INTERNATIONAL HEALTHWAY CORPORATION

(In receivership over charged shares in certain subsidiaries)

LEADING THE JOURNEY TO BETTER HEALTHCARE

ANNUAL REPORT 2016

ABOUT IHC

WE PROVIDE HIGH QUALITY AND SUSTAINABLE HEALTHCARE FACILITIES THROUGH OUR CAPABILITIES IN THE ACQUISITION, DEVELOPMENT, MANAGEMENT AND OPERATIONS OF HEALTHCARE FACILITIES.

THESE FACILITIES INCLUDE MEDICAL CENTRES, DAY SURGERIES, HOSPITALS, NURSING AND RETIREMENT HOMES.

WE BELIEVE WE CAN MAKE A DIFFERENCE THROUGH GOOD UNDERSTANDING OF THE PRESENT AND FUTURE HEALTHCARE NEEDS OF THE PATIENT AND HIS OR HER COMMUNITY.

OUR PROMISE IS DELIVERED THROUGH CONSTANT IMPROVEMENTS IN OUR HUMAN TALENTS, PROCESSES, TECHNOLOGY AND QUALITY MANAGEMENT.

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IHC'S JOURNEY

Artist's impression of IHC's new office lobby

Incorporated in February 2013 and listed in Singapore on the Catalist Board (the "SGX Catalist") of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 8 July 2013, International Healthway Corporation Limited ("IHC" or the "Company") and its subsidiaries (the "Group") is an integrated healthcare services and facilities provider, which has established its market presence in Japan, the People's Republic of China ("China"), Australia and Malaysia.

Recently, in April 2017, Treasure International Holdings Pte. Ltd., a wholly-owned subsidiary of OUE Limited ("OUE"), had successfully acquired 86.16% of IHC's issued share capital (the "Acquisition"). Since the completion of the Acquisition, IHC has embarked on a new journey of growth, led by a new management to strive towards the goal of transforming lives through the provision of better healthcare and management of their assets.

Together with OUE, IHC is strategically placed to capitalise on the tremendous growth in demand for quality and affordable healthcare. IHC's existing investments in healthcare sub-sectors are well-aligned with the emerging industry trends, particularly, the increasing need for elderly care in Japan, which is driven by a rapidly aging population, as well as the increasing demand for quality medical services in China due to rising affluence and urbanisation.

Leading the journey forward, IHC plans to continue to expand its hospital network in China. Development projects in the pipeline include an extension of Wuxi New District Phoenix Hospital ("Wuxi Phoenix Hospital") and the development of a general and rehabilitation hospital project in Dujiangyan, Chengdu.

The existing portfolio will serve as a strong platform for IHC to seek further opportunities to expand its network of healthcare services and facilities through acquisitions and new developments.

HEALTHCARE NETWORK

Malaysia

KLCC Development Project

The site, at No. 19 & 19A, Jalan Kia Peng, Kuala Lumpur, can potentially be developed into an integrated mixed-use development comprising specialist medical suites, upscale retail space and serviced residences targeting at the upper-middle to high income market segments to meet the growing demand for upmarket private specialist healthcare services and medical tourism.

China

Wuxi New District Phoenix Hospital

Wuxi Phoenix Hospital is a 163-bed hospital, which employs more than 300 staff comprising doctors, nurses and support staff. It provides a range of medical services, such as internal medicine, cardiology, general surgery, orthopaedics, neuro-surgery, ENT, ophthalmology, uro-logy, dermatology, gynaecology, paediatrics and health screening.

Wuxi New District Phoenix Hospital Expansion Plans

There are plans to develop the existing site in two phases. Upon completion of the expansion, it will be staffed with leading physicians in their respective fields and complemented with state-of-the-art medical equipment, cementing its leading position in Wuxi, a city with over 6 million residents.

Chengdu Hospital Development Project

The site in Dujiangyan, Chengdu is adjacent to a high-traffic government hospital. The plan is to build a general and rehabilitation hospital focusing on obstetrics and gynaecology, paediatrics, surgical specialties and rehabilitation.


01


02


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Japan

IHC owns and manages a vast portfolio of 12 quality nursing homes located across Japan in the cities of Sapporo, Nara, Kyoto and Nagano.

01 Hikari Heights Varus Fujino (Sapporo)
A property consisting of 2 blocks (9-storey and 13-storey) with 144 rooms in total that can accommodate up to 187 residents.

02 Hikari Heights Varus Ishiyama (Sapporo)
A 9-storey property with 119 one- and two-bedded rooms that can accommodate up to 149 residents.

03 Hikari Heights Varus Kotoni (Sapporo)
A 14-storey nursing home with 281 one- and two-bedded rooms that can accommodate up to 364 residents.

04 Hikari Heights Varus Makomanai-Koen (Sapporo)
A 10-storey nursing home with 157 rooms that can accommodate up to 196 residents.

05 Hikari Heights Varus Tsukisamu-Koen (Sapporo)
A 10-storey nursing home with 57 one- and two-bedded rooms that can accommodate up to 73 residents.

06 Elysion Amanohashidate (Kyoto)
A nursing home consisting of a daycare service centre and 2 blocks (3-storey and 2-storey) with 60 rooms in total that can accommodate up to 60 residents.

07 Elysion Kaichi West (Nagano)
A nursing home with 29 rooms that can accommodate up to 29 residents.

08 Elysion Kaichi North (Nagano)
A 4-storey nursing home with 79 rooms that can accommodate up to 85 residents.

09 Elysion Gakuenmae (Nara)
A 5-storey property with 92 rooms that can accommodate up to 92 residents.

10 Elysion Mamigaoka/Mamigaoka Annex (Nara)
A nursing home with 2 blocks (5-storey and 4-storey) that can accommodate up to 165 residents.

11 Varus Cuore Sapporo-Kita & Varus Cuore Sapporo-Kita Annex (Sapporo)
Facility consists of two buildings: a 5-storey Varus Cuore Sapporo-Kita, with 126 rooms, and a 3-storey Varus Cuore Sapporo-Kita Annex, with 90 rooms, which can accommodate up to 231 residents in total.

12 Varus Cuore Yamanote (Sapporo)
A 4-storey nursing home with 59 rooms that can accommodate up to 60 residents.

PROPERTY OVERVIEW

Japan | Hikari Heights Varus Fujino

Fujino 3-jo 11-chome, Minami-ku, Sapporo City, Hokkaido

01 Hikari Heights Varus Fujino houses 144 rooms in two buildings

02 In-house barber shop

03 Bright and spacious lobby

Access

20 min
by bus from Makomanai Station

Gross Floor Area
(Sq ft. Approx)

105,290

Total Rooms

144

Occupancy Rate
(As at 31 December 2016)

79.9%

Hikari Heights Varus Fujino is located in the residential Minami area of Sapporo, about an hour's drive from the city centre, and 20 minutes by bus from Makomanai Station on the Sapporo City Subway Nanboku Line. The nursing home has 2 blocks (9-storey and 13-storey) with 144 rooms in total that can accommodate up to 187 residents. In operation since 1994, the majority of its residents are long-term, with more than 75.0% of them staying for more than 10 years.

Hikari Heights Varus Ishiyama

Ishiyama 1-jo 3-chome, Minami-ku, Sapporo City, Hokkaido

Japan

Hikari Heights Varus Ishiyama has been operated by Hikari Heights-Varus Co., Ltd. since its completion in 1986. It is easily accessible via bus from Makomanai Station on the Sapporo City Subway Nanboku Line. The 9-storey property consists of 119 one- and two-bedded rooms that can accommodate up to 149 residents. A large proportion of the residents has been living there for more than 15 years.

01 Comfortable and homely residents' lounge
02 Well-lit bathroom equipped with grab bars
03 Exterior façade of Hikari Heights Varus Ishiyama

Access

7 min
by bus from Makomanai Station

Gross Floor Area
(Sq ft. Approx)

94,152

Total Rooms

119

Occupancy Rate
(As at 31 December 2016)

87.2%

PROPERTY OVERVIEW

Japan

Hikari Heights Varus Kotoni

Nijuyonken 4-jo 1-3-1, Nishi-ku, Sapporo, Hokkaido

In operation since 2003, Hikari Heights Varus Kotoni is located in a residential area approximately 20 minutes from Sapporo city centre, and a short walk from Kotoni Station on the JR Hakodate Main Line. This 14-storey nursing home comprises 281 one- and two-bedded rooms with a maximum occupancy of 364 residents.

Access

6 min
walk from JR Kotoni Station

Gross Floor Area
(Sq ft. Approx)

223,420

Total Rooms

281

Occupancy Rate
(As at 31 December 2016)

96.4%

01 *Hikari Heights Varus Kotoni, IHC's largest skilled nursing facility*

02 *Resident's room – assisted living with the feel of home*

03 *Lounge with a view*

Access

13 min
walk from Makomanai Station

Gross Floor Area
(Sq ft. Approx)

143,175

Total Rooms

157

Occupancy Rate
(As at 31 December 2016)

93.8%

Hikari Heights Varus Makomanai-Koen is a 10-storey nursing home that has been in operation since 2006. It is located in a residential area just outside of Sapporo city centre, a short walk from Makomanai Station on the Sapporo City Subway Nanboku Line. Its 157 one- and two-bedded rooms has a maximum occupancy of 196 residents.

01 Spacious lounge with scenic views
02 The 10-storey Hikari Heights Varus Makomanai-Koen
03 Resident's room comfortably furnished to feel like home

PROPERTY OVERVIEW

Japan | Hikari Heights Varus Tsukisamu-Koen

Misono 9-jo 8-5-1, Toyohira-ku, Sapporo, Hokkaido

01

Access

6 min

walk from Misono Station

Gross Floor Area

(Sq ft. Approx)

46,957

Total Rooms

57

Occupancy Rate

(As at 31 December 2016)

84.5%

01 Hikari Heights Varus Tsukisamu-Koen, set in a lush green environment

02 The barrier-free room environment ensures convenience and safety

03 Recreation lounge – an inviting space for residents to relax

02

03

Hikari Heights Varus Tsukisamu-Koen is located in a suburban area on the fringe of Sapporo city centre, a short walk from the Misono train station on the Sapporo City Subway Toho Line. In operation since 1990, more than half of its residents have resided there for more than 15 years. This 10-storey nursing home comprises 57 one- and two-bedded rooms with a maximum occupancy of 73 residents.

Elysion Amanohashidate

Aza-Mannen, Koaza-Ikami, 1058-1 and other lots, Miyazu, Kyoto

Japan

Elysion Amanohashidate is a lovely nursing facility located next to the famous and scenic Amanohashidate coastline. Parks and facilities such as shopping centre, train station, hospital and city office are all within walking distance. It comprises a 3-storey nursing home with 60 rooms, and a 2-storey daycare service centre, located six minutes by bus from Amanohashidate Station on the Kitakinki Tango Railway Miyuzu Line.

01 Large bathroom with private garden view

02 Elegant dining room

03 Exterior façade of Elysion Amanohashidate, a 60-room nursing home with daycare service centre

Access

6 min

by bus from Amanohashidate Station

Gross Floor Area
(Sq ft. Approx)

31,507

Total Rooms

60

Occupancy Rate
(As at 31 December 2016)

98.3%

PROPERTY OVERVIEW

Japan | Elysion Kaichi West

Kaichi 2-3-50, Matsumoto, Nagano

Access

15 min
walk from JR Kitamatsumoto Station

Gross Floor Area
(Sq ft. Approx)

16,894

Total Rooms

29

Occupancy Rate
(As at 31 December 2016)

69.0%

01 Exterior façade of Elysion Kaichi West, an intimate 29-room nursing home located close to Matsumoto Castle

02 Cosy dining room with a homely feel

03 Bathroom with mechanised bathtub

01

02

03

Elysion Kaichi West is located next to Elysion Kaichi North in the residential area of Matsumoto Nagano, a short distance from Japan's historic Matsumoto Castle and Castle Park, and a 15-minute walk from JR Kitamatsumoto station. The nursing home has a total of 29 rooms for residents and four rooms for guests on short stays, as well as communal facilities such as a cafeteria, shared bath, consultation room, activity space and event hall.

Elysion Kaichi North

Kaichi 2-3-50, Matsumoto, Nagano

Japan

Elysion Kaichi North is located next to Elysion Kaichi West in the residential area of Matsumoto Nagano, a short distance from Japan's historic Matsumoto Castle, and a 15-minute walk from JR Kitamatsumoto station. This 4-storey nursing home houses 79 rooms that can accommodate up to 85 residents, as well as communal facilities such as a cafeteria, shared bath, consultation room, activity space and event hall.


01


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Access

15 min

walk from JR Kitamatsumoto Station

Gross Floor Area

(Sq ft. Approx)

54,443

Total Rooms

79

Occupancy Rate

(As at 31 December 2016)

92.4%

01 Meeting lounge for guests and visitors

02 Resident enjoys regular exercise in the exercise room

03 Exterior façade of Elysion Kaichi North, located in a quiet residential area

PROPERTY OVERVIEW

Japan | Elysion Gakuenmae

Nakatomigaoka 1-1994-6, Nara-shi, Nara

01

Access

9 min

by bus from Gakken Nara-Tomigaoka Station

Gross Floor Area
(Sq ft. Approx)

40,795

Total Rooms

92

Occupancy Rate
(As at 31 December 2016)

98.9%

02

03

Elysion Gakuenmae is located in a residential area in Nara, within walking distance from Gakken Nara-Tomigaoka train station and with easy access to the highway leading to Nara's city centre. Spanning five storeys, the nursing facility has 92 fully furnished rooms as well as a variety of community spaces, healthcare rooms and lounges that add to the quality of life for its residents. A large hypermart and a hospital nearby enhance the appeal of this location for residents.

01 Elysion Gakuenmae enjoys a highly accessible and appealing location

02 Personal bathroom and restroom equipped with grab bars

03 Simply but comfortably furnished resident's room

Elysion Mamigaoka/ Mamigaoka Annex

Umami-minami 4-1-19, Koryocho, Kitakatsuragi-gun, Nara

Japan

Elysion Mamigaoka/Elysion Mamigaoka Annex is located in a residential area in Kitakatsuragi, Nara, and is the only nursing facility in the area. It consists of a 5-storey and a 4-storey building, easily accessible by bus from Goido train station on the Kintetsu Osaka Line. Its 160 fully furnished one- and two-bedded rooms provide accommodation for up to 165 elderly residents who wish to stay close to their families living in the vicinity.

01

02

03

01 The restaurant provides a pleasant dining experience

02 Elysion Mamigaoka/Elysion Mamigaoka Annex comprises 160 fully furnished rooms

03 Ramps ensure barrier-free access

Access

8 min

by bus from Kintetsu Osaka Goido Station

Gross Floor Area

(Sq ft. Approx)

110,426

Total Rooms

160

Occupancy Rate

(As at 31 December 2016)

93.8%

PROPERTY OVERVIEW

Japan | Varus Cuore Sapporo-Kita & Varus Cuore Sapporo-Kita Annex

Tonden 8-jo 9-3-7, Kita-ku, Sapporo, Hokkaido

Access

20 min
by bus from Gakuentoshi Taihei Station

Gross Floor Area
(Sq ft. Approx)

82,200

Total Rooms

216

Occupancy Rate
(As at 31 December 2016)

100% (Main Building)
91.1% (Annex)

01


02


Located in Sapporo, Hokkaido, easily accessible by bus from Taihei Station on the JR Gakuentoshi Line, the nursing facility consists of two buildings: 5-storey Varus Cuore Sapporo-Kita, which houses 126 rooms, and the 3-storey Varus Cuore Sapporo-Kita Annex, housing 90 rooms. Both buildings can accommodate a total of 231 residents. Providing assisted living for the elderly, the property is well staffed with nurses and counsellors, and is in a location that allows residents easy access to clinics and hospitals.

03


01 Assisted living facility featuring 216 rooms within two buildings

02 Single-bed room designed for barrier-free mobility

03 Spacious recreation lounge

Varus Cuore Yamanote

Yamanote 6-jo 2-1-1, Nishiku, Sapporo, Hokkaido

Japan

Located in a residential area not far from Sapporo city centre, this 4-storey nursing facility has been in operation since 2005. It enjoys easy accessibility, as it is less than a 15-minute walk from JR Kotoni Station on the Sapporo City Subway Tozai Line. It houses 59 one- and two-bedded rooms with a maximum occupancy of 60 residents. The home has a high occupancy rate with a long queue of new residents.

01 Motorised stair lift

02 Warm reception area

03 Exterior façade of Varus Cuore Yamanote

01

02

03

Access

13 min

walk from JR Kotoni Station

Gross Floor Area

(Sq ft. Approx)

30,223

Total Rooms

59

Occupancy Rate

(As at 31 December 2016)

98.3%

PROPERTY OVERVIEW

China

Wuxi New District Phoenix Hospital

No. 20 North Changjiang Road, New District, Wuxi City, Jiangsu Province, China

Located at North Changjiang Road, New District, Wuxi City, Jiangsu Province, the People's Republic of China, Wuxi Phoenix Hospital provides a range of medical services, such as internal medicine, cardiology, general surgery, orthopaedics, neurosurgery, ENT, ophthalmology, urology, dermatology, gynaecology, paediatrics and health screening. The well-equipped hospital currently accommodates 163 beds and has a staff of more than 300 doctors, nurses and support staff. It has a successful operational track record of over 10 years and boasts a high occupancy rate of nearly 80.0%.

There are plans to expand the existing Wuxi Phoenix Hospital and enhance its position to bring quality healthcare closer to the community. The new complex will be developed in two phases to expand the hospital's capacity. The expansion will also introduce various new medical facilities such as an advanced rehabilitation centre, maternity wards and medical suites. A subway is also in the midst of construction by the government, which will be connected to the basement of the hospital expansion, ensuring easy accessibility.

Land Area
(Sq ft. Approx)

244,136

01 Artist's impression of the new Wuxi Hospital Complex

02 Existing 163-bed Wuxi Phoenix Hospital

Chengdu Hospital Development Project

Intersection of Baolian Road and Rainbow Avenue, Lianmeng Village, Xingfu Town, Dujiangyan, Chengdu, Sichuan Province, China

China

The plan is to build a general and rehabilitation hospital on a site in Dujiangyan, Chengdu next to a busy 800-bed public general hospital. It will be located in the midst of several residential projects, town amenities and industrial estates.

The planned hospital is expected to fill an existing gap in medical care in the area, where there is a lack of high quality private hospitals for the more wealthy residents. There is a potential catchment of 2 million residents in Dujiangyan and the adjoining Aba Tibetan Prefecture and a growing number of large retirement housing projects in Dujiangyan.

01 Artist's impression of Chengdu Hospital Development Project (aerial view)

02 Artist's impression of Chengdu Hospital Development Project (main entrance view)

01

02

Land Area
(Sq ft. Approx)

201,223

PROPERTY OVERVIEW

Malaysia

KLCC Development Project

19 and 19A Jalan Kia Peng, Kuala Lumpur, Malaysia

Land Area
(Sq ft. Approx)

50,849

01 *Artist's impression of KLCC Development Project (front view)*

02 *Artist's impression of KLCC Development Project (side view)*

The plan is to develop an integrated mixed-use development comprising specialist medical suites, upscale retail space and serviced residences at No. 19 & 19A, Jalan Kia Peng, in Kuala Lumpur, Malaysia. The proposed development is strategically located within walking distance of the Kuala Lumpur Convention Centre, Kuala Lumpur city centre business district, Petronas Twin Towers, Pavilion Shopping Centre and Prince Court Medical Centre, and is also near the Bukit Bintang shopping district and Kuala Lumpur General Hospital.

The KLCC Development Project sits on a land area of approximately 50,849 sq ft with a plot ratio up to 9.98 for mixed development use.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Roger Tan Chade Phang
(Independent Director)

Jackson Tay Eng Kiat
(Independent Director)

Eric Sho Kian Hin
(Independent Director)

COMPANY SECRETARIES

Ng Ngai

Winston Paul Wong Chi Huang

REGISTERED OFFICE

9 Battery Road
#15-01
Singapore 049910
Telephone: (65) 6578-9188
Facsimile: (65) 6476-4647
www.ihc.sg
Company Registration No.:
201304341E

SHARE REGISTRAR

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

SPONSOR

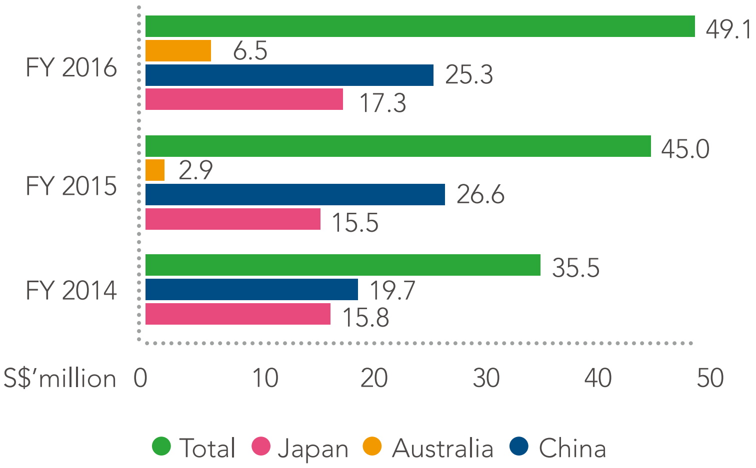
PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318

AUDITORS

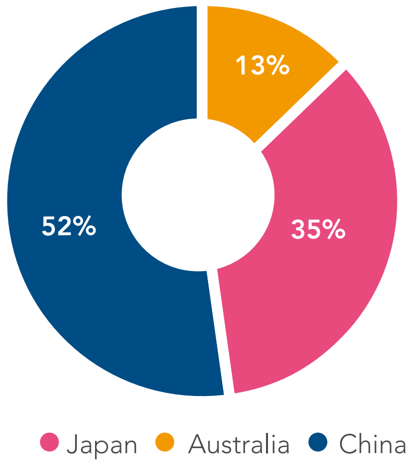
KPMG LLP
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
Partner-in-charge: Eng Chin Chin
Date of Appointment: 9 May 2017

FINANCIAL HIGHLIGHTS (FY2016)

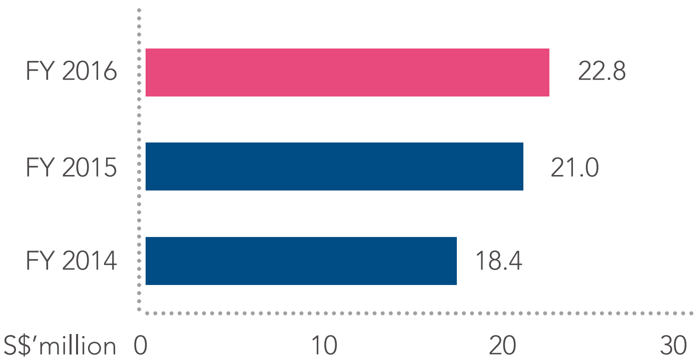
REVENUE



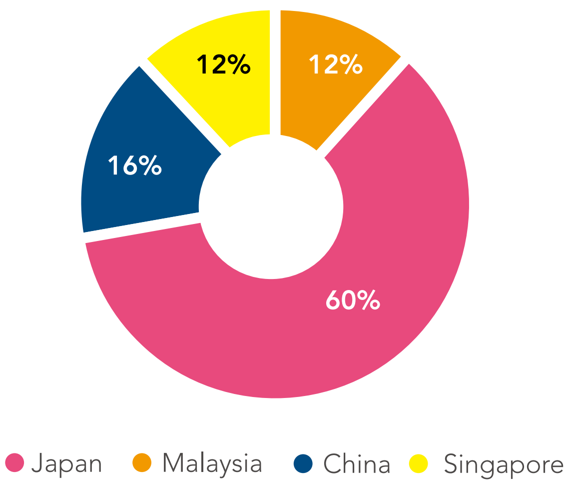
REVENUE



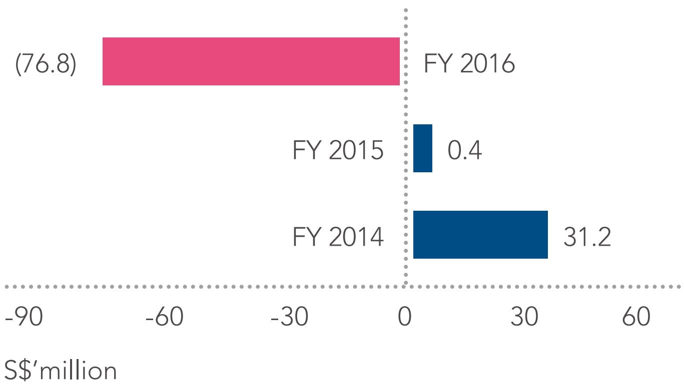
GROSS PROFIT



ASSET VALUE BY GEOGRAPHY



PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY



CEO'S STATEMENT

Dear Valued Shareholders,

LEADING THE JOURNEY TO BETTER HEALTHCARE

This was a challenging and yet exciting message to write.

