



ANNUAL REPORT 2014

DELIVERING EXCEPTIONAL PATIENT EXPERIENCE



MISSION

IHC AIMS TO BECOME
THE LEADING HEALTHCARE
COMPANY, TOUCHING
THE LIVES OF OUR PATIENTS
AND DELIVERING QUALITY &
SUSTAINABLE CARE.

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International Healthway Corporation Limited (the "Company") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 8 July 2013. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor").

This annual report has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this annual report, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this annual report.

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

CORPORATE PROFILE



Conceived amidst an increasing demand for quality healthcare facilities in Asia and around the world, International Healthway Corporation aims to be a premier provider of healthcare services and facilities.

Listed in July 2013, International Healthway Corporation Limited (“IHC” or “the Group”) focuses on the provision of quality healthcare services and facilities through two business segments, “Healthcare Services” and “Healthcare Facilities”.

IHC provides quality healthcare services such as elderly care, women and children specialties and primary and preventive care through hospitals and nursing homes and other types of step-down care.

IHC also owns and manages the Healthcare Facilities in which the Healthcare Services operate. Where such facilities are not available, we selectively develop the Healthcare Facilities designed to cater to a wide spectrum of demographics.

We have grown our portfolio and market presence to include facilities in the major Asian economies of the People’s Republic of China (“PRC” or “China”), Japan, Australia and Malaysia.

IHC will forge ahead to cement its reputation as a premier provider of healthcare services and facilities, and strengthen its delivery of a wide spectrum of healthcare services, integrating care from primary medicine, to specialists’ care, covering the young to elderly.

BUSINESS SEGMENT OVERVIEW

IHC possesses a portfolio of quality healthcare assets, a healthy pipeline of projects and extensive knowledge in the healthcare sector. We are well-poised to capitalise on favourable healthcare trends in the highly attractive Asia-Pacific region, where there is an increasing demand for quality healthcare.



JAPAN

IHC owns and manages a vast portfolio of 12 fully operating nursing homes located across Japan in the major cities of Sapporo, Nara, Kyoto, and Nagano ("Nursing Facilities"), providing professional care for the elderly. Catering to the mid-to-high end markets, IHC's Nursing Facilities are staffed by nurses and caregivers round the clock, and are well-equipped to ensure a comfortable and conducive environment for all its residents. In addition, all of IHC's Nursing Facilities enjoy high occupancy rates with the residents under long-term tenure.



CHINA

IHC Wuxi Hospital

Leveraging on a vast network of specialties and services, the Group has established a general hospital, IHC Wuxi New District Phoenix Hospital, ("IHC Wuxi Hospital") in Wuxi, China. A 125-bed hospital, it employs more than 300 dedicated medical professionals. IHC Wuxi Hospital provides a wide range of medical specialisations like Orthopaedics, Urology, Dermatology, Gynaecology, Paediatrics and Ophthalmology, in addition to operating an ambulance service.

PIPELINE HEALTHCARE ASSETS



CHINA

IHC Wuxi Hospital Expansion

The Group is in the midst of expanding the IHC Wuxi Hospital into an 800-bed, 19-floor hospital with a conjoint medical centre annex of medical suites. This expansion will take place in phases gradually adding capacity to the existing hospital facility. When completed in 2019, the expansion will allow IHC to bring better service support to the community, forming a stronger medical presence in the rapidly growing industrial belt of Jiangsu.

IHC Chengdu Project

The Group has also embarked on the development of a 150-bed Specialist Hospital in Dujiangyan, Chengdu City, ("IHC Chengdu Project"). Located near large catchment areas of residential hubs, town amenities and industrial estates, the IHC Chengdu Project, targeted for completion in 2018, is located next to an 800-bed public general hospital. The IHC Chengdu Project will include a wellness-themed retail and lifestyle centre with medical suites.



