(s)/or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:-

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of Securities and Futures Act (Chapter 289) of Singapore or any statutory modification thereof, as the case may be), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member of the Company who is not a relevant intermediary (as defined below) is entitled to appoint not more than two proxies to attend and vote at an AGM of the Company. Where such member appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy. If no percentage is specified, the first named proxy shall be deemed to represent 100 per cent. of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
3. A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at an AGM of the Company, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than one proxy, the number of shares in relation to which each proxy has been appointed shall be specified in the Proxy Form. In such event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.

“relevant intermediary” means:

- (i) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
 - (iii) the Central Provident Fund Board (**“CPF Board”**) established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. The instrument appointing a proxy or proxies must be deposited at the Company’s registered office at 2 Leng Kee Road, #06-07 Thye Hong Centre, Singapore 159086 not less than 48 hours before the time appointed for the AGM.
 5. A proxy need not be a member of the Company.
 6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
 7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
 8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore.
 9. The submission of an instrument or form appointing a proxy by a member does not preclude him/her from attending and voting in person at the AGM if he/she so wishes.
 10. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register 72 hours before the time appointed for holding the AGM, as certified by the Depository to the Company.



HEALTHWAY MEDICAL CORPORATION LIMITED

Company Registration 200708625C

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