This Annual Report serves as a report on and review of the financial year ended 31 December 2016. Yet, the key management team and Board of Directors responsible for this Annual Report are an all-new line up since early 2017, after the completion of the Acquisition by OUE in April 2017, who despite best efforts may not necessarily have all the information about the various twists and turns in the Group's journey prior to our respective appointments.

The challenge is for the new Management and Board to endeavour to come to grips with the Group's past (and addressing the illnesses arising from it) as a matter of accountability to stakeholders BUT not lose sight of the more important mission – marching on to better health.

The excitement is that in putting this Annual Report to bed, there is a genuine sense that although there is much to be done, the Group has finally turned the corner and is on the mend. Rather than dwelling on the past, with the life support provided by the Group's new controlling shareholder, OUE Limited, the Group can now focus its energy on the onward journey to better health for itself and better healthcare for many.

YEAR IN REVIEW

2016 saw the Company on a bumpy road.

As announced by the Company in its various announcements in 2016, IHC Management Pte. Ltd., IHC Management (Australia) Pty. Ltd., IHC Medical RE Pte. Ltd., IHC Healthcare REIT, IHC Australia First Trust and IHC Australia Second Trust have been placed under the control of certain receiverships, which are part of ongoing litigation proceedings contested by the Company.

The Company also received requisitions for shareholders' meetings in respect of the removal of its previous directors in late 2016, which finally culminated in a complete change in its Board and key management.

LOOKING FORWARD

Yet, despite a turbulent 2016, as I mentioned, we hope that the Group has turned the corner and can now focus on its recovery and growth.

We are very excited about our plans in Wuxi and other cities in China. We are also very committed to building on our portfolio of senior living and nursing home assets in Japan.

APPRECIATION

As we focus with renewed energy on the road ahead, it would be remiss of me not to thank our new Directors. We are grateful for their coming onboard in challenging circumstances, for their guidance and for their emphasis on doing best for the Group and its stakeholders despite all the limitations we face.

It would be even more remiss of me not to express our sincere and heartfelt gratitude to all our shareholders, healthcare professionals, employees and business partners for their patience and support on our journey thus far.

We look forward to working closely with you in the coming years on the journey forward to better healthcare by a stronger IHC.

May we have a brighter and smoother road ahead.

DR. WONG WENG HONG
Chief Executive Officer
June 2017


MR. JACKSON TAY ENG KIAT
Independent Director
MR. YET KUM MENG
Chief Financial Officer
MR. ERIC SHO KIAN HIN
Independent Director

BOARD OF DIRECTORS & KEY EXECUTIVES

DR. WONG WENG HONG
Chief Executive Officer

MR. ROGER TAN CHADE PHANG
Independent Director

BOARD OF DIRECTORS

MR. ROGER TAN CHADE PHANG

Independent Director

Mr. Roger Tan Chade Phang is the Chief Executive Officer and founder of Voyage Research since 2009 till present.

Prior to setting up Voyage Research, Mr. Tan was an Investment Analyst with Standard Chartered Bank Singapore from 2007 to 2008, and was also the lead Investment Analyst in SIAS Research from 2005 to 2006.

Currently, Mr. Tan is the President of the Small and Middle Capitalisation Association (SMCCA), where he actively gathers small and middle capitalisation companies within a single entity to work closely with the authorities and professionals to improve the visibility and governance standards of its members.

Mr. Tan also sits on the Board of Dapai International Holdings, Starland Holdings Limited and Transcorp Holdings Limited as an Independent Director.

Mr. Tan graduated with a Bachelor of Business in Accountancy degree from RMIT University and obtained a Master of Finance degree from the same university.

MR. JACKSON TAY ENG KIAT

Independent Director

Mr. Jackson Tay Eng Kiat has more than 15 years of experience in accounts and finance functions of various entities in the public and private sectors.

Mr. Tay is currently the Operation Director and Company Secretary of Hafary Holdings Limited Group (the "Hafary"). He oversees the operational and corporate secretarial functions of the Hafary, including business development and investor relations. He also spearheads the Hafary's overall corporate and strategic development in Singapore and overseas.

Prior to his current role, Mr. Tay was responsible for the preparation of the Hafary's financial results pursuant to the listing requirements of the SGX Catalist. Subsequently, Hafary was promoted to Mainboard of the SGX-ST in 2013. In his previous role, Mr. Tay was in charge of all financial and administrative matters of the Hafary, including the implementation and maintenance of the Hafary's financial and management reporting system.

Mr. Tay holds a Bachelor of Accountancy (Minor in Marketing) degree from Nanyang Technological University, Singapore and is a member of the Institute of Singapore Chartered Accountants.

MR. ERIC SHO KIAN HIN

Independent Director

Mr. Sho has over 20 years of experience in financial reporting and regulatory compliance and was involved in various financial related activities such as equity and pre-IPO fund raising, mergers and acquisitions, restructuring and group tax optimisation.

Currently, Mr. Sho is an Independent Director and the Chairman of the Audit Committee of QT Vascular Limited, a company listed on the SGX Catalist.

Mr. Sho was with Ernst & Young Kuala Lumpur from 1995 as Assurance and Advisory Business Service Manager and left in 2002 to join the private sector.

In 2007, Mr. Sho was appointed as Executive Director and Chief Financial Officer of China Farm Equipment Limited (the "China Farm Equipment"), a company formerly listed on the Mainboard of the SGX-ST. He was responsible for, amongst others, planning and management of the China Farm Equipment's financial and taxation matters. He acted as the key liaison person with the stock exchange, supervised compliance with corporate governance, and handled investor relations, regional roadshows as well as funding options for China Farm Equipment. After the China Farm Equipment Limited was privatised in 2013, Mr. Sho remains involved in the ongoing corporate exercise to list the China Farm Equipment's assets in China.

Mr. Sho started off his professional training with Victor & Company in 1990 and is a member of the Association of Certified Chartered Accountants (ACCA).

DR. WONG WENG HONG

Chief Executive Officer

Dr. Wong Weng Hong has more than 25 years of experience in setting up, acquiring and managing healthcare assets and operations in Singapore and China.

Dr. Wong co-founded Healthway Medical Corporation Limited ("Healthway") in 1990 and served as Medical Director and Chief Executive Officer of Healthway Medical Group from 1994 to 2008 and Managing Director (Medical Services) of Healthway from 2008 to 2011.

During his tenure in Healthway, Dr. Wong was responsible for the strategic development of Healthway Medical Group which led to the setting up and acquisition of several medical facilities in Singapore and China. Healthway started as a chain of family clinics and expanded into specialist and dental centres in Singapore and China. It has the largest number of clinics in Singapore and was successfully listed in 2008 on the SGX Catalist with a market capitalisation of approximately S$500 million.

Dr. Wong joined AsiaMedic Limited ("AsiaMedic") from 2012 to 2015 as Chief Executive Officer. During this period, AsiaMedic enjoyed rapid expansion in its operations and revenue growth both in Singapore and China. AsiaMedic initially provided only high-end radiological services and health screening. Dr. Wong expanded its offerings to include cord blood banking, medical aesthetic services and medical centre for expatriates in Singapore and set up a maternity confinement centre and a medical centre in China.

From February 2015 to March 2017, Dr. Wong was with Perennial Real Estate Holdings Limited as Managing Director, Healthcare Assets Management Services. He was involved in the acquisition, setting up and/or management of the healthcare assets in Singapore and China. These assets included hospitals, medical centres, eldercare facilities and integrated commercial cum healthcare hubs in several cities in China.

Dr. Wong holds a Bachelor of Medicine degree and a Bachelor of Surgery degree from the National University of Singapore, and a Master of Business Administration degree from the Macquarie Graduate School of Management, Australia.

MR. YET KUM MENG

Chief Financial Officer

Mr. Yet Kum Meng has about 20 years of experience in the airline and real estate sectors, both in Singapore and China, serving in various management roles.

Mr. Yet joined Lippo Group in 2008 and served as its Chief Executive Officer/President, China Real Estate Division, as well as Board Member of the China project companies till 2015. During his tenure, Mr. Yet led the acquisition, development and/or management of projects in Beijing, Huai An and Taizhou in Jiangsu Province, Zhuhai in Guangdong Province and Putian in Fujian Province. He has also been on the Board of Directors of Lippo Group's department store and supermarket businesses in China under the brand names of "Robbinz" and "Hipermart" respectively since 2010.

Prior to joining Lippo Group, Mr. Yet was with GuocoLand Limited ("GuocoLand") as Group Financial Controller of China from 2005 to 2008, overseeing accounting, taxation, corporate finance, mergers & acquisitions, human resources and legal matters. During this period, GuocoLand's footprint in China expanded to new projects in Beijing, Shanghai, Tianjin and Nanjing in Jiangsu Province.

Mr. Yet was involved in the airline sector from 1996 to 2005, having served in various management roles with Singapore Airlines ("SIA") in Finance, Treasury, Sales and Marketing, Northern China station, as well as being Staff Assistant to SIA Group Chairman and Deputy Chairman/ Chief Executive Officer. His last position was Senior Manager Corporate Accounts and Projects responsible for the SIA Group statutory and management reporting.

Mr. Yet holds a Bachelor of Accountancy (First Class Honours) degree and Master of Business Administration (Hospitality and Tourism Management) degree from Nanyang Technological University, Singapore.

CORPORATE GOVERNANCE REPORT

At the extraordinary general meeting of International Healthway Corporation Limited ("**IHC**" or the "**Company**") held on 23 January 2017, the previous board of directors of the Company ("**Previous Board**") was replaced entirely by a new board of directors, being the current directors of the Company (the "**Board**" or the "**Directors**"). In view that some of the records of the Company maintained during the term of the Previous Board are incomplete, the Board and new management (which replaced the previous management) of the Company have not been able to verify certain matters and/or policies which took place or were in place during the term of the Previous Board, and hence this corporate governance report ("**Report**") focuses on the corporate governance framework and practices of the current Board of Directors from the date of their appointment. However, to the extent the Board is able to state matters relating to the corporate governance framework and practices of the Previous Board for the financial year ended 31 December 2016 ("**FY2016**") based on records and documents available to the Board, the same will be disclosed in this Report, with the necessary qualifications.

IHC and its subsidiaries (collectively, the "**Group**") are committed to maintaining good standards of corporate governance. This Report describes the corporate governance framework and practices of the Company with specific reference to the principles of the Singapore Code of Corporate Governance 2012 (the "**Code**"). Where there are deviations from the Code, appropriate explanations will be provided.

This Report should be read as a whole, instead of being read separately under the different principles of the Code.

The Board's Conduct of its Affairs

Principle 1 : *Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.*

The Board is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group. The Board will be supported by committees, to be constituted, which shall be governed by clear terms of reference, which shall be approved by the Board, and which shall set out the duties and authority of the relevant committee. Please see below for further details of the board committees to be constituted.

The principal roles and responsibilities of the Board include:

– setting strategic objectives and ensuring that the necessary financial and human resources are in place for the Company to meet its objectives;

– establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Group's assets;

– reviewing the performance of the management of the Company ("**Management**");

– setting the Company's values and standards (including ethical standards), and ensuring that obligations to shareholders and other stakeholders are understood and met; and

– considering sustainability issues (including environmental and social factors) as part of the Company's overall strategy.

On constitution of the relevant board committees, the Company will adopt a new set of internal guidelines which require Board approval for investments, divestments and bank borrowings. The Company will also adopt a new framework of delegated authorisation ("**LOA**"), which will set out procedures and levels of authorisation required for specified transactions. The LOA will also set out approval limits for operating and capital expenditure. The LOA will also contain a list of matters specifically reserved by the Board for approval. These will include approval of annual business plans, operating budgets, statutory accounts, declaration of interim and final dividends, and material transactions, namely, major acquisitions and disposals, joint ventures, strategic alliances, investment proposals, establishment of banking facilities and corporate restructuring.

The Board delegates the implementation of business policies and day-to-day operations to the Chief Executive Officer. In order to have 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 discussions on the Company's operations or business with the Management. The Board conducts scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. The Company's Constitution (the "**Constitution**") provides for Board meetings by means of teleconference or video conference as well.

The Code provides guidance that the number of meetings of the board and board committees held in the relevant year as well as the attendance of every board member at these meetings should be disclosed in the Company's Annual Report. Based on records of the Company maintained during the term of the Previous Board, some of which are incomplete, the attendance of the Previous Board at meetings of the board and board committees for FY2016, and the frequency of those meetings are set out below:

Name of Directors	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
Dr. Jong Hee Sen[(1)]	16	14	11	9	1	1	1	1
Ms. Lim Beng Choo[(2)]	16	16	–	–	–	–	–	–
Mr. Lim Thien Su Gerald[(3)]	16	7	11	1	–	–	–	–
Mr. Siew Teng Kean[(4)]	16	10	11	9	1	1	–	–
Mr. Ong Lay Khiam[(5)]	16	13	11	10	1	1	-	-
Ms. Yap Hui Lian Annie[(6)]	16	9	–	–	–	–	1	1
Mr. Chia Chee Hyong Leonard[(7)]	16	10	11	2	–	–	–	–
Mr. Lee Gee Aik[(8)]	16	8	–	–	1	1	1	1
Mr. Alviedo Rodolfo Jr San Miguel[(9)]	16	2	–	–	–	–	–	–

Notes:

(1) Dr. Jong Hee Sen ceased as a member of the Audit Committee, Nominating Committee and Remuneration Committee on 25 July 2016. On 22 December 2016, he ceased as a Non-Executive and Non-Independent Director.

(2) Ms. Lim Beng Choo was appointed as an Executive Director of the Company for the period from 7 January 2016 to 23 January 2017.

(3) Mr. Lim Thien Su Gerald was appointed as a Non-Independent and Non-Executive Director of the Company with effect from 27 April 2016 and as a member of the Audit Committee and Remuneration Committee on 25 July 2016. He ceased as a Non-Independent and Non-Executive Director and a member of the Audit Committee and Remuneration Committee on 23 January 2017.

(4) Mr. Siew Teng Kean retired as the Lead Independent Director, Chairman of Audit Committee and a member of the Nominating Committee on 13 July 2016.

(5) Mr. Ong Lay Khiam ceased as an Independent Director, Chairman of Nominating Committee and a member of the Audit Committee and Remuneration Committee on 24 October 2016.

(6) Ms. Yap Hui Lian Annie retired as an Independent Director and Chairman of Remuneration Committee on 13 July 2016.

(7) Mr. Chia Chee Hyong Leonard was appointed as an Independent Director of the Company with effect from 27 April 2016 and as the Chairman of Audit Committee and Remuneration Committee and a member of the Nominating Committee on 25 July 2016. He ceased as an Independent Director of the Company, Chairman of Audit Committee and Remuneration Committee and a member of the Nominating Committee on 23 January 2017.

(8) Mr. Lee Gee Aik retired as an Independent Director and a member of the Nominating Committee and Remuneration Committee on 13 July 2016.

(9) Mr. Alviedo Rodolfo Jr San Miguel was appointed as an Independent Director of the Company with effect from 24 October 2016 and as the Chairman of Nominating Committee and a member of the Audit Committee and Remuneration Committee for the period from 8 November 2016 to 23 January 2017.

Newly-appointed Directors will undergo an orientation process with materials provided to help them to be familiarised with the business, operations and financial performance of the Group. The current Board has undergone such orientation process. For a better understanding of the Group's business, the Directors are also given the opportunity to meet with the Management and, where necessary, the operational facilities of the Group. Moving forward, newly-appointed Directors will also be briefed on the Company's governance practices, including board processes, polices on disclosure of interest in securities, prohibition on dealings in the Company's securities and restrictions on disclosure of price-sensitive information.

The Company will arrange for the Board as a whole to be updated regularly 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. The Company encourages its Directors to attend training courses organised by the Singapore Institute of Directors or other training institutions in connection with their duties.

The Chief Executive Officer will update the Board at relevant Board meetings on business and strategic developments relating to the industry that the Group operates in. The Directors are at liberty to further request for further explanations, briefings or informal discussions on any aspect of the Company's operations or business issues from the Management.

Board Composition and Guidance

Principle 2 : *There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

The Board currently has three (3) Directors, being Mr. Roger Tan Chade Phang, Mr. Eric Sho Kian Hin and Mr. Jackson Tay Eng Kiat, all of whom are Independent Directors. Information regarding each Board member is provided under the Board of Directors section of this Annual Report. The Board intends to appoint additional Directors in due course to diversify the composition of the Board. Along with the appointment of additional Directors, the Board will constitute Board Committees to assist in the execution of the Board's responsibilities. Such Board Committees will include the Audit and Risk Committee ("**ARC**") and the Nominating and Remuneration Committee ("**NRC**"), all of which will operate within clearly defined terms of reference and functional procedures.

The Independent Directors have confirmed that they do not have any relationship with the Company or its related companies, its 10% Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company.

The Board (save for each Director who has abstained where the assessment of independence relates to himself) is of the view that each of Mr. Roger Tan Chade Phang, Mr. Eric Sho Kian Hin and Mr. Jackson Tay Eng Kiat is independent and that the Independent Directors have satisfied the independence requirement under the Code.

After constitution of the NRC, the Board through the NRC, will from time to time examine its structure, size and composition to ensure that it is of an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company. The NRC will ensure that no individual or small group of individuals dominates the Board's decision-making process. The Board's policy, in its identification of Director nominees, is primarily to have an appropriate balance and diversity of skills, experience and knowledge of the Group, regardless of gender. The Board will comprise Directors who as a group provide core competencies such as accounting or finance, business or management experience, legal, industry knowledge, strategic planning experience and customer-based experience or knowledge.

The Board is of the view that the current Board should be enhanced by the appointment of additional Directors who can add to the breadth and depth of expertise available to the Board. The Board intends to propose and appoint additional Directors soon. Thereafter, the Board will take the following steps to maintain or enhance its balance and diversity:

- Annual review by the NRC 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 NRC will consider the results of these exercises in its recommendation for the appointment(s) of new Directors and/or the re-appointment(s) of incumbent Directors.

Role of Chairman and Chief Executive Officer

Principle 3 : *There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.*

As at the date of this report, the Company does not have a Chairman. The Chairman will be appointed by the Company in due course. Dr. Wong Weng Hong is the Chief Executive Officer. The roles of the Chairman (after being appointed) and the Chief Executive Officer will be kept separate to ensure a clear division of their responsibilities, balance of power and authority, increased accountability and greater capacity for independent decision-making at the Board and Management level.

The Chairman will ensure that Board meetings are held when necessary and sets the Board agenda (with the assistance of the Company Secretaries and in consultation with the other Independent Directors). The Chairman, with the assistance of the Company Secretaries will ensure that all Board members are provided with complete, adequate and timely information. As good practice, Board papers are sent to the Directors in advance for Directors to be adequately prepared for the meetings.

The Board has delegated the daily operations of the Group to the Chief Executive Officer. The Chief Executive Officer leads the management team and executes the strategic plans which are in line with the strategic decisions and goals set out by the Board and ensures that the Directors are kept updated and informed of the Group's businesses.

Currently, the Company has not appointed a Lead Independent Director given that the Board only comprises Independent Directors. The Chairman will be appointed by the Company in due course.

Board Membership

Principle 4 : *There should be a formal and transparent process for the appointment and re-appointment of directors to the Board*

The Board currently comprises only Independent Directors and has not constituted any Board Committees yet. After the appointment of additional Directors and the constitution of the NRC as mentioned above, the NRC will follow its written terms of reference which will describe the responsibilities of its members.

The principal functions of the NRC, in addition to its role in reviewing and recommending to the Board a framework of remuneration for the Directors and executive officers, will be as follows:-

– to review and recommend the nomination or re-nomination of the Directors having regard to the Director's contribution and performance;

– to evaluate the performance of the Directors and the Board as a whole and the Board Committees;

– to review and be mindful of the independence of the Directors;

– to make recommendations to the Board on relevant matters relating to the review of training and professional development programs for the Board; and

– to review the retirement and re-election of Directors.

The selection and nomination process for suitable candidates to the Board will be as follows:

(i) in carrying out its review, the NRC will take into account that the Board composition should reflect balance in matters, such as skill representation, tenure, experience, age spread and diversity;

(ii) the NRC will identify suitable candidates for appointment to the Board having regard to the skills required and the skills represented on the Board;

(iii) external consultants may be used from time to time to access a wide base of potential non-executive Directors. Those considered will be assessed against a range of criteria including the nominee's track record, background, experience, professional skills, financial literacy, core competencies and personal qualities. The NRC and the Board will also consider whether a candidate's skills and experience will complement the existing Board and whether the candidate has sufficient time available to commit to his responsibility as a Director; and

(iv) the NRC will make recommendations to the Board on candidates it considers appropriate for appointment.

In the search and selection process to be adopted by the NRC, the NRC may tap on its networking contacts and/or engage professional headhunters to assist with identifying and shortlisting candidates.

With regard to the re-appointment/re-election of existing Directors each year, the NRC will make recommendations to the Board as to whether the Board should support the re-appointment/re-election of a Director who is retiring. In making recommendations, the NRC will evaluate the retiring Director's performance and contributions to the Board, taking into account factors such as attendance, preparedness and participation at meetings and the Director's annual declaration of independence. However, the replacement of a Director does not necessarily reflect the Director's performance or contributions to the Board, as the NRC may have to consider the need to shape the Board in line with the evolving needs of the Company.