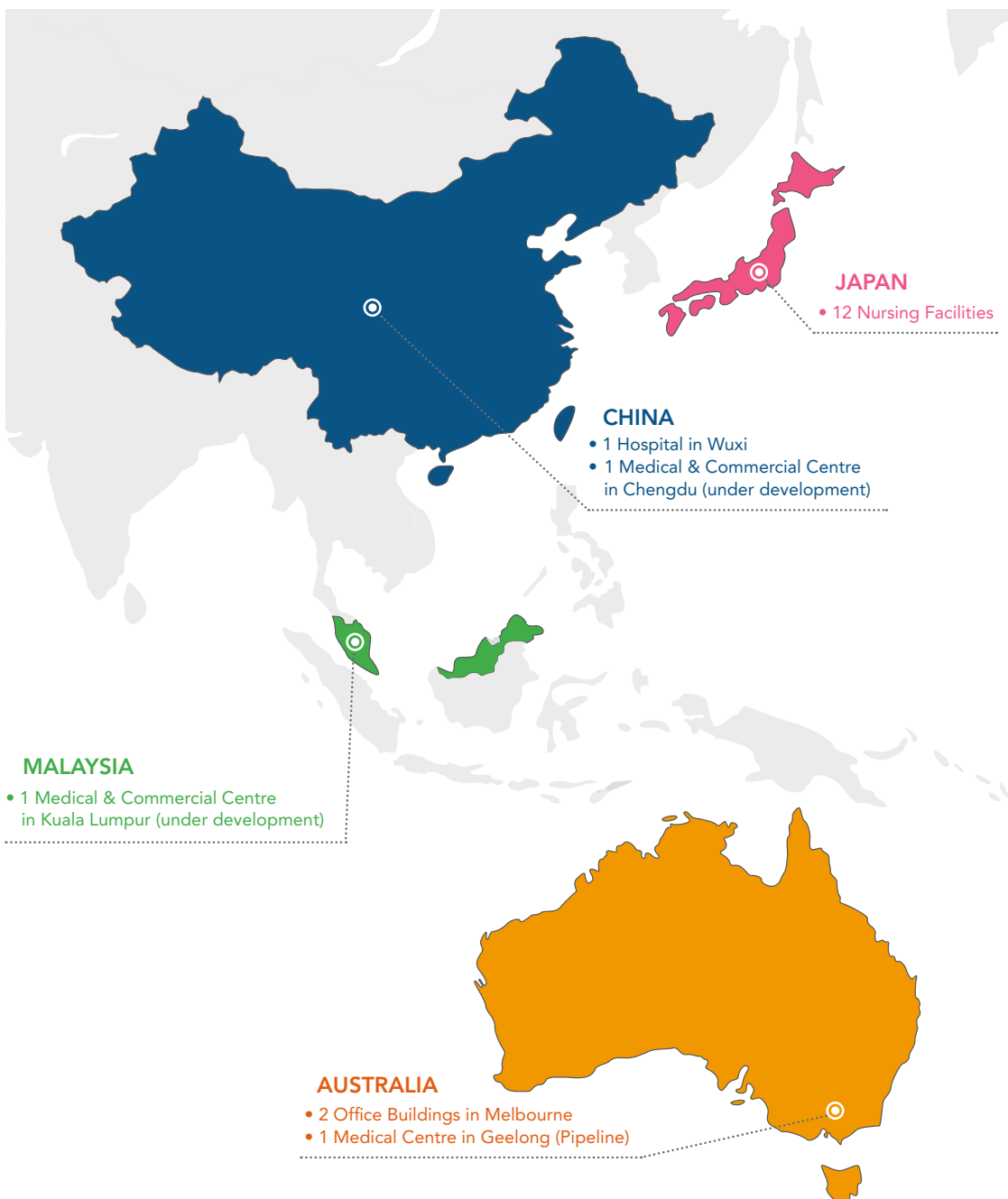
MALAYSIA

IHC KLCC Project

The IHC KLCC Project, a 33-storey landmark and an upscale medical hub, will comprise specialist medical suites, retail space, and serviced residences. In January 2014, the Group announced that financing had been secured to develop this integrated mixed-use project in Kuala Lumpur, earmarked for completion in 2018.

QUALITY PORTFOLIO OF 18 ASSETS ACROSS JAPAN, AUSTRALIA, THE PRC AND MALAYSIA

IHC will concentrate on growing its presence within these key markets; building platforms for a sustainable healthcare ecosystem.



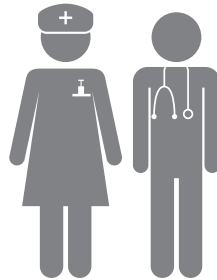
KEY PORTFOLIO STATISTICS

The need for quality healthcare is growing at unprecedented levels. The Asia-Pacific region continues to face an ageing population, especially in countries like Australia and Japan. Rising income and expanding middle class population in China is expected to drive the consumption of private healthcare services. Malaysia's healthcare sector is a focus for development under the government's Economic Transformation Programme as well. The need for quality healthcare and healthcare-related services is at unprecedented levels. With healthcare facilities that boast both quality and quantity, IHC is well-equipped to serve patients and, more importantly, to touch lives.



Total number of
nursing rooms

1,458



Total number of
healthcare staff

Over
300
Medical
Professionals



Total number of
hospital beds⁽¹⁾

950



Regional
footprint

4
Countries



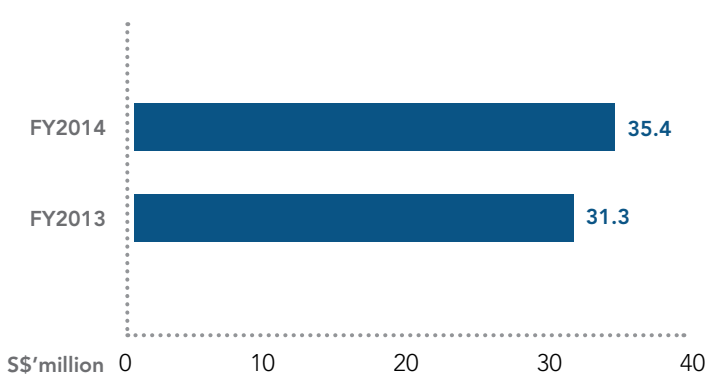
Over
140,000
Patient Visits in
2014
(IHC Wuxi Hospital)

⁽¹⁾ Includes the proposed number of hospital beds upon the completion of the IHC Wuxi Hospital Expansion and IHC Chengdu Project

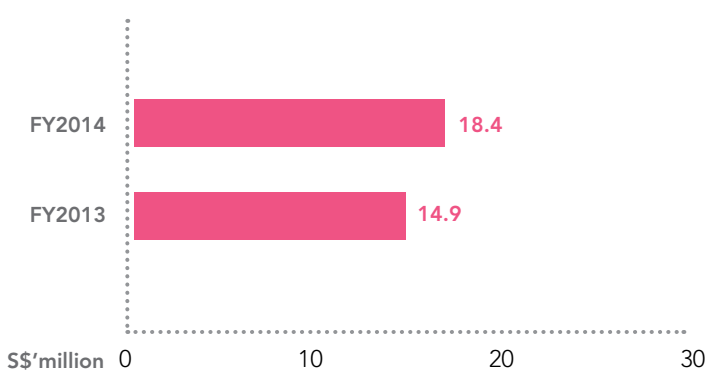
FINANCIAL HIGHLIGHTS

INCOME STATEMENT

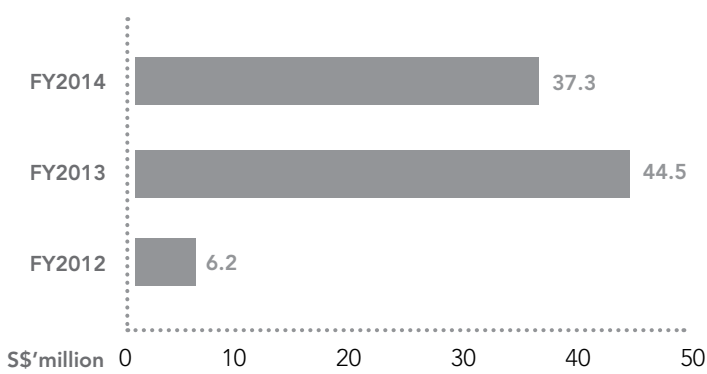
REVENUE



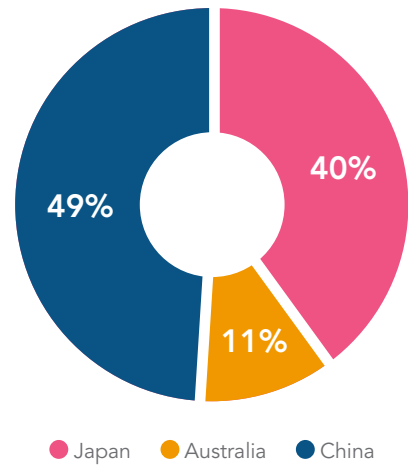
GROSS PROFIT



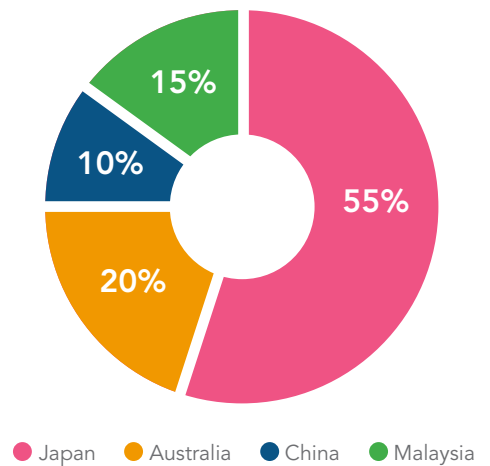
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY



REVENUE ⁽¹⁾ (FY2014)

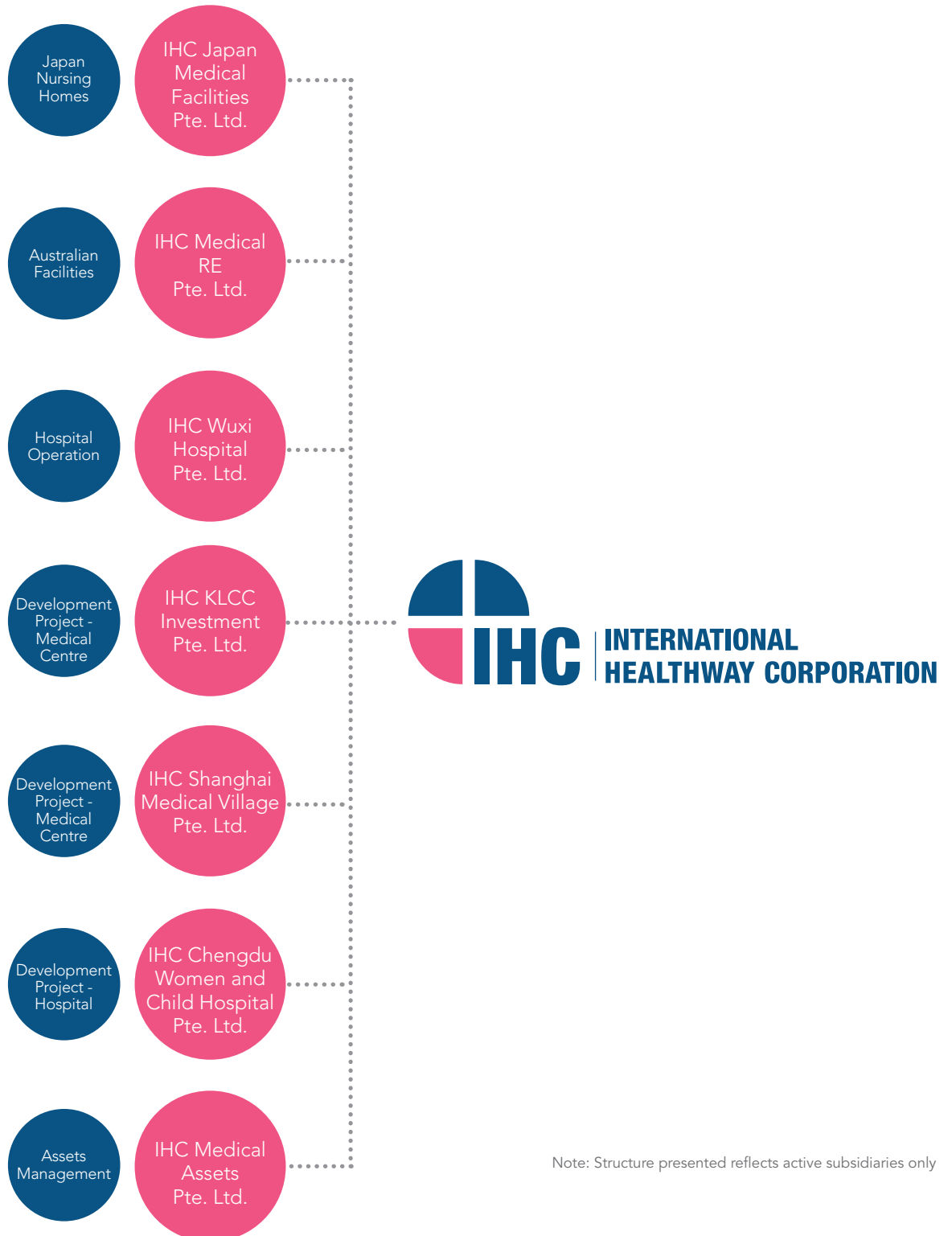


ASSET VALUE BY GEOGRAPHY ⁽²⁾ (FY2014)



Notes:
⁽¹⁾ Include other income from assets held-for-sale
⁽²⁾ Included in the asset value are investment properties, investment properties under development, lease prepayments and assets held-for-sale

ORGANISATION STRUCTURE



Note: Structure presented reflects active subsidiaries only

LETTER TO SHAREHOLDERS

Dear Shareholders,

YEAR IN REVIEW

For the year ended 31 December 2014, revenue for the Group grew to S\$35.4m, 13.2% higher than 2013. Gross profit for 2014 expanded to S\$18.4m, an increase of 23.4% from the financial year ended 31 December 2013 ("2013").

Profit after tax was S\$37.4m for the year, which is 16.0% lower than 2013. This is due mainly to lower fair value gain on assets and higher finance expenses.

Overall, the Group's operating assets in Japan and China continue to sustain their operating performance.

WELL-DIVERSIFIED HEALTHCARE ASSET PORTFOLIO

Our 18 quality healthcare assets are well-diversified across high growth and stable countries in the Asia-Pacific region. About 75% of our portfolio is located in the stable economies of Japan and Australia, with the remaining 25% located in the high growth developing economies of China and Malaysia. We expect the Asia-Pacific regional healthcare expenditure to grow at a healthy clip of 4.8% per annum, with Japan and China leading the charge in healthcare spending. In Japan, our 12 nursing homes continue to provide stable income, and at the same time, expand capital values. We are confident that our portfolio of nursing homes will continue to enjoy high demand as Japan copes with its aging population.