Under Article 93 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 annual general meeting ("**AGM**") of the Company. Accordingly, the Directors have agreed that Mr. Roger Tan Chade Phang will retire and subject himself to re-election by Shareholders at the forthcoming AGM.

Each Director abstains from making any recommendations and from voting on any resolution in respect of the assessment of his own performance or re-election as a Director.

The dates of appointment of the Board of IHC and the directorships of the Directors in other listed companies are set out below:

Name of Directors	**Position**	**Date of Appointment**	**Directorship in other Listed Companies**	
			Present	**For the Past 3 Years**
Mr. Jackson Tay Eng Kiat	Independent Director	23/01/2017	–	–
Mr. Roger Tan Chade Phang	Independent Director	23/01/2017	Starland Holdings Limited; Dapai International Limited; Transcorp Holdings Limited	–
Mr. Eric Sho Kian Hin	Independent Director	23/01/2017	QT Vascular Ltd	China Farm Equipment Ltd.

Further details of the Directors (including principal commitments) can be found in the "Board of Directors" section of this Annual Report. Notwithstanding that some of the Directors have multiple 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. As such, the Board does not propose to set the maximum number of listed company board representations which a Director may hold until such need arises. The NRC, after being constituted, will 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 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.

The Board does not appoint alternate directors as recommended by the Code.

Board Performance

Principle 5 : *There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each director to the effectiveness of the Board.*

The NRC, after being constituted, will decide on how the Board's, Board Committees, and individual Directors' performance are to be evaluated and proposes objective performance criteria, subject to the Board's approval. Each member of the NRC will abstain from voting on any resolution in respect of the assessment of his or her performance or re-nomination as a Director.

In evaluating the Board's and its Board Committees' performance, the NRC will consider a set of quantitative and qualitative performance criteria that will be approved by the Board. The performance criteria for the Board and Board Committee's evaluation are in respect of:

(a) Board size;

(b) Board and Board Committee composition;

(c) Board information and accountability;

(d) Board performance in discharging its principal functions and ensuring the integrity and quality of risk management and internal control systems;

(e) standards of conduct of Board members;

(f) the Directors' interactions with the Chief Executive Officer and senior Management; and

(g) Board Committee performance in relation to discharging their responsibilities set out in their respective terms of reference.

The individual Director's performance criterion will be in relation to, amongst other things, the Director's:

(a) attendance, contribution, participation and candour at Board and Board Committee meetings;

(b) degree of commitment to the role and effectiveness and value of contribution to the development of strategy; and

(c) industry and business knowledge and functional expertise.

The NRC, after being constituted, will assess the Board's performance and reach a view whether the performance of the Board as a whole is satisfactory, whether the Board Committees operate effectively and whether each Director is contributing to the overall effectiveness of the Board.

Access to Information

Principle 6 : *In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an ongoing basis so as to enable them to make informed decisions to discharge their duties and responsibilities.*

In order to ensure that the Board is able to discharge its responsibilities, the Management provides the Board with complete, adequate and timely information prior to Board meetings and on an ongoing 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 Management and the Company Secretaries to facilitate separate and independent access.

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 discharge his duties and responsibilities as a Director of the Company. The Company Secretaries and/or his/her representatives attend all 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 Listing Manual (Section B: Rules of Catalist) of the SGX-ST ("**Catalist Rules**") are complied with. The appointment and removal of the Company Secretaries is a matter for the Board as a whole.

Procedures for Developing Remuneration Policies

Principle 7 : *There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.*

Level and Mix of Remuneration

Principle 8 : *The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.*

Disclosure on Remuneration

Principle 9 : *Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.*

The Board currently comprises only Independent Directors and has not constituted any Board Committees yet. After constituting the NRC, the NRC will follow its written terms of reference which will describe the responsibilities of its members.

The NRC's principal responsibilities, in addition to identifying suitable candidates for appointment to the Board and reviewing nominations for the appointments, are to review and recommend to the Board a framework of remuneration for the Directors and key Management personnel, and to develop policies for fixing of, and recommending to, the Board the remuneration packages of individual Directors and key Management personnel. The NRC covers all aspects of remuneration, including but not limited, to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind. The recommendations will be submitted to the Board for endorsement. The remuneration policies of the Company will be structured to attract and retain highly qualified persons, and also take into consideration the Company's overall goal to ensure long-term sustainability and success of the Company.

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 their service on Board Committees, the level of contribution and respective responsibilities at Board meetings and Board Committee meetings, and the industry practices and norms on remuneration, including guidelines set out in the Statement of Good Practice issued by the Singapore Institute of Directors. The fees are subject to approval by Shareholders at each AGM.

The compensation framework for key Management personnel of the Company comprises monthly salaries, annual bonuses and allowances. The review of the remuneration of the key Management personnel takes into consideration the performance and the contributions of the officer to the Company 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 NRC will be entitled to obtain any external professional advice on matters relating to remuneration as and when the need arises at the expense of the Company.

The Company currently does not offer any termination, retirement or any post-employment benefits to Directors and key executives. The Company currently also does not have any employee share option scheme or other long-term employee incentive scheme.

None of the current Directors or the Chief Executive Officer has received any remuneration for FY2016. The Board is unable to comment due to the lack of information on the remuneration and any payments which may have been made by the Company to the Previous Board and the previous chief executive officer for FY2016. Accordingly, such remuneration information required by the Code relating to the remuneration of individual directors and the chief executive officer for FY2016 is not set out for the purposes of this Report.

In recognition of the current Directors' contribution in leading and managing the affairs of the Group during the transition period since their appointment on 23 January 2017, including during the period of the mandatory unconditional cash offer made by Treasure International Holdings Pte. Ltd. for the shares in the Company ("**Offer**"), and working with the independent financial advisor in giving a recommendation to minority Shareholders in connection with the Offer, a one-time payment of honorarium fee of S$90,000 is proposed to be paid to the current Directors. The aforementioned honorarium fee is subject to Shareholders' approval being obtained at the AGM.

The Code recommends that the name and remuneration (with breakdown) of at least the top five (5) key Management personnel who are not Directors or Chief Executive Officer be disclosed within the bands of S$250,000. However, the Board is unable to comment on the identity of the top five (5) key Management personnel who were under the previous management of the Company for FY2016, and therefore such information is not set out for the purposes of this Report.

The Board is unable to comment on whether there were any employees who were immediate family members of any Director or the Chief Executive Officer of the Company, whose remuneration for FY2016 exceeds S$50,000.

Accountability

Principle 10 : The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is responsible for presenting a balanced and understandable assessment of the Company's performance, position and prospects to its Shareholders, the public and the regulators, including interim and other price sensitive public reports and reports to regulators (if required). The Management is accountable to the Board and provides the Board with quarterly and full-year results, which are then reviewed and approved by the Board for released to the SGXNET. All material information relating to the Company is disseminated via SGXNET.

Risk Management and Internal Controls

Principle 11 : The Board is responsible for the governance of risk. The Board should ensure that the Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board, with the assistance of the ARC after it is constituted, will review the adequacy and effectiveness of the Group's risk management and internal control systems, including financial, operational, compliance and information technology controls, and oversee the governance of risk and monitor the Group's risks through a risk management framework to be established.

The Board notes that the system of internal controls provides reasonable, but not absolute, assurance that the Group will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities. The Board and management will continue to re-evaluate the process and adequacy of the Group's risk management framework.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that (a) to the extent that they are able to verify, in view that they were appointed on 3 March 2017 and 19 May 2017, respectively, the financial statements for the financial year ended 31 December 2016 give a true and fair view of the Group's operations and finances; and (b) the Group's risk management and internal control systems are being reviewed for effectiveness with the aim of strengthening the same (the "**Assurance**").

The Board is unable to comment on the adequacy and effectiveness of the Group's internal controls addressing the financial, operational, compliance and information technology controls risks, and risk management systems of the Group for FY2016 in view that none of the members of the Board had been appointed for that period. Notwithstanding the foregoing, the Board, together with the ARC when it is constituted, will review the Group's internal controls, risk management processes and corporate governance procedures as part of its ongoing improvement programme.

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

Audit Committee

Principle 12 : The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The Board currently comprises only Independent Directors and has not constituted any Board Committees yet. After the constitution of the ARC, the ARC will follow its written terms of reference which will describe the responsibilities of its members.

The ARC will schedule a minimum of four (4) meetings in each financial year. The meetings will be held, *inter alia*, for the following purposes:-

– to review the scope and results of the external audit and its cost effectiveness, and the independent and objectivity of the external auditors;

– to review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;

– to review the adequacy and effectiveness of the Group's risk management and internal controls, including financial, operational, compliance and information technology controls;

– to review the effectiveness of the Group's internal audit and control functions, and the hiring, removal, evaluation and compensation of the Group's internal audit and control functions;

– to review interested party transactions; and

– to make recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors.

The ARC, after being constituted, will meet with the external and internal auditors, without the presence of Management, at least once annually.

The results of the ARC's review will be reported to the Board.

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

Audit fees :	S$495,000
Non-audit fees :	–
Total :	S$495,000

The ARC will review the independence of the external auditors annually. As the ARC has not been constituted, the current assessment of the independence and objectivity of the external auditors was performed by the Board. The external auditors of the Company, KPMG LLP ("**KPMG**"), have not provided any non-audit services to the Group since their appointment on 9 May 2017, hence the Board is satisfied with the independence and objectivity of the external auditor. Accordingly, the Board is of the opinion that KPMG is suitable for re-appointment and has accordingly recommended that KPMG be nominated for re-appointment as auditors of the Company at the forthcoming AGM.

The external auditors will present to the ARC the audit plan and also relevant updates relating to any change of accounting standards which have a direct impact on financial statements before an audit commences.

The Company has complied with Rule 712 and Rule 715 of the Catalist Rules in relation to its external auditors.

Whistle-blowing Policy

The ARC, after being constituted, will review and, if necessary, improve on the Company's whistle-blowing policy, whereby employees of the Group or any other persons may in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters to the ARC Chairman without fear of reprisals in any form. The ARC will have the responsibility of overseeing this policy. The objective for such arrangement is to ensure independent investigations of such matters and for appropriate follow-up actions to be taken.

Internal Audit

Principle 13 : The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Board 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 Group did not carry out an internal audit under the Previous Board for FY2016. After it is constituted, the ARC will review the size of the operations of the Group and approve an internal audit plan on an annual basis to ensure the adequacy of the internal audit function. The Board or the ARC will appoint internal auditors who will report to the ARC after it is constituted, in its role to assess the effectiveness of the Group's overall system of operational and financial controls.

The scope of the internal audit will be :-

- 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 operations are conducted in an effective and efficient manner.

Shareholder Rights

Principle 14 : Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements

Communication with Shareholders

Principle 15 : Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Conduct of Shareholder Meetings

Principle 16 : Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Shareholders are informed of the Company's performance and developments though announcements, press releases and the publication of its quarterly and full-year results on the SGXNET and annual reports, which 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).

The AGM of the Company is a principal forum for dialogue and interaction with Shareholders. All Shareholders will receive the Company's annual report and notice of annual general meeting. 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.

The Directors as well as the external auditors will be present and on hand to address issues raised at the AGM.

The Company does not have a dedicated investor relations team. The Company's Chief Executive Officer is currently responsible for the Company's communication with Shareholders.

The Company will consider use of other forums such as analyst briefings as and when applicable.

The Constitution of the Company allows 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 (2) 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. Voting for all resolutions at Shareholders' meeting held during FY2016 was conducted by poll.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, financial position, results of operations, capital needs, plans for expansion, and other factors as the Board may deem appropriate. Taking into account the Company's financial performance in FY2016 and the need for the Company to deploy resources for the development and growth of the Group's business, no dividend was recommended or declared for FY2016.

Dealing in Securities

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

The Company sends out memoranda and e-mails to its Directors and officers to remind them that the Directors, key executives of the Group and their connected persons are prohibited from dealing in the Company's shares during the following periods:

(a) two (2) weeks before the announcement of the Group's financial results for each of the first three quarters of its financial year;

(b) one (1) month before the announcement of the Group's full year financial results; and

(c) any time while in possession of price sensitive information.

The Directors and officers are prohibited from communicating price sensitive information to any person. In addition, the Company also discourages the Directors and officers from dealing in the Company's shares on short term considerations. They are also expected to observe insider-trading laws at all times even when dealing in securities within permitted trading periods.

Material Contracts and Loans

Pursuant to Rule 1204(8) of the Catalist Rules, the Company confirms that except as disclosed in the Statement of Directors and Financial Statements of this Annual Report, 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.

Interested Person Transactions

The Group does not have a general mandate from Shareholders for recurrent interested person transactions. The Group will be seeking Shareholders' approval at the forthcoming AGM for the amendments to certain loans obtained from Treasury International Holdings Pte. Ltd. and OUE Treasury Pte. Ltd., both of which are wholly-owned subsidiaries of OUE Limited, the ultimate controlling shareholder of the Company.

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 ARC, after it is constituted, 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.

Based on records of the Company which were maintained under the Previous Board, the interested person transactions entered into by the Group during FY2016 are set out below:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Mr. Fan Kow Hin[(1)]	S$240,000	–

Note:

(1) A Management Advisory Service Agreement (the "**Agreement**") dated 1st February 2016 was entered between IHC Medical Assets Pte Ltd ("**HMAC**"), a wholly-owned subsidiary of the Company, and Mr. Fan Kow Hin ("**Mr. Fan**"), the founder and then controlling shareholder of the Company for a period of one year from the date of the Agreement. Under the Agreement, Mr. Fan is entitled to a monthly fee of S$20,000. As such, the value of the interested person transaction in respect of this Agreement is S$240,000. Mr. Fan's key duties involved advising the Company on business development with regards to IHC's Medical Real Estate Mixed Development projects in Asia Pacific region. This included sourcing for potential strategic acquisitions and introducing investors for the purpose of fund raising.

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 from Placement of Shares

Based on records of the Company which was available to the Board, as at the date of this annual report, the net proceeds of S$22.7 million raised by the Company from the placement of shares pursuant to the offer document dated 1 July 2013 have been fully utilised as follows:-

	Amount allocated (as disclosed in the offer document dated 1 July 2013)	**Amount utilised as at the date of this Annual Report**
	S$'000	S$'000
Development and redevelopment of existing projects	10,000	10,000
Acquisitions of pending projects	8,000	8,000
Purchase and/or upgrade of medical equipment	500	500
Working capital[(1)]	4,230	4,230
Total	**22,730**	**22,730**

Note:

(1) The amount for working capital has been utilised for the repayment of borrowings and interest expenses.

Non-Sponsor Fees

In FY2016, the Company incurred non-sponsor fees of S$10,000 for financial advisory services rendered by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd.

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DIRECTORS' STATEMENT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2016.

In our opinion:

(a) the financial statements set out on pages 51 to 118 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards; and

(b) at the date of this statement, having regard to the comfort letter received from its intermediate holding company on 17 February 2017, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors in office during the year and at the date of this statement are as follows:

Roger Tan Chade Phang	(Appointed on 23 January 2017)
Eric Sho Kian Hin	(Appointed on 23 January 2017)
Jackson Tay Eng Kiat	(Appointed on 23 January 2017)
Alviedo Rodolfo Jr San Miguel	(Removed on 23 January 2017)
Chia Chee Hyong Leonard	(Removed on 23 January 2017)
Lim Beng Choo	(Removed on 23 January 2017)
Lim Thien Su Gerald	(Removed on 23 January 2017)
Dr Jong Hee Sen	(Resigned on 22 December 2016)
Ong Lay Khiam	(Resigned on 24 October 2016)
Lee Gee Aik	(Retired on 13 July 2016)
Siew Teng Kean	(Retired on 13 July 2016)
Yap Hui Lian Annie	(Retired on 13 July 2016)

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Act, particulars of interests of directors who held office at the end of the financial year (including those held by their spouse and infant children) in shares or debentures in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

	Holdings registered in name of director or nominee		Holdings in which a director is deemed to have an interest	
Name of director and corporation in which interests are held	**At beginning of the year/ date of appointment**	**At end of the year**	**At beginning of the year/ date of appointment**	**At end of the year**
The Company				
(Number of ordinary shares)				
Dr Jong Hee Sen[(1)]	6,621,947	–	11,998,154	–
Siew Teng Kean[(2)]	127,827	–	–	–
Ong Lay Khiam[(3)]	–	–	16,458	–
Lim Beng Choo	618,906	618,906	534,032	534,032

(1) Dr Jong Hee Sen has resigned as a Non-Executive Non-Independent Director on 22 December 2016.

(2) Siew Teng Kean has retired as the Lead Independent Director, Chairman of Audit Committee and member of Nominating Committee on 13 July 2016.

(3) Ong Lay Khiam has resigned as an Independent Director, Chairman of Nominating Committee, member of Audit Committee and Remuneration Committee on 24 October 2016.

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.

Except as disclosed in this statement, no director who held office at the end of the financial year had interest in shares or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the date of appointment if later, or at the end of the financial year.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, 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.

Share options

During the financial year, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

Audit Committee

The members of the Audit Committee during the year are:

- Siew Teng Kean (Chairman) (Retired on 13 July 2016)
- Dr Jong Hee Sen (Resigned on 22 December 2016)
- Ong Lay Khiam (Resigned on 24 October 2016)
- Chia Chee Hyong Leonard (Chairman) (Appointed on 25 July 2016 and removed on 23 January 2017)
- Lim Thien Su Gerald (Appointed on 25 July 2016 and removed on 23 January 2017)
- Alviedo Rodolfo Jr San Miguel (Appointed on 8 November 2016 and removed on 23 January 2017)

Audit Committee members were not appointed subsequent to the retirement, resignation and/or removal of the above members. Before the retirement, resignation and/or removal of the Audit Committee members, they performed the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee reviewed the following during the year prior to their retirement, resignations and/or removals:

- quarterly financial information of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

DIRECTORS' STATEMENT

Auditors

At an Extraordinary General Meeting held on 9 May 2017, KPMG LLP were appointed as the auditors of the Company. The auditors, KPMG LLP, have indicated their willingness to accept appointment.

On behalf of the Board of Directors

Roger Tan Chade Phang
Independent Director

Eric Sho Kian Hin
Independent Director

22 June 2017

INDEPENDENT AUDITORS' REPORT

Members of the Company
International Healthway Corporation Limited

Report on the audit of the financial statements

Qualified opinion

We have audited the financial statements of International Healthway Corporation Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 51 to 118.

In our opinion, except for the possible effect of the matter described in the '*Basis for qualified opinion*' section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position 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 year ended on that date.

Basis for qualified opinion

The financial statements for the year ended 31 December 2015 were audited by another auditor whose report dated 3 June 2016 expressed a disclaimer of opinion (refer to note 32 to the financial statements). Amongst the matters stated as the basis for the disclaimer of opinion was the inability of the previous auditor to obtain sufficient appropriate audit evidence regarding the appropriateness and reliability of certain critical estimates and assumptions, i.e., plot ratio, land premium and conversion costs, gross development value, entrepreneur profit and risk, and construction cost, made by an external valuer in respect of the valuation of two investment properties under development located in the People's Republic of China ("PRC"). The previous auditors stated that the Group was unable to provide satisfactory documentary support for these estimates and assumptions. These properties were carried at a fair value of $87,674,000 as at 31 December 2015 and a fair value gain of $46,004,000 was recorded in profit or loss for the financial year ended 31 December 2015. Consequently, we were unable to determine whether adjustments to the results of operations for the year ended 31 December 2016 and opening retained earnings as at 1 January 2016 might be necessary due to the brought forward effect from the previous financial year. Our opinion on the current period's financial statements is modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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 of the current period. 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.

Going concern basis of accounting
(Refer to note 2 to the financial statements)

Risk

The Group incurred a net loss of $76.9 million during the year ended 31 December 2016 and as of 31 December 2016, the Group's current liabilities exceeded its current assets by $124.3 million.

The financial statements have been prepared on a going concern basis because the directors of the Company (the "Directors") and management, having assessed the sources of liquidity and funding available to the Group, believes that the Group can continue as a going concern for the foreseeable future.

As disclosed in note 2 to the financial statements, in assessing the appropriateness of the use of going concern basis of accounting in the preparation of the financial statements, the Directors and management have considered the following sources of liquidity and funding available to the Group:

(i) as disclosed in notes 1 and 2, subsequent to the financial year ended 31 December 2016, the Company became a subsidiary of OUE Limited through its wholly-owned subsidiary, Treasure International Holdings Pte. Ltd. (collectively "OUE") on 2 March 2017. A comfort letter (the "Comfort Letter") was issued by OUE to the Company on 17 February 2017 which states OUE's intention to support the Company's strategy and medium to long-term growth plans and to maintain the Company's listing status on the Catalist Board of the Singapore Stock Exchange; and

(ii) in February 2017 and April 2017, loans with aggregated sum of $130.0 million and $15.0 million were provided by OUE and another wholly-owned subsidiary of OUE, respectively, to finance the Group's working capital requirements and day-to-day operations purposes.

Our response

We have evaluated the Directors and management's assessment of the Group's ability to continue as a going concern, relying on the sources of liquidity and funding available to the Group, as mentioned in (i) and (ii) above.

We have reviewed the Comfort Letter issued by OUE and assessed if it is reasonable to expect that the Group will receive the relevant financial support from OUE, taking into consideration the ability of OUE to provide the relevant financial support.

Our findings

We found the Directors and management's assessment of the sources of liquidity and funding referred in (i) to (ii) above to support the going concern basis of accounting in the preparation of financial statements to be reasonable and appropriate, taking into consideration the ability of OUE to provide the relevant financial support.

Impairment of goodwill
(Refer to note 4.10 and 6 to the financial statements)

Risk

In 2013, the Group acquired an effective 74.97% equity interest and control over Health Kind International Limited and its subsidiaries, Health Kind International (Shanghai) Co., Ltd. and Wuxi New District Phoenix Hospital Co., Ltd (collectively, "Wuxi Group"). Based on the Purchase Price Allocation exercise performed, the Group had recognised a goodwill arising on consolidation amounting to $43.1 million and allocated it to the Group's cash-generating unit ("CGU"), identified as Wuxi New District Phoenix Hospital ("Wuxi Hospital") located in the PRC.

Goodwill is required to be tested for impairment annually. Management has determined the recoverable amount of the CGU by obtaining a valuation from an independent external valuer. The independent valuer adopted the value-in-use (discounted cash flow) method with inputs from management to derive the recoverable amounts of the CGU. Any shortfall of the recoverable amounts against the carrying amounts of the CGU to which the goodwill has been allocated would be recognised as impairment loss. As at 31 December 2016, the carrying amount of the goodwill was fully impaired, after taking into consideration the expected length of operation of the Wuxi Hospital.

Key assumptions and estimates used in the value-in-use (discounted cash flow) calculations in the independent external valuation include forecasted revenue, gross margin, growth rate, discount rate and the estimated number of years the Wuxi Hospital is expected to be in operation. These estimates require judgement and the determination of the recoverable amount is a key focus area for our audit.