Our hospital in Wuxi, China, is expected to form an important platform for our healthcare services growth in China. We will continue to improve the hospital facility and broaden our

reach within the local community and other cities to improve our operating margins.

We will be developing several medical mixed-use developments over the next few years. These are in Kuala Lumpur (KL), Malaysia, and in Wuxi & Chengdu, China. The IHC KLCC Medical Center is located within the belt of the Kuala Lumpur Convention Centre, Petronas Twin Towers, Prince Court Medical Center and the KL General Hospital. The IHC Wuxi Hospital is an extension project of the existing hospital in Wuxi. It will be an international hospital and medical hub, targeted for completion in 2019. The IHC Chengdu Project will contain several specialist services and expected to complete in 2018.

These developments will further generate multiple earnings streams for the Group, as IHC benefits from development profits from sales, recurrent income and operating income.

WELL POSITIONED TO GROW

The Group will continue to leverage on our considerable expertise to further grow our twin business sectors of healthcare services and facilities in these major Asia-Pacific economies. We expect the private healthcare industries in these major markets to gain momentum through the catalysts of increasing affluence, aging population and higher government expenditure. As such, the Group will further establish our presence in Japan, Australia, China and Malaysia.

We will continue investing in opportunities within our business scope and develop distinctive competencies in healthcare services. The Group will seek out growth pathways

LETTER TO SHAREHOLDERS (CON'T)

that enable us to add more hospitals to our network in China, develop an outpatient network in Australia, and primary healthcare and outpatient healthcare networks in China. We will expand our healthcare services provisioning in women & children, elderly care, adult specialties and critical illness centres.

The Group plans to acquire healthcare services expertise in developed countries to enable us to build these into expandable healthcare platforms across Asia Pacific. We will leverage on the know-how acquired in these healthcare services in Australia, Singapore and Japan, and integrate the IHC care in the fast developing economies like China, Indonesia and Indo-China.

DELIVERING EXCEPTIONAL PATIENT EXPERIENCE

We are foremost a healthcare company and the very core of our work is patient care by delivering exceptional patient experience and touching the lives of our patients. We will distinguish IHC as a patient-centric healthcare services company. We strive to create the exceptional patient experience for every patient and their families through our dedicated caregivers and medical professionals embodied within a caring and compassionate value system. With our integrated care platforms of healthcare service and facilities, this will extend the patient touch points in our network.

This is the journey we take, and our unique business model will enable us to do well, and do good.

IHC is optimistic for 2015 as the Group builds on growth platforms, deepens our caregiver culture, and delivers exceptional patient experience for our patients. We will

continue to improve our capital productivity and capital management, our financial and business risk management, our financial metrics to investors and our corporate governance in the Group as we position ourselves to deliver quality and sustainable healthcare.

BOARD

We are grateful for our healthcare caregivers and professionals serving our patients in the communities throughout the year. On behalf of the Board and management, we would like to thank all colleagues, patients, our shareholders, and business partners for their continued support of IHC.

To our directors in the group, we are appreciative of your contributions and guidance given to us.

Mr Yip Yuen Leong resigned as an Executive Director of the Company in January 2015. On behalf of the Board and staff, we extend our deep appreciation to Mr Yip for his invaluable contributions and wish him well in his future endeavours.

The Board welcomes Mr Chia Kwok Ping as the Chief Executive Officer and Executive Director of the Group. With effect from 2 March 2015, Dr Jong Hee Sen has relinquished his role as Group President, and will continue on the IHC Board as Non-Executive Chairman.

Dr Jong Hee Sen

Non-Executive Chairman

Chia Kwok Ping

CEO and Executive Director

BOARD OF DIRECTORS

DR. JONG HEE SEN

Non-Executive Chairman

Dr. Jong Hee Sen was previously the Executive Chairman and Group President of IHC till 2 March 2015. He has close to 20 years of industry experience. Prior to co-founding the Group, he held many senior positions in private firms. He was previously the Executive Director and President of Healthway Medical Corporation Limited ("HMC"). During his term, HMC grew from a small primary care medical chain in Singapore to one of the largest providers of primary and specialists' healthcare out-patient services in Singapore.

He was also previously with the Government of Singapore Investment Corporation, responsible for real estate investments and fund management in Asian markets as a Vice President of GIC Real Estate Pte Ltd.

Dr. Jong holds a Doctorate of Philosophy in Business Administration; a Master of Science (Psychology) from the University of Michigan, Ann Arbor, USA, and a Bachelor of Science from the National University of Singapore.

MR. CHIA KWOK PING

Chief Executive Officer and Executive Director

(Appointed on March 2, 2015)

Mr. Chia Kwok Ping has held senior positions in various hospitality and property investment companies. Prior to joining the Group, he was the President of TCC Land International (Thailand) Co., Ltd ("TCC"), a Thailand-based hospitality group with hotel assets spanning across the US, United Kingdom, Australia, China, Japan and Southeast Asia, and later held directorships in various asset holding companies of the TCC group.

He has extensive hands-on experience in hospitality management, having taken on the roles of Resident Manager, General Manager and Owner Representative in several hotel assets while he was with SSP Group (Thailand).

He also sat on the Board of Singapore Hotel Association from 2010 to 2014 and has been the Independent Director and Chairman of Nominating Committee and Member of Remuneration Committee of Heeton Holdings Limited, a company listed on the Main Board of the Singapore Stock Exchange, since 2012.

Mr. Chia holds a Bachelor of Business Administration (Honors) degree from the National University of Singapore.

MR. WONG ONG MING, ERIC

Non-Executive Director

Mr. Wong Ong Ming Eric is a Non-Executive Director of Healthway Medical Enterprise Pte Ltd and Pathway Biomed Ltd, and the sole proprietor and Director of SBCC Women's Clinic Pte Ltd.

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

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

His last posting before being appointed as a Non-Executive Director of IHC was the Director for Central Services in HMC, where he was responsible for human resource and general management functions.