Our response

We evaluated the competency, capability and objectivity of the external valuer and made enquiries of the valuer to understand its valuation approach and basis of valuation.

We considered the basis and methodology adopted to arrive at the recoverable amount of the CGU. We assessed the reasonableness of the key assumptions used in the discounted cash flow projections, namely forecast revenue, gross margin, growth rate and discount rate, against historical rates, available market data and historical performance of the Wuxi Hospital, taking into consideration comparable and market factors. We have also taken into consideration the length of time the Wuxi Hospital is expected to be in operation.

Our findings

We are satisfied with the competency, capability and objectivity of the external valuer. The valuer is a member of generally-recognised professional bodies for valuers and has considered its own independence in carrying out its work. The valuation methodology adopted by the valuer is in line with generally accepted market practices.

We analysed the Group's ability to forecast cash flows accurately in the past and ascertained the reasonableness of current forecast by comparing the key assumptions to historical results, economic and industry forecasts. Furthermore, we performed a sensitivity analysis on the discount rate used in the discounted cash flow projections. The key assumptions used in the valuation were found to be reasonable, and where available, consistent with current market data.

Valuation of investment properties and investment properties under development
(Refer to note 4.7, 7 and 8 to the financial statements)

Risk

As at 31 December 2016, the Group has a portfolio of investment properties and investment properties under development in Japan, the PRC and Malaysia with a carrying value of $419.6 million. Investment properties and investment properties under development represent the most significant asset item on the consolidated statement of financial position.

The Group's accounting policy is to state these investment properties and investment properties under development at fair value, determined based on independent external valuations. Significant judgement and estimates are involved in determining the appropriate valuation methods and assumptions applied in the valuations. In particular, the fair value of the investment properties under development is highly dependent on the proposed development plans of the Group, which increases the risk of error or potential management bias.

There is a risk that the investment properties and investment properties under development may not be fairly stated if the valuation methodologies adopted and the key assumptions applied by the valuers are inappropriate. A small change in the key assumptions applied by the valuers such as the market comparable used, the vacancy allowance and capitalisation rate can have a significant impact to the valuation. For investment properties under development, the plot ratio adopted, land premium, entrepreneur profit and risk, estimated total cost of development and any changes to the proposed development plans may also impact the valuation significantly.

Our response

We evaluated the competency, capability and objectivity of the external valuers and made enquiries of the valuers to understand their valuation approach and basis of valuation.

We considered the valuation methodologies used, which included the discounted cash flow method, income capitalisation method, direct comparison method and residual value method, against those applied for similar properties types. We held discussions with the valuers and assessed the reasonableness of the key assumptions used in the valuations which included a comparison of the discount rates, terminal capitalisation rates, capitalisation rates and price per square metre, against historical rates and available market data, taking into consideration comparable and market factors.

In addition to the above, for investment properties under development, we evaluated management's determination of plot ratio adopted, land premium, entrepreneur profit and risk, and estimated total cost of development by comparing the underlying assumptions to relevant market data, supporting documents and interviewed relevant personnel, where applicable. We have also held discussions with management and corroborated with the Directors on the proposed development plans to evaluate management's determination on the proportion of the proposed development plans to be held for own use and the proportion to be held for rental or capital appreciation.

Our findings

We are satisfied with the competency, capability and objectivity of the external valuers. The valuers are member of generally-recognised professional bodies for valuers and have considered their own independence in carrying out their work. The valuation methodologies used by the valuers are in line with generally accepted market practices and comparable to methods used for similar property types and those used in the prior years. The key assumptions used in the valuations were found to be reasonable, and where available, consistent with current market data.

For investment properties under development, the plot ratio adopted, land premium, entrepreneur profit and risk, and the estimated total cost of development were found to be supported by relevant market data, supporting documents and we corroborated with the relevant personnel by interviewing them. We also found the current proposed development plans to be an appropriate basis for the valuation reports and management's determination of the proportion of the proposed development plans to be held for own use and the proportion to be held for rental or capital appreciation to be in line with the Group's existing plans. The outcome of our findings is primarily based on all prevailing information available to date which imminently may vary depending on the new controlling shareholder of the Group, OUE's continual undertakings and ongoing future intentions and developments.

Valuation of trade and other receivables
(Refer to note 12 and 24 to the financial statements)

The Group has significant trade and other receivables balances as at year end. The risk is that some of the trade and other receivables may not be recoverable, and judgement is required to evaluate whether any allowance should be made to reflect the risk.

The Group assessed the recoverability of trade and other receivables with references to historical payment trends, ageing analysis of the trade receivables and the amount claimable from the relevant government agency under medical insurance, adjusted for changes in government policies and directives and economic conditions.

In addition, the Group has in August 2016 derecognised its subsidiaries, IHC Management Pte. Ltd., IHC Management (Australia) Pty Ltd, IHC Medical RE Pte. Ltd., IHC Healthcare REIT, IHC Australia First Trust and IHC Australia Second Trust (collectively, "Deconsolidated subsidiaries") as these Deconsolidated subsidiaries are currently under receivership and the Group has no control over these subsidiaries. As at 31 December 2016, these Deconsolidated subsidiaries owe the Group $55.3 million.

The recoverability of these amounts is dependent on the outcome of two ongoing legal suits that the Company and the Deconsolidated subsidiaries have with certain lenders. The Directors and management are required to apply judgement in determining the potential outcome of these legal suits. In applying its judgement, the Directors and management have relied on the advice provided by their external legal counsel.

The outcome of the assumptions applied by the Directors and management will have a material effect on the carrying amount of these receivables.

Our response

We focused our audit effort on trade and other receivables which are significant and long overdue as these are considered to be most susceptible to impairment.

We reviewed the ageing analysis of the Group's trade and other receivables and assessed the recoverability of significant and long overdue balances, with reference to historical payment behaviour and actual receipts. We considered whether management's assessment of the basis of determining amount claimable under medical insurance was appropriate.

For receivables from the Deconsolidated subsidiaries, we considered the Directors and management's assessment on the possible outcome of the two ongoing legal suits, by taking into consideration the discussions held with the Directors and management and reviewing legal correspondences between the Directors, management and the external legal counsel.

Our findings

We found the assessment of the recoverability of trade and other receivables, including the receivables from the Deconsolidated subsidiaries, and the allowance made for impairment losses by the Directors and management to be reasonable.

Litigation, claims and other contingencies
(Refer to note 24 to the financial statements)

Risk

As disclosed in note 24 to the financial statements, the Group was involved in several ongoing litigation and claims as at 31 December 2016.

Based on the independent legal advices obtained from the external legal counsels, the Directors and management have concluded in their assessment that no provision for any potential liabilities is required as at 31 December 2016. The decision made by the Directors and management, is premised on their external legal counsels' advices and that determined the extent of the amounts to provide and disclosure required for such contingencies. The nature of the decision is highly judgemental and is subjected to varying internal and external factors that could eventually affect the outcome of the litigations.

Our response

We obtained evidence regarding the decision made by the Directors and management and the rationale for not recognising provision for any potential liabilities, including correspondences with the external legal counsels.

We assessed the reasonableness of the Directors and management's assessment on the possible outcome and exposures arising from all significant contingencies and allegations subject to ongoing investigations; and considered the requirements for any provision and related disclosures.

Our work included:

– holding discussions with the Directors and management, the Group's external legal counsels, and reviewing relevant correspondences and/or agreements between the parties involved and legal advices obtained by the Directors and management; and

– obtaining independent legal confirmation letters from and discussing with the Group's external legal counsels handling these issues to confirm the fact patterns which we have been advised.

Our findings

We held discussions with the Directors, management and the Group's external legal counsels and considered the Directors and management's assessment on the possible outcome on all the ongoing claims and litigations, which is premised on the legal advices obtained. In evaluating the reasonableness of the Directors and management's assessment on the possible outcome, we also reviewed relevant correspondences and/or agreements between the parties involved and the legal advices obtained by the Directors. We acknowledge that the decision taken by the Directors and management is consistent with the advices provided by their external legal counsels.

We found the Directors and management's assessment of the contingent claims and litigations to be reasonable, taking into consideration the legal advices obtained, and the disclosures made in respect of these claims appropriate.

Other matter

The financial statements for the year ended 31 December 2015 were audited by another auditor who expressed a disclaimer of opinion on those financial statements on 3 June 2016. The disclaimer of opinion was due to matters stated in note 32 to the financial statements.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained the Chief Executive Officer's statement, Healthcare network, Property overview, Financial highlights, Corporate governance report and Directors' statement (the "Reports"), prior to the date of this auditors' 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 auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *'Basis for qualified opinion'* section, our opinion on the current period's financial statements is modified because of the possible effect of the matter on the comparability of the current period's figures and the corresponding figures. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

When we read the Reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Auditors' 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 auditors' 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 controls.

- Obtain an understanding of internal controls 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 controls.

- 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 auditors' 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 auditors' 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's 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 controls that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and 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 auditors' report unless the law or regulations preclude 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.

INDEPENDENT AUDITORS' REPORT

Members of the Company
International Healthway Corporation Limited

Report on other legal and regulatory requirements

The previous Board of Directors of the Company was replaced entirely by a new Board of Directors on 23 January 2017. Taking into consideration the availability of records and documents to the new Board of Directors, we do not express an opinion as to whether the 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 auditors' report is Eng Chin Chin.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
22 June 2017

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000 Restated	Company 2016 $'000	Company 2015 $'000 Restated
Assets					
Property, plant and equipment	5	7,631	7,040	13	63
Intangible assets and goodwill	6	715	38,318	–	–
Investment properties	7	296,588	397,942	–	–
Investment properties under development	8	123,012	146,966	–	–
Lease prepayments	9	5,932	6,531	–	–
Subsidiaries	10	–	–	123,708	133,279
Trade and other receivables	12	–	551	–	–
Non-current assets		433,878	597,348	123,721	133,342
Inventories	11	776	911	–	–
Trade and other receivables	12	58,333	18,820	167,116	166,876
Cash and cash equivalents	13	15,186	25,751	24	247
Current assets		74,295	45,482	167,140	167,123
Total assets		508,173	642,830	290,861	300,465
Equity					
Share capital	14	192,707	192,707	192,707	192,707
Merger reserve	15	(65,742)	(65,742)	–	–
Asset revaluation reserve	15	3,630	3,630	–	–
Foreign currency translation reserve		(2,787)	(3,794)	–	–
Statutory surplus reserve	15	327	327	–	–
Accumulated profits/(losses)		4,277	81,124	(50,802)	(23,240)
Equity attributable to owners of the Company		132,412	208,252	141,905	169,467
Non-controlling interests		(644)	(629)	–	–
Total equity		131,768	207,623	141,905	169,467
Liabilities					
Loans and borrowings	16	140,618	139,720	–	97,824
Trade and other payables	17	7,663	7,258	1,116	1,396
Deferred tax liabilities	18	29,494	30,122	–	–
Non-current liabilities		177,775	177,100	1,116	99,220
Loans and borrowings	16	170,336	231,470	111,446	9,031
Trade and other payables	17	27,214	24,867	36,394	22,747
Current tax liabilities		1,080	1,770	–	–
Current liabilities		198,630	258,107	147,840	31,778
Total liabilities		376,405	435,207	148,956	130,998
Total equity and liabilities		508,173	642,830	290,861	300,465

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	Note	2016 $'000	2015 $'000 Restated
Revenue	19	49,060	45,004
Cost of sales		(26,218)	(23,974)
Gross profit		22,842	21,030
Administrative expenses		(13,386)	(25,938)
Other operating expenses		(3,323)	(344)
Other (losses)/gains, net		(57,233)	41,881
		(51,100)	36,629
Finance income		2,583	4,581
Finance costs		(27,299)	(26,183)
Net finance costs	20	(24,716)	(21,602)
(Loss)/Profit before tax	21	(75,816)	15,027
Tax expense	22	(1,051)	(14,561)
(Loss)/Profit after tax		(76,867)	466
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences relating to foreign operations		(3,174)	2,050
Foreign currency translation differences realised on deconsolidation of subsidiaries reclassified to profit or loss		4,186	–
Other comprehensive income, net of tax*		1,012	2,050
Total comprehensive income for the year		(75,855)	2,516
(Loss)/Profit attributable to:			
Owners of the Company		(76,847)	368
Non-controlling interests		(20)	98
		(76,867)	466
Total comprehensive income attributable to:			
Owners of the Company		(75,840)	2,196
Non-controlling interests		(15)	320
		(75,855)	2,516

* *There were no tax effect on the components included in other comprehensive income.*

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Note	Attributable to owners of the Company								
		Share capital	Merger reserve	Asset revaluation reserve	Foreign currency translation reserve	Statutory surplus reserve	Accumulated profits	Total	Non-controlling interests	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2015										
At 1 January 2015		185,219	(65,742)	2,726	(6,182)	327	76,810	193,158	5,216	198,374
Total comprehensive income for the year										
Profit for the year		–	–	–	–	–	368	368	98	466
Other comprehensive income										
Foreign currency translation differences relating to foreign operations		–	–	–	1,828	–	–	1,828	222	2,050
Total other comprehensive income, net of tax		–	–	–	1,828	–	–	1,828	222	2,050
Total comprehensive income for the year		–	–	–	1,828	–	368	2,196	320	2,516
Transactions with owners, recognised directly in equity										
Contributions by owners										
Issue of new ordinary shares	14	7,488	–	–	–	–	–	7,488	–	7,488
Total contributions by owners		7,488	–	–	–	–	–	7,488	–	7,488
Change in ownership interests in subsidiaries										
Acquisition of equity interest in subsidiaries without change in control		–	–	904	560	–	3,946	5,410	(5,410)	–
Acquisition of additional interest in subsidiaries	28(b)	–	–	–	–	–	–	–	(755)	(755)
Total changes in ownership interest in subsidiaries		–	–	904	560	–	3,946	5,410	(6,165)	(755)
At 31 December 2015		192,707	(65,742)	3,630	(3,794)	327	81,124	208,252	(629)	207,623

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Note	Share capital	Merger reserve	Asset revaluation reserve	Foreign currency translation reserve	Statutory surplus reserve	Accumulated profits	Total	Non-controlling interests	Total equity
		Attributable to owners of the Company								
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2016										
At 1 January 2016		192,707	(65,742)	3,630	(3,794)	327	81,124	208,252	(629)	207,623
Total comprehensive income for the year										
Loss for the year		–	–	–	–	–	(76,847)	(76,847)	(20)	(76,867)
Other comprehensive income										
Foreign currency translation differences relating to foreign operations		–	–	–	(3,179)	–	–	(3,179)	5	(3,174)
Foreign currency translation differences realised on deconsolidation of subsidiaries reclassified to profit or loss	27	–	–	–	4,186	–	–	4,186	–	4,186
Total other comprehensive income, net of tax		–	–	–	1,007	–	–	1,007	5	1,012
Total comprehensive income for the year		–	–	–	1,007	–	(76,847)	(75,840)	(15)	(75,855)
At 31 December 2016		192,707	(65,742)	3,630	(2,787)	327	4,277	132,412	(644)	131,768

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Note	2016 $'000	2015 $'000 Restated
Cash flows from operating activities			
(Loss)/Profit after tax		(76,867)	466
Adjustments for:			
Depreciation of property, plant and equipment	5	1,163	1,185
Amortisation of lease prepayments	9	296	294
Amortisation of intangible assets	6	238	251
Impairment losses on trade and other receivables	21	13,020	8,989
Bad debts written-off	21	1,908	–
Deposits written-off	21	–	14,843
Impairment losses on goodwill	6	32,627	10,000
Gain on deconsolidation/disposal of subsidiaries		(9,115)	(3)
Loss on disposal of property, plant and equipment	21	41	–
Property, plant and equipment written-off	21	–	4
Interest income	20	(193)	(43)
Interest expense	20	27,299	26,183
Fair value gains on investment properties	7	–	(15,106)
Fair value losses/(gains) on investment properties under development	8	18,799	(50,732)
Tax expense	22	1,051	14,561
		10,267	10,892
Changes in working capital:			
- Inventories		135	(197)
- Trade and other receivables		(5,991)	(1,348)
- Trade and other payables		4,605	(1,578)
Cash generated from operations		9,016	7,769
Interest paid		(27,725)	(26,385)
Tax paid		(1,024)	(196)
Net cash used in operating activities		(19,733)	(18,812)
Cash flows from investing activities			
Additions to investment properties		(560)	(27,271)
Additions to investment properties under development	8	–	(6,449)
Deposit refunded for purchase of assets		–	9,164
Purchase of property, plant and equipment	5	(2,107)	(289)
Net cash outflow from acquisition of subsidiaries	28	–	(1,980)
Net cash outflow from disposal of a subsidiary	13	–	(11)
Interest received		193	43
Net cash used in investing activities		(2,474)	(26,793)
Cash flows from financing activities			
Repayment of advances from related parties		(982)	(22,409)
Proceeds from borrowings		25,832	140,259
Repayment of borrowings		(14,013)	(78,868)
Decrease in bank deposits pledged		–	3,750
Net cash from financing activities		10,837	42,732
Net decrease in cash and cash equivalents		(11,370)	(2,873)
Cash and cash equivalents at beginning of financial year		25,751	27,275
Effect of exchange rate fluctuations on cash and cash equivalents		805	1,349
Cash and cash equivalents at end of financial year	13	15,186	25,751

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

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 22 June 2017.

1 Domicile and activities

International Healthway Corporation Limited (the "Company") is listed on the Catalist Board of the Singapore Stock Exchange ("SGX") and incorporated and domiciled in Singapore. The address of its registered office is at 9 Battery Road, #15-01, Singapore 049910.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are as disclosed in note 10 to the financial statements.

The consolidated financial statements as at and for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group").

On 2 March 2017, Treasure International Holdings Pte. Ltd., a wholly-owned subsidiary of OUE Limited, had acquired a total of 63.04% equity interest of the Company (the "Acquisition") in various tranches. Subsequent to the Acquisition, Treasure International Holdings Pte. Ltd. became the immediate holding company and OUE Limited became the intermediate holding company. Both companies are incorporated in Singapore. The Company's ultimate holding company is Lippo ASM Asia Property Limited, a company incorporated in the Cayman Islands.

2 Going concern

The Group has net current liabilities of $124,335,000 as at 31 December 2016 and incurred a net loss of $76,867,000 for the year ended 31 December 2016. The financial statements have been prepared on a going concern basis and the Group will continue to operate as a going concern for the next twelve months based on the followings:

(i) as disclosed in note 1, subsequent to financial year ended 31 December 2016, the Company became a subsidiary of OUE Limited through its wholly-owned subsidiary, Treasure International Holdings Pte. Ltd. (collectively "OUE") on 2 March 2017. A comfort letter (the "Comfort Letter") was issued by OUE to the Company on 17 February 2017 which states OUE's intention to support the Company's strategy and medium to long-term growth plans and to maintain the Company's listing status on the Catalist Board of the SGX; and

(ii) in February 2017 and April 2017, loans with aggregated sum of $130.0 million and $15.0 million were provided by OUE and another wholly-owned subsidiary of OUE, respectively, to finance the Group's working capital requirements and day-to-day operations purposes.

3 Basis of preparation

3.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRSs").

3.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

3.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

3.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- note 8 – classification of investment properties under development; and
- note 10 – assessment of ability to control or exert significant influence over partly-owned investments.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- notes 5 and 6 – measurement of recoverable amounts for property, plant and equipment and goodwill;
- notes 7 and 8 – determination of fair value of investment properties and investment properties under development;
- note 12 – measurement of recoverable amount of trade and other receivables;
- note 18 – estimation of tax liabilities; and
- note 24 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

3 Basis of preparation (cont'd)

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- note 7 – investment properties;
- note 8 – investment properties under development; and
- note 29 – financial instruments.

4 Significant accounting policies

The Group adopted new or revised financial reporting standards and interpretations which became effective during the year. The initial adoption of these standards and interpretations did not have a material impact on the financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

4.1 Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the date of acquisition, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

4 Significant accounting policies (cont'd)

4.1 Basis of consolidation (cont'd)

(i) Business combinations (cont'd)

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

4 Significant accounting policies (cont'd)

4.1 Basis of consolidation (cont'd)

(iii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain or loss arising is recognised directly in equity.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vi) Subsidiaries in the separate financial statements

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

4.2 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

4 Significant accounting policies (cont'd)

4.2 Foreign currency (cont'd)

(ii) Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and are translated at the exchange rates at the reporting date. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the translation reserve in equity.

4.3 Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the loans and receivables category.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

4 Significant accounting policies (cont'd)

4.3 Financial instruments (cont'd)

(i) Non-derivative financial assets (cont'd)

Cash and cash equivalents

Cash and cash equivalents comprise cash placed with financial institutions.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. Financial liabilities for contingent consideration payable in a business combination are recognised at the date of acquisition. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

Financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, and trade and other payables.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Intra-group financial guarantees in the separate financial statements

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are initially measured at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantee is transferred to profit or loss.

4 Significant accounting policies (cont'd)

4.4 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

4 Significant accounting policies (cont'd)

4.4 Property, plant and equipment (cont'd)

(iii) Depreciation (cont'd)

The estimated useful lives for the current and comparative years are as follows:

- Buildings 35 – 40 years
- Office renovation, furniture, fixtures and equipment 3 – 8 years
- Medical equipment 8 years
- Motor vehicles 5 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

4.5 Lease prepayments

Lease prepayments represent prepaid operating lease payments for land use rights less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land use rights over a period of 50 years.

4.6 Intangible assets and goodwill

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 4.1(i).

Goodwill is measured at cost less accumulated impairment losses.

(ii) Medical distribution licences

Medical distribution licences acquired is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iv) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets from the date they are available for use. The estimated useful lives for the current and comparative years are as follows:

- Medical distribution licences 5 years

Amortisation methods and useful lives are reviewed at the end of each reporting period and adjusted if appropriate.

4 Significant accounting policies (cont'd)

4.7 Investment properties and investment properties under development

Investment properties (including those under development) are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties and investment properties under development are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties (including those under development). The cost of self-constructed investment properties and investment properties under development includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property (including those under development) to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of investment properties and investment properties under development (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property (including those under development) that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of the property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

4.8 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

4.9 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

4.10 Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss, including an interest in an associate and jointly controlled entity, is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

4 Significant accounting policies (cont'd)

(i) Non-derivative financial assets (cont'd)

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written-off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, investment properties under development, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

Impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4 Significant accounting policies (cont'd)

4.11 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(ii) 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.

4.12 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

4.13 Revenue recognition

Revenue comprises 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. Revenue is 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:

(i) Rendering of services

Revenue from hospital and other healthcare services is recognised in the period in which the services are rendered.

(ii) Sale of medicine and medical equipment

Revenue from the sale of medicine and medical equipment is recognised when the Group has delivered the medicine and medical equipment to its customers.

(iii) Rental income

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

(iv) Interest income

Interest income is recognised using the effective interest method.

(v) Guarantee fee income

Guarantee fee income is recognised when the right to receive payment is established.

4 Significant accounting policies (cont'd)

4.14 Finance costs

Finance costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investment of these borrowings, are capitalised in the cost of the investment properties under development. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

4.15 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted except for investment property that is held within a business model whose objective is to consume substantially all the economic benefits embodied in the investment property over time, rather than through sale. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4 Significant accounting policies (cont'd)

4.15 Tax (cont'd)

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

4.16 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

4.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer (the "Group CEO") (the chief operating decision maker) of the Company to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and head office expenses.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, investment properties, investment properties under development and intangible assets other than goodwill.

4.18 New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Group and the Company in future financial periods, the Group is currently assessing the transition options and the potential impact on its financial statements, and to implement these standards. The Group does not plan to adopt these standards early.

4 Significant accounting policies (cont'd)

4.18 New standards and interpretations not adopted (cont'd)

Applicable to 2018 financial statements

New standards

Summary of the requirements	**Potential impact on the financial statements**
FRS 115 *Revenue from Contracts with Customers*	
FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*. FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. FRS 115 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.	The Group plans to adopt the standard when it becomes effective in 2018. The Group is still assessing and gathering data to quantify the potential impact arising from the adoption.

4 Significant accounting policies (cont'd)

4.18 New standards and interpretations not adopted (cont'd)

Applicable to 2018 financial statements (cont'd)

New standards

Summary of the requirements	**Potential impact on the financial statements**
FRS 109 Financial Instruments	
FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39. FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.	*Classification and measurement* The Group does not expect a significant change to the measurement basis arising from adoption of the new classification and measurement model under FRS 109. Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109. *Impairment* The Group is evaluating the approach to adopt in respect of recording expected impairment losses on its trade and other receivables. The Group is currently gathering data to quantify the potential impact arising from adoption. *Transition* The Group plans to adopt the standard when it becomes effective in 2018 without restating comparative information, and is gathering data to quantify the potential impact arising from the adoption.
Convergence with International Financial Reporting Standards ("IFRS")	
In addition, the Accounting Standards Council announced on 29 May 2014 that Singapore-incorporated companies listed on the SGX will apply a new financial reporting framework identical to the International Financial Reporting Standards (referred to as SG-IFRS in these financial statements) for the financial year ending 31 December 2018 onwards. Non-listed Singapore-incorporated companies may voluntarily apply SG-IFRS at the same time. The Group plans to apply SG-IFRS in 1 January 2018.	*Transition* The Group plans to adopt the standard when it becomes effective in 2018. The Group will perform a detailed analysis of the standard, including the transition options and practical expedients in 2017.

4 Significant accounting policies (cont'd)

4.18 New standards and interpretations not adopted (cont'd)

Applicable to 2019 financial statements

New standards

Summary of the requirements	**Potential impact on the financial statements**
FRS 116 *Leases*	
FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor. When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*; INT FRS 15 *Operating Leases—Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.	*Transition* The Group plans to adopt the standard when it becomes effective in 2019. The Group will perform a detailed analysis of the standard, including the transition options and practical expedients in 2017.

5 Property, plant and equipment

	Note	Buildings $'000	Office renovation, furniture, fixtures and equipment $'000	Medical equipment $'000	Motor vehicles $'000	Total $'000
Group						
Cost						
At 1 January 2015		4,913	951	4,992	428	11,284
Additions		39	138	112	–	289
Acquisition of subsidiary		1,253	232	13	10	1,508
Written-off		–	(91)	(571)	(1)	(663)
Effect of movements in exchange rates		133	18	105	9	265
At 31 December 2015		6,338	1,248	4,651	446	12,683
Additions		–	216	1,788	103	2,107
Deconsolidation of subsidiaries		–	(3)	–	–	(3)
Disposals		–	(180)	(180)	(118)	(478)
Effect of movements in exchange rates		(279)	(40)	(203)	(19)	(541)
At 31 December 2016		6,059	1,241	6,056	412	13,768
Accumulated depreciation						
At 1 January 2015		1,195	557	3,032	187	4,971
Depreciation charge for the year	21	178	277	662	68	1,185
Acquisition of subsidiary		–	50	5	–	55
Written-off		–	(90)	(568)	(1)	(659)
Effect of movements in exchange rates		25	9	54	3	91
At 31 December 2015		1,398	803	3,185	257	5,643
Depreciation charge for the year	21	168	201	689	105	1,163
Deconsolidation of subsidiaries		–	(1)	–	–	(1)
Disposals		–	(149)	(177)	(111)	(437)
Effect of movements in exchange rates		(61)	(29)	(130)	(11)	(231)
At 31 December 2016		1,505	825	3,567	240	6,137
Carrying amounts						
At 1 January 2015		3,718	394	1,960	241	6,313
At 31 December 2015		4,940	445	1,466	189	7,040
At 31 December 2016		4,554	416	2,489	172	7,631

5 Property, plant and equipment (cont'd)

	Office renovation, furniture, fixtures and equipment $'000
Company	
Cost	
At 1 January 2015	103
Additions	2
At 31 December 2015	105
Written-off	(65)
At 31 December 2016	40
Accumulated depreciation	
At 1 January 2015	20
Depreciation charge	22
At 31 December 2015	42
Depreciation charge	22
Written-off	(37)
At 31 December 2016	27
Carrying amounts	
At 1 January 2015	83
At 31 December 2015	63
At 31 December 2016	13

Impairment test for property, plant and equipment

The Group reviews the carrying amounts of the assets at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Determining the value-in-use of property, plant and equipment and other long-lived assets, which require the determination of future cash flows expected to be generated form the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the financial statements. Any resulting impairment losses could have a material adverse impact on the Group's financial condition and results of operations.

6 Intangible assets and goodwill

	Note	Goodwill $'000	Medical distribution licences $'000	Total $'000
Group				
Cost				
At 1 January 2015		45,924	–	45,924
Acquisitions from business combination	28	398	1,220	1,618
Effect of movement in exchange rates		999	27	1,026
At 31 December 2015		47,321	1,247	48,568
Effect of movement in exchange rates		(4,694)	(55)	(4,749)
At 31 December 2016		42,627	1,192	43,819
Accumulated amortisation and impairment losses				
At 1 January 2015		–	–	–
Amortisation	21	–	251	251
Impairment loss	21	10,000	–	10,000
Effect of movement in exchange rates		–	(1)	(1)
At 31 December 2015		10,000	250	10,250
Amortisation	21	–	238	238
Impairment loss	21	32,627	–	32,627
Effect of movement in exchange rates		–	(11)	(11)
At 31 December 2016		42,627	477	43,104
Carrying amounts				
At 1 January 2015		45,924	–	45,294
At 31 December 2015		37,321	997	38,318
At 31 December 2016		–	715	715

Amortisation

The amortisation of medical distribution licences is allocated to the cost of inventory and is included in 'cost of sales' as inventory is sold.

Impairment test for goodwill

Goodwill is wholly allocated to the Group's cash-generating unit ("CGU"), identified as Wuxi New District Phoenix Hospital ("Wuxi Hospital") in the People's Republic of China ("PRC").

In 2016, the recoverable amount of the CGU was determined based on value-in-use (discounted cash flow) calculations and is performed by an external independent valuer, Savills Real Estate Valuation (Guangzhou) Ltd. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by the directors of the Company (the "Directors") and management covering a three-year (2015: five-year) period on the assumption that Wuxi Hospital will stop operations by 2019 due to proposed redevelopment of the current land on which Wuxi Hospital is located ("Wuxi land"). The key assumptions used in the estimation of the recoverable amount are set out below. The value assigned to the key assumption represent the Directors and management's assessment of future trends and have been based on historical data derived from both external and internal sources.

6 Intangible assets and goodwill (cont'd)

	Group 2016 %	Group 2015 %
Key assumptions used for value-in-use calculations:		
Gross margin[1]	23.0	25.0 – 29.0
Growth rate[2]		
- Revenue growth rate	3.0	9.0
- Terminal growth rate	–	3.5
Discount rate[3]	13.0	11.0

[1] Budgeted gross margin
[2] Weighted average growth rate used to extrapolate cash flows
[3] Pre-tax discount rate applied to the pre-tax cash flow projections

Management determined budgeted gross margin based on past performance and its expectations of market developments. The weighted average growth rates used were consistent with forecasts included in industry reports. The discount rate used was pre-tax and reflected specific risks relating to the relevant segment.

The estimated recoverable amount of the CGU is lower than its carrying amount by approximately $32,627,000 (2015: $10,000,000).

As a result, an impairment loss amounting to $32,627,000 (2015: $10,000,000) was recorded against the Wuxi Hospital CGU and included within "other (losses)/gains, net" in the consolidated statement of comprehensive income. Following the impairment loss recognised in the Group's Wuxi Hospital CGU, the recoverable amount equals the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment of other assets in the CGU.

7 Investment properties

	Note	Group 2016 $'000	Group 2015 $'000
At 1 January		397,942	250,465
Additions		560	27,951
Transferred from assets held-for-sale		–	92,993
Deconsolidation of subsidiaries	27	(116,861)	–
Fair value gains recognised in profit or loss	21	–	15,106
Effect of movements in exchange rates		14,947	11,427
At 31 December		296,588	397,942

Transferred from assets held-for-sale

In 2015, the sale and purchase agreement relating to the committed sale of two commercial properties in Melbourne, Australia was unilaterally terminated by the buyer. The Group deliberated on its options to take legal actions against the buyer and had decided to retain these properties further to the external legal advice obtained. Accordingly, these properties were transferred back to investment properties in 2015.

7 Investment properties (cont'd)

As at 31 December 2016, the details of investment properties held by the Group are set out below:

Investment Property	Tenure	Principal activity	Location
Hikari Heights Varus Fujino	Freehold	Skilled nursing facility	Hokkaido, Japan
Hikari Heights Varus Ishiyama	Freehold	Skilled nursing facility	Hokkaido, Japan
Hikari Heights Varus Kotoni	Freehold	Skilled nursing facility	Hokkaido, Japan
Hikari Heights Varus Makomanai-Koen	Freehold	Skilled nursing facility	Hokkaido, Japan
Hikari Heights Varus Tsukisamu-Koen	Freehold	Skilled nursing facility	Hokkaido, Japan
Varus Cuore Yamanote	Freehold	Skilled nursing facility	Hokkaido, Japan
Varus Cuore Sapporo-Kita/Varus Cuore Sapporo-Kita Annex	Freehold	Skilled nursing facility	Hokkaido, Japan
Elysion Gakuenmae	Freehold	Skilled nursing facility	Nara, Japan
Elysion Mamigaoka/Mamigaoka Annex	Freehold	Skilled nursing facility	Nara, Japan
Elysion Amanohashidate	Freehold	Skilled nursing facility	Kyoto, Japan
Elysion Kaichi North	Freehold	Skilled nursing facility	Nagano, Japan
Elysion Kaichi West	Freehold	Skilled nursing facility	Nagano, Japan

Investment properties are leased to non-related parties under operating leases (see note 26), and have lease tenures ending in 2043 (2015: between 2017 to 2043).

Changes in fair values are recognised as gains or losses in profit or loss and included within "other (losses)/ gains, net" (note 21) in the consolidated statement of comprehensive income. All gains or losses are unrealised.

As at 31 December 2016, investment properties of the Group with carrying amounts of $296,588,000 (2015: $397,942,000) are mortgaged to banks to secure the related borrowings (see note 16(c)).

Measurement of fair value

Fair value hierarchy

The fair value of investment properties were determined by external independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The independent valuers provide the fair value of the Group's investment property portfolio every year.

The fair value measurement of all of the investment properties of $296,588,000 (2015: $397,942,000) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 3.4).

7 Investment properties (cont'd)

Valuation techniques and inputs used in Level 3 fair value measurements

The following table shows the valuation techniques used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

Valuation techniques	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Income capitalisation method: The income capitalisation method capitalises an income stream into a present value using single-year capitalisation rates	Capitalisation rates ranging from 4.6% to 5.1% (2015: 4.6% to 5.1%)	The higher the capitalisation rate, the lower the fair value
Discounted cash flow method: The discounted cash flow method involves the estimation and projection of an income stream over a period and discounting the income stream with an internal rate of return to arrive at the market value	Discount rates ranging from 4.4% to 4.9% (2015: 4.4% to 4.9%)	The higher the discount rate, the lower the fair value
	Terminal capitalisation rates ranging from 4.7% to 5.2% (2015: 4.7% to 5.2%)	The higher the terminal capitalisation rate, the lower the fair value

8 Investment properties under development

	Note	Group 2016 $'000	Group 2015 $'000
At 1 January		146,966	96,839
Additions		–	6,449
Fair value (losses)/gains recognised in profit or loss	21	(18,799)	50,732
Effect of movements in exchange rates		(5,155)	(7,054)
At 31 December		123,012	146,966

The details of investment properties under development held by the Group are set out below:

Description	Unexpired term of leasehold land
Land - Dujiangyan, Chengdu, PRC ("Chengdu land")	47 years
Land - Wuxi, PRC ("Wuxi land")	39 years
Land - Kuala Lumpur, Malaysia	91 years

8 Investment properties under development (cont'd)

An investment property under development with carrying amount of $57,897,000 (2015: $59,282,000) is mortgaged to secure bank borrowings (note 16(d)).

Changes in fair values are recognised as gains or losses in profit or loss and included within "other (losses)/gains, net" (note 21) in the consolidated statement of comprehensive income. All gains or losses are unrealised.

Classification of investment properties under development

Judgement is required in determining the portion of land to be redeveloped for future rental purposes, and the portion redeveloped for own use based on the current proposed development plan. The classification of the land as owner-occupied property or investment property is a matter of judgement, involving consideration of the purpose and usage of the land, and future development plans. Portion of land to be redeveloped for future rental or capital appreciations are held as investment properties under development while portion of land to be redeveloped for own used are held as lease prepayments. The relevant portion of the land continue to be classified as investment properties under development based on management's assessment of the above factors which is in line with the Group's existing plans. The classification is primarily based on all prevailing information available to date which imminently may vary depending on the new controlling shareholder of the Group, OUE's continual undertakings and ongoing future intentions and developments.

Fair value hierarchy

The fair value of investment properties under development were determined by external, independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The independent valuers provide the fair value of the Group's investment properties under development portfolio every year.

The fair value measurement of all of the investment properties under development of $123,012,000 (2015: $146,966,000) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 3.4).

8 Investment properties under development (cont'd)

Valuation techniques and inputs used in Level 3 fair value measurements

The following table shows the valuation techniques used in measuring the fair value of investment properties under development as well as the significant unobservable inputs used:

Valuation techniques	Key inputs		Inter-relationship between key inputs and fair value measurement
	Malaysia	**PRC**	
Direct comparison method: The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sales price to those reflective of the investment properties under development	Price per square metre ("psm"): $12,284 (2015: $12,551)	Not applicable	The estimated fair value would increase (decrease) if price psm was higher (lower)
Income capitalisation method: The income capitalisation method capitalises an income stream into a present value using single-year capitalisation rates	Not applicable	Capitalisation rates ranging from Chengdu: 1.5% to 7.5% (2015: 1.5% to 7.5%) Wuxi: 4.0% to 7.0% (2015: 4.0% to 7.0%)	The higher the capitalisation rate, the lower the fair value
Residual value method: The value of the investment properties under development is arrived at by deducting the estimated cost to complete as of valuation date and other relevant costs from the gross development value of the proposed development assuming satisfactory completion and accounting for developer profit	Not applicable	Plot ratio: Chengdu: 3.0 (2015: 3.0) Wuxi: 4.5 (2015: 4.5) Entrepreneur profit and risk: Chengdu: 10.0% (2015: 8.5%) Wuxi: 20.0% (2015: 8.5%) Construction costs psm: Chengdu: $470 (2015: $500) Wuxi: $1,020 (2015: $900)	The estimated fair value would increase (decrease) if: • Gross development value was higher (lower); • Entrepreneurship profit and risk was lower (higher); or • Estimated total cost of development was lower (higher)

8 Investment properties under development (cont'd)

In addition to the above, the valuation of the PRC properties included critical assumptions made by management as follows:

(1) Plot ratio

Plot ratio represents a building's total floor area (gross floor area) to the size of the piece of land upon which it is built.

The valuation of the Wuxi land as at 31 December 2016 was based on management's assessment that written approval is expected to be granted to increase the plot ratio from 2.0 to 4.5 (2015: from 2.0 to 4.5) following discussions held between management and Wuxi City Planning Bureau. If the written approval is not granted or the plot ratio approved differs from current assumption, the valuation of Wuxi land will change significantly.

(2) Land premium

Land premium represents the payment made to the government for using a land allotment at the stated use for a specified period of time. Additional land premium is applicable should there be increase in the value of land arising from various factors including approved plot ratio increase and change of use.

The valuation of Wuxi land as at 31 December 2016 was based on the assumption that the additional land premium payable for the increase in the plot ratio from 2.0 to 4.5 amounted to $3,954,000 (equivalent to RMB19,000,000) (2015: $4,136,000 (equivalent to RMB19,000,000)) following discussions held between management and the Wuxi City Planning Bureau. Any change in the plot ratio will result in a change in additional land premium payable.

(3) Gross development value and construction cost

Gross development value is the estimated value that a property or new development would derive on the open market if it were to be sold in the current economic climate and condition.

The valuation of Wuxi land and Chengdu land is based on current proposed development plan of the respective projects, with gross development values of $126,712,000 (equivalent to RMB608,900,000) (2015: $184,749,000 (equivalent to RMB848,642,000)) and $81,338,000 (equivalent to RMB390,860,000) (2015: $85,743,000 (equivalent to RMB393,857,000)), respectively.

It also includes management's estimates that the average construction cost for Wuxi land and Chengdu land will approximate $1,020 (equivalent to RMB4,900) (2015: $900 (equivalent to RMB4,130)) and $470 (equivalent to RMB2,300) (2015: $500 (equivalent to RMB2,300)) psm, respectively. In arriving at the average construction cost for Chengdu project, management has relied on quotations obtained from an approved government quantity surveyor.

Any change in the proposed development plan will result in a change in the gross development value and construction costs, and consequently, a change in the valuation of Wuxi land and Chengdu land.

(4) Entrepreneur profit and risk

Entrepreneur profit and risk represents return required by a buyer of the partially completed investment property under development in the market place. This reflects the risks associated with the completion of the construction programme taken into consideration the anticipated income or capital value. It is presented as a percentage of total gross development value.

The value of Wuxi land and Chengdu land is derived by taking the total gross development value subtracting the entrepreneur profit and other costs, including construction costs, to be incurred to complete the Wuxi and Chengdu projects.

The valuations of Wuxi land and Chengdu land as at 31 December 2016 were based on an assumption of an entrepreneur profit and risk of 20.0% (2015: 8.5%) and 10.0% (2015: 8.5%) of the gross development value, respectively. Any change in the entrepreneur profit and risk will result in a change in the valuation of Wuxi land and Chengdu land.

9 Lease prepayments

	Note	Group 2016 $'000	Group 2015 $'000
Cost			
At 1 January		8,349	8,173
Effect of movements in exchange rates		(368)	176
At 31 December		7,981	8,349
Accumulated amortisation			
At 1 January		1,818	1,494
Amortisation	21	296	294
Effect of movements in exchange rates		(65)	30
At 31 December		2,049	1,818
Carrying amount		5,932	6,531

Lease prepayments represent the land use rights of a subsidiary which expire in 2055.

10 Subsidiaries

	Company 2016 $'000	Company 2015 $'000
Equity investments at cost	116,937	71,203
Loans to subsidiaries	13,738	57,780
Corporate guarantees issued for subsidiaries' borrowings	4,320	4,296
Less: Allowance for impairment loss	(11,287)	–
	123,708	133,279

Movement in allowance for impairment losses were as follows:

	Company 2016 $'000	Company 2015 $'000
At 1 January	–	–
Allowance made	11,287	–
At 31 December	11,287	–

In 2016, the Company has assessed the recoverable amount of its interest in subsidiaries that have suffered continual operating losses. The recoverable amount was based on the net assets of the subsidiaries which comprise predominantly investment properties and investment properties under developments whose recoverable amounts were estimated using external valuation reports.

10 Subsidiaries (cont'd)

The Group's significant subsidiaries are as follows:

Name of subsidiaries	**Principal activities**	**Principal place of business/country of incorporation**	**Effective ownership interest**	
			2016	**2015**
			%	**%**
Held by the Company				
IHC Medical Assets Pte. Ltd.[a]	Investment holding	Singapore	100	100
IHC Japan Medical Facilities Pte. Ltd. *	Investment holding	Singapore	100	100
IHC Management Pte. Ltd.	Investment holding	Singapore	– #	100
IHC Medical RE Pte. Ltd.	Investment holding	Singapore	– #	100
IHC Management (Australia) Pty Ltd[j]	Investment holding	Australia	– #	100
IHC Senior Housing (HK) Limited[d]	Investment holding	Hong Kong	100	100
Held by subsidiaries				
IHC Seasons Residences Sdn. Bhd.[b]	Property investment	Malaysia	100	100
Keystone Icons Sdn. Bhd.[b]	Investment holding	Malaysia	100	100
IHC Healthcare REIT	Investment holding	Singapore	– #	100
IHC Australia First Trust[i]	Property investment	Australia	– #	100
IHC Australia Second Trust[i]	Property investment	Australia	– #	100
Kang Hui (Chengdu) Assets Co., Ltd.[e]	Property investment	People's Republic of China	100	100
IHC Japan One ISH[c]	Investment holding	Japan	50	50
IHC Japan 1 GK[c]	Investment holding	Japan	100	100
IHC Japan First TMK[g]	Property investment	Japan	62.5 *	62.5 *
Health Kind International Limited[h]	Investment holding	Hong Kong	99.99	99.99
Health Kind International (Shanghai) Co., Ltd.[c]	Investment holding	People's Republic of China	98	98

10 Subsidiaries (cont'd)

Name of subsidiaries	Principal activities	Principal place of business/country of incorporation	Effective ownership interest 2016 %	2015 %
Held by subsidiaries (continued)				
Wuxi New District Phoenix Hospital Co., Ltd.[f]	Healthcare services	People's Republic of China	100	100
Healthkind Medical Holding Co., Ltd.[c]	Property investment	People's Republic of China	100	100
Wuxi Yilin Health Management Co. Ltd[f]	Investment holding	People's Republic of China	100	100
Jiangsu Chang San Jiao Biomedical Co., Ltd[f]	Drug distribution	People's Republic of China	100	100
IHC Japan Management KK[c]	Asset management	Japan	100	100

(a) audited by KPMG LLP, Singapore
(b) audited by Roger Yue, Tan & Associates, Malaysia
(c) not required to be audited under the laws of the country of incorporation
(d) audited by Jimmy C H Cheung & Co, Hong Kong
(e) audited by Shanghai Cong Xin Certified Public Accountants (General Partnership), PRC
(f) audited by Wuxi Baoguang Certified Public Accountants, PRC
(g) audited by PricewaterhouseCoopers, Japan
(h) audited by Acutus Cpa Limited, Hong Kong
(i) audited by HLB Mann Judd (VIC) Pty Ltd, Australia
(j) exempted from audit

During 2016, the Group has deconsolidated IHC Management Pte. Ltd., IHC Management (Australia) Pty Ltd, IHC Medical RE Pte. Ltd., IHC Healthcare REIT, IHC Australia First Trust and IHC Australia Second Trust (collectively, "Deconsolidated subsidiaries") as these subsidiaries are under receivership with effect from 15 August 2016 and the Group has no control over these subsidiaries (see note 24(a) and 27).