BOARD OF DIRECTORS (CON'T)

MR. SIEW TENG KEAN

Lead Independent Director

Mr. Siew Teng Kean is currently a senior director with UOB Asset Management, and Head of Institutional Business. He was previously a managing director of Strategic Investments at Temasek Holdings, managing investments in the Telecom, Media and Technology sectors. Mr Siew has also held a teaching position at the National University of Singapore, and was also a senior equity analyst at Peregrine Securities Singapore Pte Ltd. In his early career, Mr Siew was an electronics engineer involved in semiconductor design.

Mr. Siew Teng Kean graduated from the University of Adelaide with a Bachelor of Engineering (First Class Honours) and also obtained a Master of Science in Computer Science from the National University of Singapore as well as a Master of Science in Computer Engineering from the University of Michigan. Mr. Siew was conferred the Chartered Financial Analyst charter from the CFA Institute in 1997.

**MR. ONG LAY KHIAM**

Independent Director

Mr. Ong Lay Khiam has worked in the banking and finance industry in Singapore since 1971, principally as a commercial banker.

Mr. Ong held various senior positions in DBS Bank, Keppel Tat Lee Bank and Hong Leong Finance in his long career. Prior to his retirement in September 2013, he was an Executive Director with UBS AG, Wealth Management. Mr. Ong is the Lead Independent Director and Chairman of Audit Committee of Tiong Seng Holdings.

Mr. Ong has also been active in education and non-profit sectors. He served on the Council of Singapore Chinese Chamber of Commerce and Industry (SCCCI) as well as the Nanyang Technological University (NTU). Currently, he is an Honorary Council Member of the SCCCI and a member of the Investment Committee of the Chinese Development Assistance Council (CDAC). He was also an Adjunct Associate Professor at the NTU.

Mr. Ong Lay Khiam graduated with First Class Honours in Accountancy from Nanyang University. He also obtained a Master's degree in Accounting and Finance from the London School of Economics and Political Science, University of London and is a member of the Institute of Certified Public Accountants of Singapore.

**MR. TEO CHENG HIANG RICHARD**

Independent Director

Mr. Teo Cheng Hiang Richard has more than 30 years of experience in managing funds in senior fiduciary positions in the Government of Singapore Investment Corporation and for large blue-chip financial institutions and ultra-high net worth individuals.

His experience extends across North America, Europe and Asia, where he was responsible for funds, investment and asset management, corporate restructuring companies, asset turn-around and repositioning and value creation for the shareholders.

Mr. Teo Cheng Hiang Richard graduated with a Bachelor of Science and a Bachelor of Architecture (First Class Honours) in 1979 from the University of Newcastle under the Colombo Plan (Australia) Scholarship programme. He subsequently obtained a Master of Business Administration from the National University of Singapore in 1987.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr. Jong Hee Sen
(Non-Executive Chairman)
Chia Kwok Ping
(CEO and Executive Director)*
Wong Ong Ming Eric
(Non-Executive Director)
Siew Teng Kean
(Lead Independent Director)
Ong Lay Khiam
(Independent Director)
Teo Cheng Hiang Richard
(Independent Director)

AUDIT COMMITTEE

Siew Teng Kean (Chairman)
Ong Lay Khiam
Wong Ong Ming Eric

NOMINATING COMMITTEE

Ong Lay Khiam (Chairman)
Dr. Jong Hee Sen
Teo Cheng Hiang Richard

REMUNERATION COMMITTEE

Siew Teng Kean (Chairman)
Teo Cheng Hiang Richard
Wong Ong Ming Eric

COMPANY SECRETARIES

Wee Woon Hong
Lee Hock Heng

REGISTERED OFFICE

2 Leng Kee Road
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Singapore 159086
Telephone: (65) 6578-9188
Facsimile: (65) 6476-4647
www.ihc.sg
Company Registration No.:
201304341E

* From 2 March 2015

SHARE REGISTRAR

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

INVESTOR RELATIONS

Citigate Dewe Rogerson, i.MAGE
55 Market Street #02-01
Singapore 048941
Tel: (65) 6534 5122
Fax: (65) 6534 4171
IR Contact: Dolores Phua

SPONSOR

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

AUDITORS

PricewaterhouseCoopers LLP
Public Accountants and
Chartered Accountants
8 Cross Street
#17-00 PWC Building
Singapore 048242
Partner-in-charge: Tham Tuck Seng
Date of Appointment: 6 March 2013

PRINCIPAL BANKERS

DBS Bank Ltd
12 Marina Boulevard
DBS Asia Central @ Marina Bay
Financial Centre Tower 3
Singapore 018982

The Hongkong and Shanghai Banking
Corporation Limited
21 Collyer Quay
#11-01 HSBC Building
Singapore 049320

Public Bank Berhad
27th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur, Malaysia

Westpac Banking Corporation
Level 12
Collins Street
Melbourne, Victoria 3000
Australia

DB AG Tokyo Branch
Sanno Park Tower 2-11-1 Nagatacho
Chiyoda-ku, Tokyo 100-6171
Japan

CORPORATE GOVERNANCE

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

The Company has put in place various policies and practices that will safeguard the interests of Shareholders and enhance Shareholders’ value as part of its effort to maintain high standards of corporate governance. This report describes the corporate governance practices and procedures adopted by the Company with specific reference to the Code of Corporate Governance 2012 (the “**Code**”) issued by the Monetary Authority of Singapore and as required under the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). References to the principles of the Code are listed below. The Company has complied with the principles of the Code where appropriate and deviations from the Code have been explained.

Principle 1 : The Board’s Conduct of its Affairs

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

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

Dr Jong Hee Sen¹ (Non-Executive Chairman)
 Chia Kwok Ping² (Chief Executive Officer and Executive Director)
 Wong Ong Ming Eric (Non-Executive Director)
 Siew Teng Kean (Lead Independent Director)
 Ong Lay Khiam (Independent Director)
 Teo Cheng Hiang Richard (Independent Director)

Notes:

- ¹ Dr Jong Hee Sen was redesignated from Group President and Executive Chairman to Non-Executive Chairman of the Company with effect from 2 March 2015.
- ² Chia Kwok Ping was appointed as the Chief Executive Officer and Executive Director of the Company with effect from 2 March 2015.

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

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

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

CORPORATE GOVERNANCE

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

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

The Board conducts scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. The Company’s Articles of Association (the “**Articles**”) provide for Board meetings by means of teleconference. The attendance of the Directors at meetings of the Board and Board committees for the financial year ended 31 December 2014, and the frequency of these meetings are disclosed as follows:-

| Name of Director | Board | | Audit Committee | | Nominating Committee | | Remuneration Committee | |
|-------------------------------|-----------------|----------|-----------------|----------|----------------------|----------|------------------------|----------|
| | No. of Meetings | | No. of Meetings | | No. of Meetings | | No. of Meetings | |
| | Held | Attended | Held | Attended | Held | Attended | Held | Attended |
| Dr Jong Hee Sen | 4 | 4 | - | - | 1 | 1 | - | - |
| Yip Yuen Leong ⁽¹⁾ | 4 | 3 | - | - | - | - | - | - |
| Wong Ong Ming Eric | 4 | 4 | 4 | 4 | - | - | 1 | 1 |
| Siew Teng Kean | 4 | 4 | 4 | 4 | - | - | 1 | 1 |
| Ong Lay Khiam | 4 | 4 | 4 | 4 | 1 | 1 | - | - |
| Teo Cheng Hiang Richard | 4 | 3 | - | - | 1 | 1 | 1 | 1 |

Note:

¹ Resigned as a Director of the Company with effect from 21 January 2015.

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

The Board as a whole is 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 directors to attend training courses organised by the Singapore Institute of Directors or other training institutions in connection with their duties.

During the financial year ended 31 December 2014, the external auditor briefed the AC members on developments in accounting and governance standards. The Executive Directors also updated the Board at each Board meeting on business and strategic developments relating to the industry the Group operates in.

CORPORATE GOVERNANCE

Principle 2 : Board Composition and Guidance

The Board currently has six (6) Directors, comprising three (3) Independent Directors, one (1) Executive Director and two (2) Non-Executive and Non-Independent Directors. Information regarding each Board member is provided under the Board of Directors section set of this Annual Report.

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

The NC is of the view that Mr Siew Teng Kean, Mr Ong Lay Khiam and Mr Teo Cheng Hiang Richard are independent. As half of the Board is independent, the requirement of the Code that at least half of the Board comprises Independent Directors where the Chairman is not an independent director is satisfied. The NC is satisfied that the Board has substantial independent elements to ensure that objective judgment is exercised on corporate affairs.

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

The Board and Board Committees comprises Directors who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge and strategic planning experience. Hence, the NC is of the view that the current Board and Board Committees comprise persons who as a group provide capabilities required for the Board to be effective.

Principle 3: Role of Chairman and Chief Executive Officer

The Company keeps the roles of the Non-Executive Chairman and Chief Executive Officer 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. As at the date of this report, Dr Jong Hee Sen ("**Dr Jong**"), holds the position of Non-Executive Chairman, whilst Mr Chia Kwok Ping ("**Mr Chia**") holds the position of Chief Executive Officer and Executive Director.

Dr Jong ensures that Board meetings are held when necessary and sets the Board agenda (with the assistance of the company secretary and in consultation with the Chief Executive Officer). Dr Jong ensures 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 Mr Chia, the Chief Executive Officer and Executive Director. Mr Chia leads the management team and executes the strategic plans 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.

Mr Siew Teng Kean is the Lead Independent Director of the Company, who is available to address shareholders' concerns on issues that has not be satisfactory resolved or cannot be appropriately dealt with by the Non-Executive Chairman, Chief Executive Officer and Executive Director or the Group Financial Controller.

CORPORATE GOVERNANCE

Principle 4 : Board Membership

The NC comprises three (3) Directors, namely Mr Ong Lay Khiam, Mr Teo Cheng Hiang Richard (both of whom are Independent Non-Executive Directors) and Dr Jong Hee Sen. The Chairman of the NC is Mr Ong Lay Khiam. The NC has written terms of reference that describe the responsibilities of its members.

The principal functions of the NC are as follows:-

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

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

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

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

The NC meets at least once a year. Under Article 93 of the Company's Articles, one third (1/3) of the Board is to retire by rotation and subject themselves to re-election by shareholders at every AGM. The NC will assess and evaluate whether Directors retiring at each AGM are properly qualified for reappointment by virtue of their skills, experience and contributions. Mr Richard Teo, an Independent Director of the Company and a member of the NC and RC who would be retiring by rotation under Article 93 of the Company's Articles, has decided not to seek re-election at the forthcoming AGM due to other personal commitments. The NC has recommended to the Board that Dr Jong Hee Sen be nominated for re-election at the forthcoming AGM. In making the recommendations, the NC had considered the Directors' overall contributions and performance.

CORPORATE GOVERNANCE

Pursuant to Mr Richard Teo's not seeking re-election at the forthcoming AGM, he will cease to be a member of the NC and RC. His replacement in each committee will be announced by the Company in due course.

Under Article 92 of the Company's Articles, any new Director so appointed by the Directors shall hold office only until the next annual general meeting of the Company, and shall be eligible for re-election. The NC recommended to the Board that Mr Chia Kwok Ping be nominated for re-election at the forthcoming annual general meeting pursuant to Article 92 of the Company's Articles.

Dr Jong Hee Sen will, upon re-election as a Director of the Company, remain as the Non-Executive Chairman of the Board and a member of the NC. Mr Chia Kwok Ping will, upon re-election as a Director of the Company, remain as the Chief Executive Officer of the Company.

Dr Jong Hee Sen has abstained from making any recommendations and/or participating in any deliberations of the NC in respect of the assessment of his own performance or re-election as a Director of the Company.

In making the recommendations, the NC had considered the Directors' overall contributions and performance.