* IHC Japan Medical Facilities Pte. Ltd. owns directly and indirectly 100% of the preferred shares in IHC Japan First TMK, IHC Japan Medical Facilities Pte. Ltd., and IHC Japan One ISH as common shareholders of IHC Japan First TMK have waived their rights to receive the economic benefits of IHC Japan First TMK. Under Japanese laws, as the common shareholders have waived their rights to receive economic benefits of IHC Japan First TMK, IHC Japan Medical Facilities Pte. Ltd. is entitled to the full economic benefits of IHC Japan First TMK via its direct and indirect ownership of 100% of the preferred shares in IHC Japan First TMK, notwithstanding that IHC Japan Medical Facilities Pte. Ltd. does not have full beneficial ownership of IHC Japan First TMK.

Management is of the opinion that the non-controlling interests for each subsidiary are immaterial to the Group individually and in aggregate and accordingly, no summarised financial information for subsidiaries with non-controlling interests is disclosed.

11 Inventories

	Group 2016 $'000	Group 2015 $'000
Pharmacy supplies	711	861
Medical and surgical supplies	65	50
	776	911

The cost of inventories recognised as an expense and included in "cost of sales" amounted to $13,481,000 (2015: $13,315,000).

12 Trade and other receivables

	Note	Group 2016 $'000	Group 2015 $'000 Restated	Company 2016 $'000	Company 2015 $'000 Restated
Trade receivables		2,409	4,910	–	–
Other receivables:					
- due from a non-controlling shareholder of certain subsidiaries		7,526	7,395	5,721	5,526
- due from deconsolidated subsidiaries	27	55,271	–	51,010	–
- others		1,022	2,257	56	108
Amount due from affiliated corporations		13,298	11,959	6,053	6,296
Amount due from subsidiaries		–	–	114,312	159,458
		79,526	26,521	177,152	171,388
Less: impairment losses	29	(22,009)	(8,989)	(10,036)	(4,568)
		57,517	17,532	167,116	166,820
Deposits		201	557	–	56
Loans and receivables		57,718	18,089	167,116	166,876
Prepayments		615	1,282	–	–
		58,333	19,371	167,116	166,876
Current		58,333	18,820	167,116	166,876
Non-current		–	551	–	–
		58,333	19,371	167,116	166,876

An affiliated corporation is defined as one:

(a) in which a director of the Company has substantial financial interests or who is in a position to exercise significant influence; and/or

(b) which directly or indirectly, through one or more intermediaries, are under the control of a common shareholder.

Amount due from subsidiaries, deconsolidated subsidiaries and a non-controlling shareholder of certain subsidiaries are unsecured, interest-free and repayable on demand.

12 Trade and other receivables (cont'd)

Impairment losses

The Group maintains allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Group with references to historical payment trends, ageing analysis of the trade receivables and the amount claimable from the relevant government agency under medical insurance, adjusted for external factors such as changes in government policies and directives, and economic conditions. These factors may result in the actual losses to be greater or lesser than suggested by historical trends. The amount and timing of recorded expenses for any period would differ if the Group made different judgement or utilised different estimates. An increase in the Group's allowance for impairment loss would increase the Group's recorded "other (losses)/gains, net" in the consolidated statement of comprehensive income and decrease trade and other receivables.

The other receivables are mainly due from the Deconsolidated subsidiaries which are currently under receivership (see note 24(a)). The recoverability of these amounts is dependent on the outcome of two ongoing legal suits that the Company and the Deconsolidated subsidiaries have with certain lenders. The Directors and management are required to apply judgement in determining the potential outcome of these legal suits. In applying their judgement, the Directors and management have relied on the advice provided by their external legal counsel. If the outcome differs, the level of allowance of other receivables may increase or decrease.

13 Cash and cash equivalents

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Cash on hand and at bank	15,186	25,751	24	247

Bank balances of $13,954,000 (2015: $17,651,000) are included as part of the floating charge to third parties for borrowings of the Group (see notes 16 (a), (c) and (d)). This amount is included as part of cash and cash equivalents as the utilisation of these bank balances is not restricted.

Significant restrictions

Cash and bank balances of $1,148,000 (2015: $7,292,000) in the Group are held in the PRC and are subject to local exchange control regulations. The conversion of these RMB-denominated balances into foreign currencies is subject to the foreign exchange rules and regulations promulgated by the PRC government.

Disposal of a subsidiary

In 2015, the Company disposed its interest in IHC Shanghai Medical Village Pte. Ltd. for a cash consideration of $1 to a non-related party. The effects of the disposal on cash flows of the Group were:

	2015
	$'000
Carrying amounts of assets and liabilities disposed of:	
Cash and cash equivalents	11
Trade and other payables	(14)
Net liabilities disposed of	(3)

14 Share capital

	2016		2015	
	No. of ordinary shares '000	Share capital $'000	No. of ordinary shares '000	Share capital $'000
Group and Company				
At 1 January	1,659,065	192,707	1,632,314	185,219
Issue of shares	–	–	26,751	7,488
At 31 December	1,659,065	192,707	1,659,065	192,707

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 issued ordinary shares are fully paid, with no par value. All shares rank equally with regard to the Company's residual assets.

Issue of ordinary shares

On 17 April 2015, the Company issued 26,751,000 ordinary shares at $0.28 per share to Bank Muamalat Malaysia Berhad towards the settlement of a financing agreement.

15 Reserves

Merger reserve

Merger reserve represents the difference between the consideration paid and net assets of entities acquired for acquisition of subsidiaries under common control. Merger reserves are non-distributable.

Asset revaluation reserve

Asset revaluation reserve represents the revaluation surplus recognised in property, plant and equipment.

Statutory surplus reserve

Subsidiaries which are established in the PRC follows the accounting principles and relevant financial regulations of PRC Generally Accepted Accounting Principles ("GAAP") applicable to wholly-owned foreign investment enterprise in the preparation of the accounting records and statutory financial statements.

Subsidiaries are required to appropriate 10% of the profit arrived at in accordance with PRC GAAP for each year to the statutory reserve.

The profit arrived at must be set-off against any accumulated losses sustained by the subsidiaries in prior years, before allocation is made to the statutory reserve. Appropriation to the statutory reserve must be made before distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital. This statutory reserve is not distributable in the form of cash dividends. The statutory reserve may be used to set off losses or be converted into paid-in capital.

16 Loans and borrowings

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Current					
Loans from third parties	(a)	4,216	–	4,216	–
Loans from financial institutions	(b)	31,184	24,158	2,500	3,000
Medium term notes	(f)	99,256	–	99,256	–
TMK Bonds	(c)	2,958	150,884	–	–
Bank borrowings	(d)	31,950	56,120	5,458	6,000
Finance lease	(e)	772	308	16	31
		170,336	231,470	111,446	9,031
Non-current					
TMK Bonds	(c)	140,618	–	–	–
Bank borrowings	(d)	–	41,883	–	–
Medium term notes	(f)	–	97,808	–	97,808
Finance lease	(e)	–	29	–	16
		140,618	139,720	–	97,824
Total loans and borrowings		310,954	371,190	111,446	106,855

Total borrowings include secured liabilities of $205,730,000 (2015: $270,331,000) and $9,358,000 (2015: $9,000,000) of the Group and the Company respectively.

(a) Loans from third parties

The loan from a third party is secured against a charge created over the entire issued share capital of a subsidiary of the Company.

(b) Loans from financial institutions

The loans from financial institutions are secured against:

(i) charges over bank deposits of certain subsidiaries of the Company;

(ii) charges created over the entire issued share capital of certain subsidiaries of the Company;

(iii) corporate guarantees from the Company (note 17) and subsidiaries;

(iv) joint and several guarantee by certain shareholders;

(v) debentures over all assets and rights of certain subsidiaries of the Company; and

(vi) deed of assignment in respect of payments made by certain subsidiaries to other subsidiaries of the Company or the Company.

16 Loans and borrowings (cont'd)

(c) Tokutei Mokutei Kaisha ("TMK") Bonds

TMK is an investment vehicle incorporated under the Asset Liquidation Law of Japan to acquire real estate and obtain debt financing in real estate finance transactions in Japan. A TMK may issue TMK Bonds, which are generally issued to qualified institutional investors. The TMK grants to holders of TMK Bonds the right to receive all payments due in relation to such TMK Bonds out of the assets of the TMK prior to any payments to other unsecured creditors. This statutory right is generally referred to as a general security interest. Unless otherwise provided in the Asset Liquidation plan, such general security is automatically created by operation of law.

The Japanese government created this TMK non-recourse real estate financing after a massive real estate loan default in the mid-1990s, as traditional bank borrowings allow assets to be pledged multiple times. TMK bonds are subject to a strict legal framework which protects both the borrowers and lenders.

The TMK Bonds are secured against:

(i) the total assets of a subsidiary of the Group which mainly comprise investment properties in Japan (note 7) and cash and cash equivalents (note 13); and

(ii) a corporate guarantee from the Company.

(d) Bank borrowings

The bank borrowings are secured against:

(i) a charge created over an investment property under development of the Group (note 8);

(ii) a debenture over the assets and rights of the subsidiary pertaining to a development project of the Group (note 8);

(iii) deed of subordination in respect of payments made by certain subsidiaries to certain subsidiaries of the Company;

(iv) joint and several guarantees by certain shareholders;

(v) a second legal mortgage over certain asset of a shareholder;

(vi) a corporate guarantee from the Company (note 17); and

(vii) mortgage over property owned by a subsidiary.

16 Loans and borrowings (cont'd)

(e) Finance lease

The finance lease of a subsidiary is secured against a corporate guarantee from the Company (note 17).

(f) Medium term notes ("MTN")

On 23 January 2015, the Company established a $500,000,000 multicurrency MTN under which the Company had issued notes amounting to $50,000,000 on 6 February 2015 and a further $50,000,000 on 27 April 2015, which will mature on 6 February 2018 and 27 April 2017 respectively. The notes bear fixed rate interest of 6% and 7% per annum respectively, payable semi-annually in arrears.

The net proceeds arising from the issuance of the notes (after deducting issue expenses) were used for general corporate purposes, including financing investments, repayment of existing borrowings, general working capital and capital expenditure requirements of the Group.

Breach of loan covenants and terms

As at 31 December 2016, the Group has the following breaches:

(a) The Group has secured loans from a financial institution and a bank with carrying amounts of $18,812,000 and $23,371,000 respectively. These loans are repayable in 2019 and 2021 respectively, and the loans include a term stating that the Group should make payments as and when they are due. The Group had defaulted on interest payments which were due in September 2016 and November 2016 respectively. These interest payments have been made in April 2017 and March 2017 respectively.

(b) The Group has an unsecured MTN with a carrying amount of $99,256,000. The MTN contains the following financial covenants:

(i) the consolidated shareholders' equity shall not at any time be less than $150,000,000;

(ii) the ratio of consolidated net debt to consolidated shareholders' equity shall not at any time exceed 1.75:1; and

(iii) the ratio of earnings before interests, tax, depreciation and amortisation to interest expense shall not be at any time be less than 1.5:1.

On 27 April 2017, the Group fully redeemed Series 002 of the MTN of $50,000,000 and partially redeemed Series 001 of the MTN of $44,250,000 (see note 33) with a remaining principal balance of Series 001 of the MTN amounting to $5,750,000, which will mature on 6 February 2018. The remaining noteholders of Series 001 of the MTN have not sought to redeem the principal balance of $5,750,000 as at the date of these financial statements.

(c) The Group has a secured bank loan with a carrying amount of $5,458,000 which is repayable in 2017. This secured bank loan contains a cross default clause which will be triggered if any indebtedness of the Group is not paid when due. The Group has fully repaid the bank loan in March 2017.

As a consequence of the breaches, the above loans and borrowings were classified as current liabilities as at 31 December 2016.

16 Loans and borrowings (cont'd)

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Currency	Nominal interest rate	Year of maturity	Face value $'000	Carrying amount $'000
Group					
2016					
Secured loan from third party	SGD	195%	2016	1,400	1,400
Unsecured loans from third parties	SGD	0% – 130%	2016 – 2017	2,816	2,816
Secured loan from financial institution	SGD	IFS prime rate or costs of funds + 4% or 48%	2016 – 2017	2,700	2,700
Secured loan from financial institution	MYR	12%	2016	9,672	9,672
Secured loan from financial institution	JPY	15%	2019	19,831	18,812
Secured TMK Bonds	JPY	Offer rate + 3.2%	2019	146,497	143,576
Secured bank loan	SGD	Prime rate + 2%	2017	5,458	5,458
Secured bank loan	MYR	Cost of funds + 2%	2021	23,371	23,371
Secured bank loan	RMB	5.7%	2017	728	728
Unsecured bank loans	RMB	8.6% – 12.0%	2017	2,393	2,393
Unsecured MTN	SGD	6% – 7%	2017 – 2018	100,000	99,256
Secured finance lease	SGD	2.4%	2017	13	13
Unsecured finance lease	SGD	2.4%	2017	16	16
Unsecured finance lease	RMB	4.9%	2018	757	743
Total interest-bearing liabilities				315,652	310,954
2015					
Secured loan from financial institution	SGD	IFS prime rate or costs of funds + 4% or 40.2%	2015 – 2016	7,116	7,116
Secured loan from financial institution	MYR	12%	2016	9,882	9,297
Secured loan from financial institution	AUD	15%	2016	7,820	7,745
Secured TMK Bonds	JPY	Offer rate + 3.2%	2016	151,223	150,884
Secured bank loan	SGD	Prime rate + 2%	2016	6,000	6,000
Secured bank loan	MYR	Cost of funds + 2%	2021	23,878	23,878
Secured bank loans	RMB	5.7% – 7.0%	2016	1,328	1,328
Secured bank loan	AUD	Base rate + 1.5% – 2.4%	2016 – 2018	63,951	63,793
Unsecured bank loans	RMB	8.0% – 8.6%	2016 – 2017	3,004	3,004
Unsecured MTN	SGD	6% – 7%	2017 – 2018	100,000	97,808
Secured finance lease	SGD	2.4%	2017	34	33
Unsecured finance lease	SGD	2.4%	2017	49	47
Unsecured finance lease	RMB	7.8%	2016	267	257
Total interest-bearing liabilities				374,552	371,190

16 Loans and borrowings (cont'd)

Terms and debt repayment schedule (cont'd)

	Currency	Nominal interest rate	Year of maturity	Face value $'000	Carrying amount $'000
Company					
2016					
Secured loan from third party	SGD	195%	2016	1,400	1,400
Unsecured loans from third parties	SGD	0% – 130%	2016 – 2017	2,816	2,816
Secured loan from financial institution	SGD	IFS prime rate or costs of funds + 4% or 48%	2016 – 2017	2,500	2,500
Secured bank loan	SGD	Prime rate + 2%	2017	5,458	5,458
Unsecured MTN	SGD	6% – 7%	2017 – 2018	100,000	99,256
Unsecured finance lease	SGD	2.4%	2017	16	16
Total interest-bearing liabilities				112,190	111,446
2015					
Secured loan from financial institution	SGD	IFS prime rate or costs of funds + 4% or 40.2%	2015 – 2016	3,000	3,000
Secured bank loan	SGD	Prime rate + 2%	2016	6,000	6,000
Unsecured MTN	SGD	6% – 7%	2017 – 2018	100,000	97,808
Unsecured finance lease	SGD	2.4%	2017	49	47
Total interest-bearing liabilities				109,049	106,855

17 Trade and other payables

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
		Restated		Restated
Current				
Trade payables	6,355	5,904	–	–
Other payables	4,476	6,278	2,852	2,437
Amount due to affiliated corporations	2,995	3,039	1,713	1,674
Amount due to deconsolidated subsidiaries	1,379	–	495	–
Amount due to subsidiaries	–	–	26,877	14,136
Amount due to a shareholder	644	1,582	645	1,583
Accrued expenses	9,919	6,688	3,531	2,214
Advances received from patients	4	10	–	–
Corporate guarantee	–	–	281	703
Deferred revenue	1,442	1,366	–	–
	27,214	24,867	36,394	22,747
Non-current				
Corporate guarantee	–	–	1,116	1,396
Rental deposit received	7,663	7,258	–	–
	7,663	7,258	1,116	1,396
Total trade and other payables	34,877	32,125	37,510	24,143

17 Trade and other payables (cont'd)

The amounts due to subsidiaries, deconsolidated subsidiaries, affiliated corporations and a shareholder are unsecured, interest-free and repayable on demand.

The Group's and the Company's exposure to currency risk and liquidity risk related to trade and other payables is disclosed in note 29.

18 Deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	Group	
	2016	**2015**
	$'000	**$'000**
Investment properties	–	574
Investment properties under development	7,752	14,123
Subsidiaries	21,742	15,425
	29,494	30,122

The movement in the deferred tax liabilities during the year is as follows:

	Investment properties	**Investment properties under development**	**Subsidiaries**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Group				
Deferred tax liabilities				
At 1 January 2015	–	2,368	12,792	15,160
Acquisition of a subsidiary (note 28)	–	–	444	444
Recognised in profit or loss	572	11,755	1,349	13,676
Effects of movements in exchange rates	2	–	840	842
At 31 December 2015	574	14,123	15,425	30,122
Recognised in profit or loss	–	(5,683)	5,641	(42)
Deconsolidation of subsidiaries	(570)	–	–	(570)
Effects of movements in exchange rates	(4)	(688)	676	(16)
At 31 December 2016	–	7,752	21,742	29,494

18 Deferred tax liabilities (cont'd)

Unrecognised deferred tax assets

As at 31 December 2016, deferred tax assets have not been recognised in respect of tax losses of $11,488,000 (2015: $2,347,000). Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. Tax losses and other deductible temporary differences do not expire under current tax legislation.

Unrecognised deferred tax liabilities

Deferred tax liabilities have not been recognised for withholding taxes that would be payable on the unremitted earnings of $28,071,000 (2015: $42,743,000) of the subsidiaries for the year ended 31 December 2016 as the timing of the reversal of the temporary differences arising from such amounts can be controlled and it is probable that such temporary differences will not be reversed in the foreseeable future.

19 Revenue

	Group	
	2016	**2015**
	$'000	**$'000**
Medical services	19,348	21,404
Rental income	23,770	18,420
Sale of medicine and medical equipment	5,942	5,180
	49,060	45,004

20 Net finance costs

	Group	
	2016	**2015**
	$'000	**$'000**
Interest income	193	43
Guarantee fee income	1,192	3,348
Foreign exchange gains, net	1,198	1,190
Finance income	2,583	4,581
Interest expense	(27,299)	(27,980)
Less: Amount capitalised in investment properties under development	–	1,797
Finance costs	(27,299)	(26,183)
Net finance costs	(24,716)	(21,602)

21 (Loss)/Profit before tax

The following items have been included in arriving at (loss)/profit before tax:

	Note	Group 2016 $'000	Group 2015 $'000
Audit fees paid to:			
- auditors of the Company		(495)	(580)
- other auditors		(192)	(146)
Operating lease expense		(512)	(455)
Amortisation of intangible assets	6	(238)	(251)
Amortisation of lease prepayments	9	(296)	(294)
Depreciation of property, plant and equipment	5	(1,163)	(1,185)
Loss on disposal of property, plant and equipment		(41)	–
Property, plant and equipment written-off		–	(4)
Deposits written-off		–	(14,843)
Impairment losses on trade and other receivables	29	(13,020)	(8,989)
Bad debts written-off		(1,908)	–
Impairment loss on goodwill	6	(32,627)	(10,000)
Fair value gains on investment properties	7	–	15,106
Fair value (losses)/gains on investment properties under development	8	(18,799)	50,732
Rental income from assets previously classified as held-for-sale		–	7,829
Gain on deconsolidation/disposal of subsidiaries		9,115	3
Operating expenses arising from rental of investment properties		(2,043)	(2,389)
Employee benefits expense (see below)		(10,527)	(11,360)
Employee benefits expense			
Salaries, wages and related cost		(9,043)	(9,409)
Employer's contribution to defined contribution plan		(1,241)	(1,272)
Others		(243)	(679)
		(10,527)	(11,360)

22 Tax expense

	Group 2016 $'000	Group 2015 $'000
Current tax expense		
Current year	69	392
Underprovided in prior years	1,024	493
	1,093	885
Deferred tax expense		
Origination and reversal of temporary differences	(4,474)	13,676
Underprovided in prior years	4,432	–
	(42)	13,676
Total tax expense	1,051	14,561

22 Tax expense (cont'd)

	Group 2016 $'000	Group 2015 $'000
Reconciliation of effective tax rate		
(Loss)/Profit for the year	(76,867)	466
Tax expense	1,051	14,561
(Loss)/Profit before tax	(75,816)	15,027
Tax using Singapore tax rate of 17% (2015: 17%)	(12,889)	2,555
Effect of tax rates in foreign jurisdictions	(2,017)	774
Tax-exempt income	(2,301)	(1,804)
Non-deductible expenses	9,868	9,694
Recognition of deferred tax benefits previously not recognised	(471)	–
Current tax losses for which no deferred tax assets are recognised	2,025	415
Tax losses not allowed to be carried forward	1,380	2,434
Underprovided in prior years	5,456	493
	1,051	14,561

23 Earnings per share

Basic earnings per share

The calculation of basic earnings per share was based on the (loss)/profit attributable to owners of the Company of $76,847,000 (2015: $368,000) and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	Group 2016 $'000	Group 2015 $'000
Net (loss)/profit attributable to owners of the Company	(76,847)	368
Weighted average number of ordinary shares during the year ('000)	1,659,065	1,651,296
Basic and diluted earnings per share (cents)	(4.63)	0.02

The diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares.

24 Contingencies

The Group is exposed to several claims and litigations as at 31 December 2016.

(a) *Litigation with Enterprise Fund III Ltd, Value Monetization III Ltd and VMF3 (collectively, the "Funds")*

On 7 April 2016, the Funds have appointed receivers ("Receivers") over the entire issued share capital of IHC Medical RE Pte. Ltd. ("IHC Medical"), IHC Management Pte. Ltd. ("IHC Management") and IHC Management (Australia) Pty Ltd ("IHC Australia"), which are wholly-owned subsidiaries of the Group, in connection with the notices of default issued by the Funds alleging that the Company together with IHC Medical, owe the Funds a total amount of $34,003,000 which included outstanding interest of $7,912,000 as at the date of notices of default.

The Company commenced proceedings in May 2016 against, amongst other parties, the Funds to challenge the notices of default and appointment of Receivers.

Separately, the Funds have counter-sued for damages, on the basis that the Group has deprived the Funds of the alleged security over the shares of IHC Medical, IHC Management and IHC Australia and had caused losses to the Funds as a result of the diminution in the value of the shares.