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

| Name of Director | Date of Appointment | Last Re-Election Date | Directorships in Other Listed Companies | |
|----------------------------|---------------------|-----------------------|--|---------------------------------------|
| | | | Present | Last Three Years |
| Dr Jong Hee Sen | 18 February 2013 | 30 April 2014 | - | Healthway Medical Corporation Limited |
| Chia Kwok Ping | 2 March 2015 | Not Applicable | Heeton Holdings Limited | - |
| Wong Ong Ming Eric | 17 May 2013 | 30 April 2014 | - | - |
| Siew Teng Kean | 17 May 2013 | 30 April 2014 | - | Healthway Medical Corporation Limited |
| Ong Lay Khiam | 17 May 2013 | 30 April 2014 | Tiong Seng Holdings Limited | - |
| Teo Cheng Hiang Richard | 17 May 2013 | 30 April 2014 | 1. Viva Industrial Trust 2. Keppel Data Centre REIT | - |

Further details of the Directors (including principal commitments) can be found on pages 10 and 11 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. Only three (3) Directors have other directorships in other listed companies and each of them holds not more than two other directorships. As such, the Board does not propose to set the maximum number of listed company board representations which directors may hold until such need arises. The NC would continue to review from time to time the board representations of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

CORPORATE GOVERNANCE

Principle 5 : Board Performance

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

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

- a. Board composition;
- b. Board information;
- c. Board process and accountability;
- d. Standards of conduct; and
- e. Board committee performance in relation to discharging their responsibilities set out in their respective terms of reference.

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

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

All Directors are requested to complete a board evaluation questionnaire designed to seek their view on various aspects of the Board and individual Director's performance as described above. The Chairman, in consultation with the NC, will then act on the results of the performance evaluation, and where appropriate, propose new members be appointed to the Board or seek the resignation of Directors.

The NC has assessed the current Board's performance to-date and is of the view that the performance of the Board as a whole is satisfactory, the Board committees operate effectively and each director is contributing to the overall effectiveness of the Board.

CORPORATE GOVERNANCE

Principle 6 : Access to Information

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

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

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

The Company Secretaries and/or his/her representatives attend all Board meetings. Together with the Management, the Company Secretaries are responsible for ensuring that appropriate 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 ("Rules of Catalist") are complied with. The appointment and removal of the Company Secretaries is a matter for the Board as a whole.

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

Principle 7 : Procedures for Developing Remuneration Policies

Principle 8 : Level and Mix of Remuneration

Principle 9 : Disclosure on Remuneration

The RC comprises two (2) Independent Directors, namely Mr Siew Teng Kean and Mr Teo Cheng Hiang Richard and one (1) Non-Executive and Non-Independent Director, Mr Wong Ong Ming Eric. The Chairman of the RC is Mr Siew Teng Kean. The RC has written terms of reference that describe the responsibilities of its members.

The RC's principal responsibilities are to review and recommend to the Board a framework of remuneration for the Directors and executive officers, and to determine specific remuneration packages for the Non-Executive Chairman and the Chief Executive Officer and Executive Director. The RC covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind. The recommendations are submitted to the Board for endorsement.

The Independent Directors and Non-Independent Non-Executive Directors do not have service agreements with the Company. They are paid fixed Directors' fees, which are determined by the Board, appropriate to the level of their contributions, taking into account factors such as the effort and time spent and the responsibilities of the Independent Directors. The fees are subject to approval by Shareholders at each annual general meeting. Except as disclosed, the Independent Directors do not receive any other remuneration from the Company.

CORPORATE GOVERNANCE

The review of the remuneration of the executive officers 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 of which performance conditions is not pre-determined. The Group seeks to offer a competitive level of remuneration to attract, motivate and retain senior management of the required competency to run the Group successfully. The RC has full authority to obtain any external professional advice on matters relating to remuneration as and when the need arises.

The Company adopts a remuneration policy that comprises a fixed as well as variable component. The fixed component is in the form of base salary and benefits while the variable component is in the form of performance bonus. There are no termination, retirement or any post-employment benefits to Directors and key executives.

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

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

The level and mix of the Directors' remuneration for the financial year ended 31 December 2014 ("FY2014") are set out below:

| Name of Director | Fee ³ % | Salary % | Bonus % | Benefits ⁴ % | Total % |
|--------------------------------|-----------------------|-------------|------------|----------------------------|------------|
| Executive Directors | | | | | |
| S\$250,000 – S\$499,999 | | | | | |
| Dr Jong Hee Sen ¹ | - | 85.81 | 7.02 | 7.17 | 100 |
| Yip Yuen Leong ² | - | 90.49 | - | 9.51 | 100 |
| Below S\$250,000 | | | | | |
| Wong Ong Ming Eric | 100 | - | - | - | 100 |
| Siew Teng Kean | 100 | - | - | - | 100 |
| Ong Lay Khiam | 100 | - | - | - | 100 |
| Teo Cheng Hiang Richard | 100 | - | - | - | 100 |

Notes:-

¹ Dr Jong Hee Sen was redesignated from Group President and Executive Chairman to Non-Executive Chairman of the Company with effect from 2 March 2015.

² Mr Yip Yuen Leong ceased to be a Director of the Company with effect from 21 January 2015 and will cease to be the President, Integrated Medical Real Estate with effect from 1 May 2015.

³ These fees are subject to the approval of the shareholders at the forthcoming AGM.

⁴ Other benefits include mainly employers' contributions to the Central Provident Fund and transport allowances.

CORPORATE GOVERNANCE

Annual remuneration of top 5 key executives who are not Directors or the CEO in remuneration bands of S\$250,000 are set out below for FY2014.

| | Number of employees |
|--------------------------|---------------------|
| S\$250,000 to S\$499,999 | 1 |
| Below S\$250,000 | 4 |

The Code recommends that the name and remuneration (with breakdown) of at least the top five (5) key executives who are not Directors or CEO be disclosed within the bands of S\$250,000. However, the Board is of the opinion that the details of the individual key executives and their remuneration, and the aggregate remuneration paid to them are confidential and full disclosure of such information would not be in the interest of the Company.

No employee of the Company and its subsidiaries was an immediate family member of a Director and/or Chief Executive Officer and whose remuneration exceeded S\$50,000 in FY2014.

Principle 10 : Accountability

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

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

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

Principle 11 : Risk Management and Internal Controls

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

The Board has received assurance from the Non-Executive Chairman and the Group Financial Controller (a) that the financial records have been properly maintained and the financial statements for the financial year ended 31 December 2014 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 effective (the "**Assurance**").

Based on the internal controls established and maintained by the Group, work performed by the internal auditor and external auditors, reviews performed by the Management and various Board Committees and the Assurance received, the Board, with the concurrence of the AC, are of the opinion that, the Group's internal controls addressing the financial, operational, compliance and information technology controls risks, and risk management systems of the Group were adequate and effective as at 31 December 2014.