Based on the independent legal advice obtained from the external legal counsel on the two ongoing legal cases with the Funds, the Directors and management are of the view that it is unlikely that any significant liability will arise and as such, no material losses will arise in respect of the legal claims and no provision has been made as at 31 December 2016.

(b) *Litigation with a non-controlling shareholder of certain subsidiaries ("Individual A")*

In 2013, the Group acquired 74.97% effective interest and control over Health Kind International Limited ("HKIL") and its subsidiaries, which are Health Kind International (Shanghai) Co., Ltd. ("HKIS") and Wuxi New District Phoenix Hospital Co., Ltd. ("WNDH") (collectively, "IHC Wuxi Group").

In 2014, HKIS was subjected to legal proceedings by the previous shareholder of WNDH, Health Kind (Shanghai) Investment Management Co., Ltd. ("HKIM").

HKIM attempted to rescind several shareholding transfers of WNDH (a subsidiary directly held by HKIS) in 2010, and claimed that HKIM is still the controlling shareholder of WNDH instead of HKIS.

In 2015, a judgement was made at the Shanghai Medium Court whereby a ruling was made that HKIS is obliged to transfer 100% shareholding in WNDH to HKIM. On 30 December 2016, the Shanghai High Court upheld the decision of the lower court in retrial proceedings.

Also in 2015, the Group has through a subsidiary, Kang Hui (Wuxi) Investment Management Co., Ltd. ("KHWI") acquired 100% equity interest in Wuxi Yilin Health Management Co., Ltd., which holds 70.50% equity interest in HKIM, effectively controlling HKIM.

In 2017, Individual A commenced fresh legal proceedings to claim back the shares of WNDH.

Based on the independent legal advices obtained from the external legal counsels, the Directors and management are of the view that it is unlikely that any significant liability will arise and as such, no material losses will arise in respect of the legal claims and no provision has been made as at 31 December 2016.

25 Commitments

Capital expenditures contracted for at the reporting date but not recognised in the financial statements are as follows:

	Group	
	2016	2015
	$'000	$'000
Development of projects	–	71,403

26 Operating leases

Leases as lessee

The Group leases office space from non-related parties under non-cancellable operating leases agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments payable under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities are as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Within one year	169	444	–	148
Between one and five years	80	164	–	–
	249	608	–	148

Leases as lessor

The Group leases out office space and healthcare-related facilities to non-related parties under non-cancellable operating leases.

The future minimum lease receivables under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

	Group	
	2016	2015
	$'000	$'000
Within one year	16,839	22,834
Between one and five years	67,356	91,336
More than five years	10,438	27,393
	94,633	141,563

27 Deconsolidation of subsidiaries

In August 2016, the Group has deconsolidated IHC Management Pte. Ltd., IHC Management (Australia) Pty Ltd, IHC Medical RE Pte. Ltd., IHC Healthcare REIT, IHC Australia First Trust and IHC Australia Second Trust as these subsidiaries are currently under receivership and the Group has no control over these subsidiaries as disclosed in note 24(a). Accordingly, the Group has deconsolidated the assets and liabilities of these subsidiaries in accordance with FRS 110 *Consolidated Financial Statements*.

The total effect of deconsolidation of these subsidiaries are as follows:

	2016 **$'000**
Investment properties	116,861
Property, plant and equipment	2
Trade and other receivables	1,588
Other current assets	890
Trade and other payables	(3,839)
Loans and borrowings	(73,933)
Deferred tax liabilities	(570)
Income tax liabilities	(876)
Inter-company receivables	1,423
Inter-company payables	(54,847)
Net assets	(13,301)
Gain on deconsolidation	9,115
Realisation of foreign currency translation reserve	4,186
	–

28 Business combination

Financial year ended 31 December 2015

(a) Acquisition of Jiangsu Chang San Jiao Biomedical Co., Ltd ("JCSJ")

On 1 January 2015, the Group acquired 100% equity interest in and control over JCSJ, a company incorporated in China for a cash consideration of $1,690,000 (RMB7,930,000). The principal activity of JCSJ is that of trading of pharmaceutical supplies and drugs.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Note	**2015** **$'000**
Inventories		94
Intangible assets	6	1,220
Property, plant and equipment		1,402
Deferred tax liabilities	18	(444)
Loans and borrowings		(980)
Net identifiable assets and liabilities acquired		1,292

28 Business combination (cont'd)

Financial year ended 31 December 2015 (cont'd)

(a) Acquisition of Jiangsu Chang San Jiao Biomedical Co., Ltd ("JCSJ") (cont'd)

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Note	2015 $'000
Total consideration transferred		1,690
Fair value of identifiable net assets		(1,292)
Goodwill		398
Impairment loss on goodwill	6	(398)
		–

(b) Acquisition of Wuxi Yilin Health Management Co., Ltd. ("WXYL")

On 28 January 2015, the Group acquired 100% equity interest in WXYL, which holds 70.50% equity interest in HKIM. The principal activities of WXYL and HKIM are the provision of health assessment services and investment holding respectively.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	2015 $'000
Cash	1
Other non-current assets	259
Inventories	3
Property, plant and equipment	51
Trade and other payables	(778)
Net identifiable assets and liabilities acquired	(464)
Add: Non-controlling interest	755
Cash consideration paid	291

The acquired business contributed to the Group revenue of $5,135,000 and net profit of $133,000 from 28 January 2015 (date of acquisition) to 31 December 2015.

***Cash flows relating to the acquisition* of (a) and (b)**

	2015 $'000
Cash consideration paid	1,981
Less: cash and bank balances in subsidiaries acquired	(1)
	1,980

28 Business combination (cont'd)

Financial year ended 31 December 2015 (cont'd)

(c) Acquisition of Medical Centre in Geelong, Australia

In March 2015, the Group entered into a sale and purchase agreement to acquire the freehold land and freehold commercial property at Geelong Private Medical Centre in Australia. The transaction was completed on 22 June 2015.

Details of the consideration paid, the assets acquired and liabilities assumed, and the effect on the cash flows of the Group, at the acquisition date, are as follows:

	2015
	$'000
Investment properties	28,904
Net identifiable assets and liabilities acquired	28,904
Cash consideration paid	28,904

The acquired business contributed to the Group revenue of $1,010,000 and reduced the Group's net profit by $2,804,000 from 22 June 2015 (date of acquisition) to 31 December 2015.

29 Financial instruments

Financial risk management

Overview

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

Risk management is integral to the whole business of the Group. The Board of Directors continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables, and cash and cash equivalents.

The carrying amounts of financial assets in the statements of financial position represent the Group's and the Company's maximum exposures to credit risk, before taking into account any collateral held. The Group and the Company do not hold any collateral in respect of their financial assets.

29 Financial instruments (cont'd)

Credit risk (cont'd)

Guarantees

The Group provides financial guarantees to subsidiaries, where appropriate.

Intra-group financial guarantees comprise guarantees given by the Company to financial institutions in respect of credit facilities granted to subsidiaries. The maximum exposure of the Company is $223,447,000 (2015: $81,002,000). At the end of reporting date, the Company does not consider it probable that a claim will be made against the Company under the guarantees. The periods in which the financial guarantees expire are as follows:

Company	2016 $'000	2015 $'000
Within 1 year	281	703
After 1 year but within 5 years	1,116	1,396
	1,397	2,099

Impairment loss

The ageing of trade and other receivables at the reporting date was:

	Gross 2016 $'000	Impairment 2016 $'000	Gross 2015 $'000	Impairment 2015 $'000
Group				
Not past due	65,983	(12,182)	14,131	–
Past due 1 – 90 days	277	–	292	–
Past due 91 – 180 days	142	–	21	–
More than 180 days	13,325	(9,827)	12,634	(8,989)
	79,727	(22,009)	27,078	(8,989)

	Gross 2016 $'000	Impairment 2016 $'000	Gross 2015 $'000	Impairment 2015 $'000
Company				
Not past due	171,099	(5,468)	165,148	–
Past due 1 – 90 days	–	–	–	–
Past due 91 – 180 days	–	–	–	–
More than 180 days	6,053	(4,568)	6,296	(4,568)
	177,152	(10,036)	171,444	(4,568)

29 Financial instruments (cont'd)

Credit risk (cont'd)

Impairment loss (cont'd)

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	8,989	51	4,568	–
Currency translation differences	–	3	–	–
Allowance made	13,020	8,989	5,468	4,568
Allowance utilised	–	(54)	–	–
At 31 December	22,009	8,989	10,036	4,568

For cash and cash equivalents, the Group adopts the policy of dealing only with major banks of high credit standing throughout the world. Trade and other receivables that are neither past due nor impaired are substantially from companies with good collection track records with the Group.

Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and borrowings. In addition, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance its operations and mitigate the effect of fluctuations in cash flows.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

			Cash outflows		
	Carrying amount	**Contractual cash outflows**	**Within 1 year**	**After 1 year but within 5 years**	**After 5 years**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Group					
2016					
Non-derivative financial liabilities					
Loans and borrowings	310,954	(344,163)	(92,148)	(252,016)	–
Trade and other payables	34,877	(34,877)	(27,214)	–	(7,663)
	345,831	(379,040)	(119,362)	(252,016)	(7,663)
2015					
Non-derivative financial liabilities					
Loans and borrowings	371,190	(402,695)	(248,763)	(136,418)	(17,514)
Trade and other payables	32,125	(32,125)	(24,867)	–	(7,258)
	403,315	(434,820)	(273,630)	(136,418)	(24,772)

29 Financial instruments (cont'd)

Liquidity risk (cont'd)

	Carrying amount $'000	Contractual cash outflows $'000	Cash outflows: Within 1 year $'000	Cash outflows: After 1 year but within 5 years $'000	Cash outflows: After 5 years $'000
Company					
2016					
Non-derivative financial liabilities					
Loans and borrowings	111,446	(116,683)	(66,387)	(50,296)	–
Trade and other payables	36,113	(36,113)	(36,113)	–	–
Recognised financial liabilities	147,559	(152,796)	(102,500)	(50,296)	–
Financial guarantees	1,397	(223,446)	(21,835)	(201,611)	–
	148,956	(376,242)	(124,335)	(251,907)	–
2015					
Non-derivative financial liabilities					
Loans and borrowings	106,855	(121,301)	(16,202)	(105,099)	–
Trade and other payables	22,044	(22,044)	(22,044)	–	–
Recognised financial liabilities	128,899	(143,345)	(38,246)	(105,099)	–
Financial guarantees	2,099	(81,002)	(68,798)	(12,204)	–
	130,998	(224,347)	(107,044)	(117,303)	–

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group operates predominantly in the Asia-Pacific region with operations in countries such as Singapore, Malaysia, PRC, Japan and Australia. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies"). Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the Malaysian Ringgit ("MYR"), Hong Kong Dollar ("HKD"), Chinese Yuan Renminbi ("RMB"), Japanese Yen ("JPY"), US Dollar ("USD") and Australian Dollar ("AUD").

29 Financial instruments (cont'd)

Market risk (cont'd)

Currency risk (cont'd)

The Group's exposure to various foreign currencies are shown in Singapore dollars, translated using the spot rate as at 31 December as follows:

	SGD $'000	MYR $'000	JPY $'000	HKD $'000	USD $'000	RMB $'000	Total $'000
2016							
Financial assets							
Cash and cash equivalents	62	2	13,985	–	22	1,115	15,186
Trade and other receivables	41,611	697	291	–	6,113	9,006	57,718
	41,673	699	14,276	–	6,135	10,121	72,904
Financial liabilities							
Loans and borrowings	(111,659)	(33,043)	(162,388)	–	–	(3,864)	(310,954)
Trade and other payables	(10,043)	(3,584)	(11,836)	(1,551)	–	(6,421)	(33,435)
	(121,702)	(36,627)	(174,224)	(1,551)	–	(10,285)	(344,389)
Net financial assets/(liabilities)	(80,029)	(35,928)	(159,948)	(1,551)	6,135	(164)	(271,485)
Financial liabilities/(assets) denominated in the respective entities' functional currencies	80,046	35,928	141,136	1,551	(414)	164	258,411
Intra-group balances denominated in the respective entities' functional currencies*	(19,491)	–	15,467	(2,367)	(8,967)	(23,449)	(38,807)
Net exposure	(19,474)	–	(3,345)	(2,367)	(3,246)	(23,449)	(51,881)

	SGD $'000	MYR $'000	JPY $'000	HKD $'000	USD $'000	RMB $'000	AUD $'000	Total $'000
2015								
Financial assets								
Cash and cash equivalents	393	234	17,432	–	3,581	3,854	257	25,751
Trade and other receivables	4,188	609	219	9	5,951	5,887	1,226	18,089
	4,581	843	17,651	9	9,532	9,741	1,483	43,840
Financial liabilities								
Loans and borrowings	(111,004)	(33,175)	(150,884)	–	–	(4,589)	(71,538)	(371,190)
Trade and other payables	(11,509)	(572)	(10,081)	(177)	(561)	(6,447)	(1,412)	(30,759)
	(122,513)	(33,747)	(160,965)	(177)	(561)	(11,036)	(72,950)	(401,949)
Net financial assets/(liabilities)	(117,932)	(32,904)	(143,314)	(168)	8,971	(1,295)	(71,467)	(358,109)
Financial liabilities/(assets) denominated in the respective entities' functional currencies	118,985	32,904	143,314	13	(430)	1,295	71,467	367,548
Intra-group balances denominated in the respective entities' functional currencies*	(37,578)	–	729	–	(8,766)	(15,910)	217	(61,308)
Net exposure	(36,525)	–	729	(155)	(225)	(15,910)	217	(51,869)

* *Excluding intra-group balances for which settlement is neither planned nor likely to occur in the foreseeable future*

29 Financial instruments (cont'd)

Market risk (cont'd)

Currency risk (cont'd)

The Company's exposure to various foreign currencies are shown in Singapore dollars, translated using spot rate as at 31 December as follows:

	SGD $'000	MYR $'000	JPY $'000	HKD $'000	USD $'000	RMB $'000	Total $'000
2016							
Financial assets							
Cash and cash equivalents	24	–	–	–	–	–	24
Trade and other receivables	157,891	–	15	–	5,721	3,489	167,116
	157,915	–	15	–	5,721	3,489	167,140
Financial liabilities							
Loans and borrowings	(111,446)	–	–	–	–	–	(111,446)
Trade and other payables	(35,143)	–	–	(2,367)	–	–	(37,510)
	(146,589)	–	–	(2,367)	–	–	(148,956)
Net financial assets/(liabilities)	11,326	–	15	(2,367)	5,721	3,489	18,184
Financial liabilities/(assets) denominated in the Company's functional currency	(11,326)	–	–	–	–	–	(11,326)
Net exposure	–	–	15	(2,367)	5,721	3,489	6,858
2015							
Financial assets							
Cash and cash equivalents	247	–	–	–	–	–	247
Trade and other receivables	156,520	–	5,526	3,200	–	1,630	166,876
	156,767	–	5,526	3,200	–	1,630	167,123
Financial liabilities							
Loans and borrowings	(106,855)	–	–	–	–	–	(106,855)
Trade and other payables	(22,937)	(45)	(239)	(22)	–	(900)	(24,143)
	(129,792)	(45)	(239)	(22)	–	(900)	(130,998)
Net financial assets/(liabilities)	26,975	(45)	5,287	3,178	–	730	36,125
Financial liabilities/(assets) denominated in the Company's functional currency	(26,975)	–	–	–	–	–	(26,975)
Net exposure	–	(45)	5,287	3,178	–	730	9,150

29 Financial instruments (cont'd)

Market risk (cont'd)

Currency risk (cont'd)

Sensitivity analysis

A 5% strengthening of the Singapore dollar against the following currencies at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rate, remain constant.

	Profit or loss	
	2016	**2015**
	$'000	**$'000**
Group		
SGD	(974)	(1,826)
JPY	(167)	36
HKD	(118)	(8)
USD	(162)	11
RMB	(1,172)	(796)
AUD	–	11
Company		
MYR	–	(2)
JPY	1	264
HKD	(118)	159
USD	286	–
RMB	174	37

Exposure to interest rate risk

The Group's exposure to interest rate risk arises primarily from its variable-rate borrowings. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

At the reporting date, the interest rate profile of the interest-bearing financial instruments was as follows:

	2016	**2015**
	$'000	**$'000**
Group		
Loans and borrowings	177,826	96,829
Company		
Loans and borrowings	7,958	9,000

29 Financial instruments (cont'd)

Market risk (cont'd)

Exposure to interest rate risk (cont'd)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	100 bp increase	**100 bp decrease**
	$'000	**$'000**
Group		
31 December 2016		
Loans and borrowings	(1,778)	1,778
31 December 2015		
Loans and borrowings	(968)	968
Company		
31 December 2016		
Loans and borrowings	(80)	80
31 December 2015		
Loans and borrowings	(90)	90

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern. The Group defines "capital" as including all components of equity, including non-controlling interests.

As disclosed in notes 1 and 2, subsequent to the financial year ended 31 December 2016, the Company became a subsidiary of OUE Limited through its wholly-owned subsidiary, Treasure International Holdings Pte. Ltd. (collectively "OUE") on 2 March 2017. As the Group is part of a larger group, the Group's sources of additional capital may also be affected by OUE's capital management objectives. The Group receives financial support from its intermediate holding company for its working capital purposes, when required.

Moving forward, the Group's capital structure will be reviewed and managed with due regard to the capital management practices of the group to which it belongs. Adjustments may be made to the capital structure in light of changes in economic conditions affecting the Company or the Group to the extent that these do not conflict with the director's fiduciary duties towards the Company or the requirements of the Singapore Companies Act.

Apart from that disclosed above, neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

29 Financial instruments (cont'd)

Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount			Fair value			
	Loans and receivables $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group							
31 December 2016							
Financial assets not measured at fair value							
Trade and other receivables*	57,718	–	57,718				
Cash and cash equivalents	15,186	–	15,186				
	72,904	–	72,904				
Financial liabilities not measured at fair value							
Loans and borrowings	–	(211,698)	(211,698)				
Medium term notes	–	(99,256)	(99,256)	(67,063)	–	–	(67,063)
Trade and other payables#	–	(25,768)	(25,768)				
Rental deposits received	–	(7,663)	(7,663)	–	–	(3,300)	(3,300)
	–	(344,385)	(344,385)				

* *Excluding prepayments*

\# *Excluding advances received from patients, rental deposits received and deferred revenue*

29 Financial instruments (cont'd)

Accounting classifications and fair values (cont'd)

	Carrying amount			Fair value			
	Loans and receivables $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group							
31 December 2015							
Financial assets not measured at fair value							
Trade and other receivables*	18,089	–	18,089				
Cash and cash equivalents	25,751	–	25,751				
	43,840	–	43,840				
Financial liabilities not measured at fair value							
Loans and borrowings	–	(273,382)	(273,382)				
Medium term notes	–	(97,808)	(97,808)	(94,688)	–	–	(94,688)
Trade and other payables#	–	(23,491)	(23,491)				
Rental deposits received	–	(7,258)	(7,258)	–	–	(3,027)	(3,027)
	–	(401,939)	(401,939)				

* *Excluding prepayments*
# *Excluding advances received from patients, rental deposits received and deferred revenue*

	Carrying amount			Fair value			
	Loans and receivables $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Company							
31 December 2016							
Financial assets not measured at fair value							
Trade and other receivables	167,116	–	167,116				
Cash and cash equivalents	24	–	24				
	167,140	–	167,140				
Financial liabilities not measured at fair value							
Loans and borrowings	–	(12,190)	(12,190)				
Medium term notes	–	(99,256)	(99,256)	(67,063)	–	–	(67,063)
Trade and other payables	–	(37,510)	(37,510)				
	–	(148,956)	(148,956)				

29 Financial instruments (cont'd)

Accounting classifications and fair values (cont'd)

	Carrying amount			Fair value			
	Loans and receivables $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Company							
31 December 2015							
Financial assets not measured at fair value							
Trade and other receivables	166,876	–	166,876				
Cash and cash equivalents	247	–	247				
	167,123	–	167,123				
Financial liabilities not measured at fair value							
Loans and borrowings	–	(9,047)	(9,047)				
Medium term notes	–	(97,808)	(97,808)	(94,688)	–	–	(94,688)
Trade and other payables	–	(24,404)	(24,404)				
	–	(131,259)	(131,259)				

Financial instruments not measured at fair value

Type	Valuation technique
Group and Company	
Loans and borrowings:	
- Medium term notes	Market quoted prices
Group	
Rental deposits received	Discounted cash flows

30 Related party transactions

Other than disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties during the financial year:

	Group	
	2016 $'000	2015 $'000
Guarantee income received/receivable from related corporations	1,192	3,348
Consultancy fee paid to a director of the Company	(105)	(90)

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group.

30 Related party transactions (cont'd)

Key management personnel compensation comprised:

	Group 2016 $'000	Group 2015 $'000
Salaries and other short-term employee benefits	607	1,766
Directors' fees of the Company	338	316
Post-employment benefits (including contributions to defined contribution plan)	26	81
	971	2,163

Included in the above is total compensation to directors of the Company amounting to $578,000 (2015: $644,000).

31 Operating segments

The Group has the following two (2015: two) strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. The Group's CEO reviews internal management reports of each division at least quarterly.

The following summary describes the operations in each of the Group's reportable segments:

(i) Healthcare services (PRC) – operation of hospital and trading of pharmaceutical supplies and drugs.

(ii) Property investments (Japan, PRC and Malaysia) - rental of investment properties owned by the Group.

Other operations mainly comprise a head office function, including mostly senior management staff. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2016 and 2015.

The revenue from external parties reported to the executive committee is measured in a manner consistent with that in the statement of comprehensive income.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit/(loss) before tax, as included in the internal management reports that are reviewed by the key management. Segment profit/(loss) is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

31 Operating segments (cont'd)

Information about reportable segments

	Healthcare services $'000	Property investment $'000	Others $'000	Total $'000
2016				
Revenue				
External revenue	25,289	23,771	–	49,060
Inter-segment revenue	–	–	–	–
Segment revenue (including inter-segment revenue)	25,289	23,771	–	49,060
Segment loss before tax	(54,446)	(6,808)	(14,562)	(75,816)
Depreciation	(1,099)	(3)	(61)	(1,163)
Amortisation	(534)	–	–	(534)
Finance expenses	(317)	(20,110)	(6,872)	(27,299)
Interest income	2	4	187	193
Other material non-cash items				
- Fair value losses on investment properties under development	–	(18,799)	–	(18,799)
- Gain on deconsolidation of subsidiaries	–	–	9,115	9,115
- Impairment losses on trade and other receivables	(1,908)	–	(13,020)	(14,928)
- Impairment loss on goodwill	(32,627)	–	–	(32,627)
Reportable segment assets	8,039	444,375	55,759	508,173
Additions to:				
- Property, plant and equipment	2,100	–	7	2,107
- Investment properties	–	560	–	560
Reportable segment liabilities	9,044	208,641	128,146	345,831
Current tax liabilities				1,080
Deferred tax liabilities				29,494
				376,405

31 Operating segments (cont'd)

Information about reportable segments (cont'd)

	Healthcare services $'000	Property investment $'000	Others $'000	Total $'000
2015				
Revenue				
External revenue	26,584	18,420	–	45,004
Inter-segment revenue	–	–	–	–
Segment revenue (including inter-segment revenue)	26,584	18,420	–	45,004
Segment profit/(loss) before tax	33,330	640	(18,943)	15,027
Depreciation	(1,117)	(3)	(65)	(1,185)
Amortisation	(545)	–	–	(545)
Finance expenses	(350)	(20,487)	(5,346)	(26,183)
Interest income	2	14	27	43
Other material non-cash items				
- Fair value gains on investment properties	–	15,106	–	15,106
- Fair value gains on investment properties under development	–	50,732	–	50,732
- Impairment losses on trade and other receivables	(282)	(3,983)	(4,724)	(8,989)
- Deposits written-off	–	(14,843)	–	(14,843)
- Impairment loss on goodwill	(10,000)	–	–	(10,000)
Reportable segment assets	46,067	581,534	15,229	642,830
Additions to:				
- Property, plant and equipment	234	–	55	289
- Investment properties	–	27,951	–	27,951
- Investment properties under development	–	6,449	–	6,449
Reportable segment liabilities	9,905	269,910	123,500	403,315
Current tax liabilities				1,770
Deferred tax liabilities				30,122
				435,207

31 Operating segments (cont'd)

Reconciliation of reportable segment revenue and profit/(loss) before tax

	2016 $'000	2015 $'000
Revenue		
Total revenue for reportable segments	49,060	45,004
Revenue for other segment	–	–
Elimination of inter-segment revenue	–	–
Consolidated total revenue	49,060	45,004
Profit or loss		
Total profit/(loss) before tax for:		
- Reportable segments	(61,254)	33,970
- Other segment	(14,562)	(18,943)
Elimination of inter-segment profits	–	–
Unallocated corporate expenses	–	–
Consolidated (loss)/profit before tax	(75,816)	15,027

Reconciliations of reportable segment assets and liabilities

	2016 $'000	2015 $'000
Assets		
Total assets for reportable segments	452,414	627,601
Assets for other segments	55,759	15,229
Consolidated total assets	508,173	642,830
Liabilities		
Total liabilities for reportable segments	217,685	279,815
Liabilities for other segments	128,146	123,500
Other unallocated amounts		
- Current tax liabilities	1,080	1,770
- Deferred tax liabilities	29,494	30,122
Consolidated total liabilities	376,405	435,207

31 Operating segments (cont'd)

Geographical information

	Revenue		Non-current assets *	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Australia	6,503	2,931	–	117,698
Japan	17,268	15,488	296,636	280,842
Malaysia	–	–	57,897	59,282
PRC	25,289	26,585	79,292	139,392
Singapore	–	–	53	134
	49,060	45,004	433,878	597,348

* Non-current assets relate to the carrying amounts of investment properties, investment properties under development, property, plant and equipment, lease prepayments and intangible assets.

There is no single external customer who contributes more than 10% of the Group's revenue during the years ended 31 December 2016 and 2015.

32 Comparative information

The financial statements for the year ended 31 December 2015 were audited by another auditor who expressed a disclaimer of opinion on those financial statements on 3 June 2016. The disclaimer of opinion was in respect of the following matters:

(a) The Group's investment properties under development as at 31 December 2015 included an amount of $87,674,000 relating to two properties in the PRC, and the Group has recorded a fair value gain of $46,004,000 for the financial year ended then. The carrying value of these PRC properties is based on certain critical estimates and assumptions. The previous auditors were unable to perform audit procedures to obtain sufficient appropriate audit evidences regarding the appropriateness and reliability of all these estimates and assumptions as the Group was unable to provide satisfactory documentary support for these estimates and assumptions.

(b) The Group recorded a principal amount of $4,116,000 and related interest of $1,147,000 owed by a wholly-owned subsidiary to Enterprise Fund III Ltd, Value Monetization III Ltd and VMF3 Ltd (collectively, the "Funds") as at 31 December 2015. However, this was significantly lower than the amount alleged as being owed to the Funds as at 31 December 2015 of approximately $28,662,000 and $18,630,000 in relation to the Group and the Company respectively. As this claim against the Group and the Company was in its early stages of development, the previous auditors were unable to obtain sufficient appropriate audit evidence regarding (i) the amount of liabilities that should be recorded by the Group and the Company in relation to the borrowings from the Funds, and (ii) whether the receivership action taken by the Funds would have an impact on the ongoing business operations of the Group.

(c) With regard to the matters described in (a) and (b) above, the Group and the Company would be in breach of certain externally imposed loan covenants if significant adjustments have to be made to the financial statements of the Group and of the Company for the financial year ended 31 December 2015. If this happens, non-current borrowings amounting to $121,687,000 and $97,808,000 of the Group and the Company respectively will become payable immediately and would have to be reclassified as current liabilities in the respective statements of financial position as at 31 December 2015. This indicated the existence of material uncertainties which may cast significant doubt on the ability of the Group and the Company to continue as going concern. Consequently, the previous auditor were unable to conclude on the appropriateness of management's use of the going concern assumption on which the financial statements have been prepared.

32 Comparative information (cont'd)

During the year, the following reclassifications were made to the comparative figures as at and for the year ended 31 December 2015, to better reflect the substance of the transactions as set out below:

(a) In respect of statement of financial position, the Group and Company have reclassified amount due to affiliated corporations from trade and other receivables to trade and other payables.

(b) In respect of consolidated statement of comprehensive income, the Group has reclassified impairment loss on goodwill from administrative expenses to other (losses)/gains, net.

(c) In respect of consolidated statement of cash flow, the Group has reallocated the foreign currency translation differences to the respective line items within changes in working capital.

Arising therefrom, certain comparatives in the Group's consolidated financial statement have been reclassified to be consistent with the current year's presentation, as set out below:

	As previously reported $'000	Reclassification $'000	As restated $'000
Statements of financial position			
Group			
Trade and other receivables (current)	15,831	2,989	18,820
Trade and other payables (current)	(21,878)	(2,989)	(24,867)
Company			
Trade and other receivables (current)	165,456	1,420	166,876
Trade and other payables (current)	(21,327)	(1,420)	(22,747)
Consolidated statement of comprehensive income			
Other (losses)/gains, net	51,881	(10,000)	41,881
Administrative expenses	(35,938)	10,000	(25,938)
Consolidated statement of cash flows			
Cash flows from operating activities			
Foreign currency translation differences	1,075	(1,075)	–
Changes in:			
- Inventories	(265)	68	(197)
- Trade and other receivables	(2,006)	658	(1,348)
- Trade and other payables	(1,927)	349	(1,578)

These amounts are reclassifications within the statements of financial position, consolidated statement of comprehensive income and consolidated statement of cash flow, and do not have any material effect on the information for the year ended 31 December 2015. Accordingly, a third statement of financial position as at 1 January 2015 is not required.

33 Subsequent events

(i) On 24 February 2017, the Company and OUE entered into a $50,000,000 loan agreement to finance the Group's working capital requirements and day-to-day operations. Subsequently on 24 April 2017, a supplemental loan agreement was entered into with OUE for a further $80,000,000 loan from OUE.

(ii) On 24 April 2017, the Company and another wholly-owned subsidiary of OUE entered into a $15,000,000 loan agreement to finance the Group's working capital requirements and day-to-day operations.

(iii) Following the change in shareholding as stated in note 1, the Company was obliged to redeem the following MTN:

(a) Series 001 of $50,000,000 at 6 per cent maturing on 6 February 2018; and

(b) Series 002 of $50,000,000 at 7 per cent maturing on 27 April 2017.

On 27 April 2017, the Company fully redeemed Series 002 of the MTN of $50,000,000 and partially redeemed Series 001 of the MTN of $44,250,000.

SHARE CAPITAL

Issued and fully paid	:	S$198,419,174
Number of shares issued and fully paid	:	1,659,064,603 ordinary shares (excluding treasury shares)
Number of treasury shares	:	Nil
Number of subsidiary holdings	:	Nil
Voting rights:	:	One vote per ordinary share (excluding treasury shares)

Voting Rights of Ordinary Shareholders

Every member shall have the right to attend any General Meeting and to speak and vote on any resolution before the Meeting in person or by proxy. Every member present in person or by proxy shall, on a poll, have one vote for each share he/she holds or represents.

Breakdown of Shareholdings

Size of Shareholdings	Number of Shareholders	% of Shareholders	Number of Shares	% of issued Share Capital*
1 - 99	549	12.22	23,961	0.00
100 - 1,000	1,066	23.74	526,245	0.03
1,001 - 10,000	1,990	44.31	8,604,532	0.52
10,001 - 1,000,000	856	19.06	72,167,698	4.35
1,000,001 and above	30	0.67	1,577,742,167	95.10
Total	**4,491**	**100.00**	**1,659,064,603**	**100.00**

Twenty Largest Shareholders

No.	Name of Shareholder	Number of shares	% of issued Share Capital*
1	OCBC SECURITIES PRIVATE LIMITED	1,069,989,357	64.49
2	CITIBANK NOMINEES SINGAPORE PTE LTD	210,913,607	12.71
3	OUE LIMITED	154,133,950	9.29
4	THE ENTERPRISE FUND III LTD	59,304,800	3.57
5	GOI SENG HUI	15,279,500	0.92
6	TAN KHEEN SENG @JOHN	7,450,549	0.45
7	YEO KAY BENG	6,500,000	0.39
8	ZENG LIREN	6,150,000	0.37
9	RAFFLES NOMINEES (PTE) LIMITED	5,815,203	0.35
10	JIMMY LEE PENG SIEW	5,123,000	0.31
11	DBS NOMINEES (PRIVATE) LIMITED	3,822,371	0.23
12	TAN KOON	3,600,874	0.22
13	RHB SECURITIES SINGAPORE PTE. LTD.	2,645,084	0.16
14	CHUA BOON HIONG	2,500,000	0.15
15	CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,464,097	0.15
16	TAN WAH TIAN	2,280,900	0.14
17	LIM SIEW OOI	2,050,000	0.12
18	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,014,202	0.12
19	POH THIAM SIEW	1,800,000	0.11
20	JANE ANG LI HUA (HONG LIHUA)	1,600,000	0.10
	Total	**1,565,437,494**	**94.35**

* *The shareholding percentage is calculated based on the number of issued ordinary shares of the Company excluding treasury shares.*

SUBSTANTIAL SHAREHOLDERS

AS SHOWN IN THE COMPANY'S REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 8 JUNE 2017

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Treasure International Holdings Pte. Ltd. ("**TIHPL**")	1,067,310,492	64.33[21]	–	–
OUE Investments Pte. Ltd. ("**OUEI**")	208,070,058	12.54[21]	–	–
OUE Limited ("**OUE**")	154,133,950	9.29[21]	1,275,380,550[1]	76.87[21]
OUE Realty Pte. Ltd. ("**OUER**")			1,429,514,500[2]	86.16[21]
Golden Concord Asia Limited ("**GCAL**")	–	–	1,429,514,500[3]	86.16[21]
Fortune Code Limited ("**FCL**")	–	–	1,429,514,500[4]	86.16[21]
Lippo ASM Asia Property Limited ("**LAAPL**")	–	–	1,429,514,500[5]	86.16[21]
Pacific Landmark Holdings Limited ("**Pacific Landmark**")	–	–	1,429,514,500[6]	86.16[21]
HKC Property Investment Holdings Limited ("**HKC Property**")	–	–	1,429,514,500[7]	86.16[21]
Hongkong Chinese Limited ("**HCL**")	–	–	1,429,514,500[8]	86.16[21]
Hennessy Holdings Limited ("**HHL**")	–	–	1,429,514,500[9]	86.16[21]
Prime Success Limited ("**PSL**")	–	–	1,429,514,500[10]	86.16[21]
Lippo Limited ("**LL**")	–	–	1,429,514,500[11]	86.16[21]
Lippo Capital Limited ("**LCL**")	–	–	1,429,514,500[12]	86.16[21]
Lanius Limited ("**Lanius**")	–	–	1,429,514,500[13]	86.16[21]
Admiralty Station Management Limited ("**Admiralty**")	–	–	1,429,514,500[14]	86.16[21]
ASM Asia Recovery (Master) Fund ("**AARMF**")	–	–	1,429,514,500[15]	86.16[21]
ASM Asia Recovery Fund ("**AARF**")	–	–	1,429,514,500[16]	86.16[21]
Argyle Street Management Limited ("**ASML**")	–	–	1,429,514,500[17]	86.16[21]
Argyle Street Management Holdings Limited ("**ASMHL**")	–	–	1,429,514,500[18]	86.16[21]
Kin Chan ("**KC**")	–	–	1,429,514,500[19]	86.16[21]
V-Nee Yeh ("**VY**")	–	–	1,429,514,500[20]	86.16[21]

Notes:

(1) OUE is the immediate holding company of TIHPL and OUEI. Accordingly, OUE has a deemed interest in the shares held by TIHPL and OUEI.

(2) OUER is the immediate holding company of OUE and has a deemed interest in the shares which OUE has direct and deemed interest.

(3) GCAL is deemed to have an interest in the shares in which OUER has a deemed interest. OUER is a wholly-owned subsidiary of GCAL.

(4) FCL has a deemed interest in the shares through the deemed interests of its wholly-owned subsidiary, GCAL.

(5) LAAPL is deemed to have an interest in the shares in which its subsidiary, FCL, has a deemed interest.

(6) LAAPL is jointly held by Pacific Landmark and Admiralty. Accordingly, Pacific Landmark is deemed to have an interest in the shares in which LAAPL has a deemed interest.

(7) HKC Property is the immediate holding company of Pacific Landmark. Accordingly, HKC Property is deemed to have an interest in the shares in which Pacific Landmark has a deemed interest.

(8) HKC Property is a wholly-owned subsidiary of HCL. Accordingly, HCL is deemed to have an interest in the shares in which Pacific Landmark has a deemed interest.

(9) HHL is an intermediate holding company of Pacific Landmark. Accordingly, HHL is deemed to have an interest in the shares in which Pacific Landmark has a deemed interest.

(10) PSL is an intermediate holding company of Pacific Landmark. Accordingly, PSL is deemed to have an interest in the shares in which Pacific Landmark has a deemed interest.

(11) LL is an intermediate holding company of Pacific Landmark. Accordingly, LL is deemed to have an interest in the shares in which Pacific Landmark has a deemed interest.

(12) LCL is a holding company of Pacific Landmark. Accordingly, LCL is deemed to have an interest in the shares in which Pacific Landmark has a deemed interest.

(13) Lanius is the holder of the entire issued share capital of LCL, which in turn is a holding company of Pacific Landmark. Accordingly, Lanius is deemed to have an interest in the shares in which Pacific Landmark has a deemed interest. Lanius is the trustee of a discretionary trust the beneficiaries of which include Dr. Stephen Riady and other members of his family.

(14) LAAPL is jointly held by Pacific Landmark and Admiralty. Accordingly, Admiralty is deemed to have an interest in the shares in which LAAPL has a deemed interest.

(15) AARMF is a majority shareholder of Admiralty. Accordingly, AARMF is deemed to have an interest in the shares in which Admiralty has a deemed interest.

(16) AARF is a majority shareholder of AARMF. Accordingly, AARF is deemed to have an interest in the shares in which AARMF has a deemed interest.

(17) ASML manages AARF. Accordingly, ASML is deemed to have an interest in the shares in which AARF has a deemed interest.

(18) ASMHL is the immediate holding company of ASML. Accordingly, ASMHL is deemed to have an interest in the shares in which ASML has a deemed interest.

(19) KC is the beneficial holder of more than 20% of the issued share capital of ASMHL. Accordingly, KC is deemed to have an interest in the shares in which ASMHL has a deemed interest.

(20) VY is the beneficial holder of more than 20% of the issued share capital of ASMHL. Accordingly, VY is deemed to have an interest in the shares in which ASMHL has a deemed interest.

(21) The shareholding percentage is calculated based on 1,659,064,603 issued shares as at 8 June 2017.

PUBLIC FLOAT

Rule 723 of section B: Rules of Catalist of the Listing Manual of the Singapore Exchange Securities Trading Limited requires that at least 10.0% of the total number of issued shares (excluding preference shares, convertible equity securities and treasury shares) in a class that is listed ("Shares") is at all times held by the public. The Company has complied with this requirement. As at 8 June 2017, approximately 13.83% of its listed shares were held in the hands of the public.

NOTICE OF ANNUAL GENERAL MEETING

INTERNATIONAL HEALTHWAY CORPORATION LIMITED
Company Registration No. 201304341E
(In receivership over charged shares in certain subsidiaries)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of International Healthway Corporation Limited (the "**Company**") will be held at Mandarin Orchard Singapore, Imperial Ballroom, Level 35, Orchard Wing, 333 Orchard Road, Singapore 238867 on Friday, 14 July 2017 at 2.30 p.m., for the following purposes:

AS ORDINARY BUSINESS:

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company and its subsidiaries for the financial year ended 31 December 2016 and the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Mr. Roger Tan Chade Phang, a Director retiring pursuant to Article 93 of the Company's Constitution and who, being eligible, offer himself for re-election. [See Explanatory Note (a)] **(Resolution 2)**

3. To approve a one-time payment of honorarium fees of S$90,000 to the Directors. [See Explanatory Note (b)] **(Resolution 3)**

4. To re-appoint Messrs KPMG LLP as the Company's Independent Auditors and to authorise the Directors to fix their remuneration. **(Resolution 4)**

5. To transact any other ordinary business that may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution, with or without modifications:

6. **SHARE ISSUE MANDATE**

That pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore and the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") and notwithstanding the provisions of the Constitution of the Company, authority be and is hereby given to the Directors of the Company to:

a. (i) issue shares in the capital of the Company (whether by way of rights, bonus or otherwise); and/or

(ii) make or grant offers, agreements or options (collectively, "**instruments**") that may or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, 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; and

b. (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) 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) does not exceed hundred per cent (100%) of the total number of issued shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be granted other than on a pro-rata basis to shareholders of the Company (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total number of issued shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the percentage of the total number of issued shares excluding treasury shares of the Company shall be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of this Resolution, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities outstanding or subsisting at the time of the passing of this Resolution;

(ii) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution 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 (c)] **(Resolution 5)**

By Order of the Board
Ng Ngai
Winston Paul Wong Chi Huang
Joint Company Secretaries

Singapore, 29 June 2017

Notes:-

1. Save as provided in the Constitution, a member (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting is entitled to appoint up to two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

3. The instrument appointing a proxy must be lodged at the registered office of the Company at 9 Battery Road #15-01 Singapore 049910 not less than forty-eight (48) hours before the time fixed for the Annual General Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) 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; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), 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 Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

EXPLANATORY NOTES:

(a) **Resolution 2** – Re-election of Mr. Roger Tan Chade Phang, a Director retiring under Article 93 of the Company's Constitution and who, being eligible, offer himself for re-election.

Mr. Roger Tan Chade Phang, upon re-election, will continue as an Independent Director of the Company. Information on Mr. Roger Tan Chade Phang is found in the "Board of Directors" section of this annual report.

(b) **Resolution 3** – In recognition of the current Directors' contribution in leading and managing the affairs of the Group during the transition period since their appointment on 23 January 2017, including during the period of the mandatory unconditional cash offer made by Treasure International Holdings Pte. Ltd. for the Shares in the Company ("**Offer**"), and working with the independent financial advisor in giving a recommendation to minority Shareholders in connection with the Offer, a one-time payment of honorarium fees of S$90,000 is proposed to be paid to the current Directors.

(c) **Resolution 5** – This is to empower the Directors to issue shares in the capital of the Company and/or instruments (as defined above). The aggregate number of shares to be issued pursuant to Resolution 5 (including shares to be issued in pursuance of instruments made or granted) shall not exceed hundred per cent (100%) of the total number of issued shares excluding treasury shares of the Company, with a sub-limit of fifty per cent (50%) for shares issued other than on a pro rata basis (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) to shareholders.

For the purpose of determining the aggregate number of shares that may be issued, the percentage of the total number of issued shares excluding treasury shares of the Company will be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of Resolution 5, after adjusting for (i) new shares arising from the conversion or exercise of any convertible securities; (ii) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of Resolution 5, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules of the SGX-ST; and (iii) any subsequent bonus issue, consolidation or subdivision of shares.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member'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 Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (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 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; and (iii) 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.

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PROXY FORM
ANNUAL GENERAL MEETING

INTERNATIONAL HEALTHWAY CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 201304341E)
(In receivership over charged shares in certain subsidiaries)

IMPORTANT:
1. Relevant intermediaries (as defined in Section 181 Companies Act, Cap50) may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy shares in International Healthway Corporation Limited, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their apportionment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s) the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 29 June 2017.

I/We ______________________ (Name) ______________________ (NRIC/Passport Number/ Company Regn. No.)

of ____ (Address)

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

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

and/or (delete as appropriate)

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

or failing him/her, the Chairman of the meeting, as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Mandarin Orchard Singapore, Imperial Ballroom, Level 35, Orchard Wing, 333 Orchard Road, Singapore 238867 on Friday, 14 July 2017 at 2.30 p.m. and at any adjournment thereof.

The proxy/proxies shall vote on the Resolutions set out in the notice of Meeting in accordance with my/our directions as indicated hereunder. Where no such direction is given, the proxy/proxies may vote or abstain from voting at his/their discretion, on any matter at the Meeting or at any adjournment thereof.

No.	**Ordinary Resolutions**	**For ***	**Against ***
	ORDINARY BUSINESS		
1.	Adoption of Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2016		
2.	Re-election of Mr. Roger Tan Chade Phang as a Director retiring under Article 93 of the Company's Constitution		
3.	To approve a one-time payment of honorarium fees of S$90,000 to the Directors		
4.	Re-appointment of Messrs KPMG LLP as auditors		
	SPECIAL BUSINESS		
5.	Authority for Directors to allot and issue new shares pursuant to Section 161 of the Companies Act, Cap. 50		

** If you wish to exercise all your votes "For" or "Against", please indicate with an "x" within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this __________ day of ______________ 2017

Total Number of Shares held in:	
CDP Register	
Register of Members	

____
Signature(s) of member(s)
or Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES ON THE REVERSE.

Notes:

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.
2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.
3. A proxy need not be a member of the Company.
4. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy or proxies, to the meeting.
5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 9 Battery Road #15-01 Singapore 049910 not less than 48 hours before the time set for the meeting.

Please fold here

Affix postage stamp here

The Company Secretary
International Healthway Corporation Limited
9 Battery Road
#15-01
Singapore 049910

Please fold here

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy or proxies 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 appointing a proxy or proxies, 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.
9. The Company shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument (or any related attachment) appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

Please cut along the dotted line

INTERNATIONAL HEALTHWAY CORPORATION LIMITED
COMPANY REG. NO. 201304341E
(In receivership over charged shares in certain subsidiaries)