CORPORATE GOVERNANCE

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

Principle 12 : Audit Committee

The AC, which has written terms of reference clearly setting out its authority and duties, is made up of two (2) Independent Directors, namely Mr Siew Teng Kean and Mr Ong Lay Khiam and one (1) Non-Executive Director namely Mr Wong Ong Ming Eric. The Chairman of the AC is Mr Siew Teng Kean. The Board is of the view that the AC has the necessary experience and expertise required to discharge its duties.

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

- to review with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to the Management and the Management's response;
- to review the quarterly, half year and full year financial statements including balance sheet and profit and loss accounts, before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Rules of Catalist and any other relevant statutory or regulatory requirements;
- to review the internal control procedures and ensure co-ordination between the external auditors and the Management, and review the assistance given by the Management to the external auditors, and discuss problems and concerns, if any, arising from the interim and full year audits, and any matters which the external auditors may wish to discuss (in the absence of the Management, where necessary);
- to review the independence of the external auditors;
- to review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response;
- to consider and recommend the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the external auditors;
- to review interested person transactions (if any) falling within the scope of Chapter 9 of the Rules of Catalist;
- to undertake such other reviews and projects as may be requested by the Board, and to report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- generally undertake such other functions and duties as may be required by statute or the Rules of Catalist, or by such amendments as may be made thereto from time to time.

CORPORATE GOVERNANCE

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

The AC meets with the external and internal auditors, without the presence of Management, at least annually, to review the adequacy of audit arrangements, with emphasis on the scope and quality of their audit, and the independence, objectivity and observations of the auditors. The AC has reasonable resources to enable it to discharge its functions properly.

The aggregate amount of fees paid or payable to the external auditors of the Company, broken down into audit and non-audit services during FY2014 are as follows:-

| | | |
|----------------|---|------------|
| Audit fees | : | S\$457,000 |
| Non-audit fees | : | S\$238,020 |
| Total | : | S\$695,020 |

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

The external auditors present to the AC 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 Rules of Catalist in relation to its external auditors.

Whistle-blowing Policy

The AC has put in place a whistle-blowing Policy, whereby employees of the Group or any other persons may in confidence, raise concerns about possible improper financial reporting or other matters to the Company's Lead Independent Director and AC Chairman, Mr Siew Teng Kean. The objective for such arrangement is to ensure independent investigations of such matters and for appropriate follow-up actions. Reports of suspected fraud, corruption, dishonest practices or other similar matters can be lodged to the Company Secretary in writing to the registered address of the Company Secretary. The Company Secretary has been tasked to forward any such reports to the Company's Lead Independent Director and AC Chairman, Mr Siew Teng Kean.

Principle 13: Internal Audit

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

The size of the operations of the Group does not warrant the Group having an in-house internal audit function.

CORPORATE GOVERNANCE

The Company has outsourced its internal audit function to LMS Consulting Pte Ltd who reports directly to the AC. LMS Consulting Pte Ltd commenced their internal audit of the Company in the financial year ended 31 December 2014. The internal auditors support the AC in their role to assess the effectiveness of the Group's overall system of operational and financial controls. To ensure the adequacy of the internal audit function, the AC will review and approve the internal audit plan on an annual basis.

The scope of the internal audit is:-

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

The AC is satisfied that the internal audit is adequately resourced and has the appropriate standing within the Group.

Principle 14 : Shareholder Rights

Principle 15 : Communication with Shareholders

Principle 16: Conduct of Shareholder Meetings

The Company is committed to maintaining and improving its level of corporate transparency of financial results and other pertinent information. Other than the routine announcements made in accordance with the requirements of the Rules of Catalist, the Company has issued additional announcements and press releases to update Shareholders on the activities of the Company and the Group in FY2014.

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

The annual general meeting ("AGM") of the Company is a principal forum for dialogue and interaction with all shareholders. All shareholders will receive the Company's annual report and notice of annual general meeting. At the annual general meeting, Shareholders will be given the opportunity and time to air their views and ask the Directors or the Management questions regarding the Company.

The Chairmen of the Board, AC, RC and NC as well as the external auditors will be present and on hand to address all issues raised at the annual general meeting.

During the financial year, the Company has held investor roadshows to meet with its existing and potential institution and retail investors.

Shareholders, investors or analysts may also send their queries or concerns to the Company's Investor Relations (IR) team, whose contact details can be found on the Company's website.

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

CORPORATE GOVERNANCE

The Articles of the Company allow members of the Company to appoint not more than two (2) proxies to attend and vote on their behalf at a general meeting.

Separate resolutions are proposed at general meetings for each distinct issue.

The Company does not have a dividend policy. The Board has not recommended any dividend for FY2014 as the Board wants to ensure that the Company has adequate resources for the expansion plan and to respond to any adverse changes in the macroeconomics environments.

Dealing in Securities

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

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

Interested Person Transactions

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

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

Other than the completion of the acquisition of IHC Shanghai Medical Village Pte. Ltd. and its subsidiaries on 15 January 2014 as part of the Restructuring Exercise as disclosed on pages 103 and 104 of the Company's offer document dated 1 July 2013, there were no other interested person transactions of S\$100,000 and above during the financial period under review.

The Group does not have a general mandate from shareholders for the recurrent interested person transactions.

Material Contracts and Loans

Pursuant to Rule 1204(8) of the Rules of Catalist, the Company confirmed that except as disclosed in the Report of Directors and Financial Statements of this Annual Report and the offer document of the Company dated 1 July 2013, 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 FY2014 or if not then subsisting, which were entered into since the end of the previous financial year.

Risk Management

CORPORATE GOVERNANCE

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

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 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 | Balance of net proceeds as at the date of this Annual Report |
|--|--|---|---|
| | S\$'000 | S\$'000 | S\$'000 |
| Development and redevelopment of our existing projects | 10,000 | 10,000 | - |
| Acquisition of our pending projects | 8,000 | 8,000 | - |
| Purchase and/or upgrade of medical equipment | 500 | - | 500 |
| Working capital ⁽¹⁾ | 4,230 | 4,230 | - |
| | <u>22,730</u> | <u>22,230</u> | <u>500</u> |

Notes:

⁽¹⁾ Amount for working capital has been utilised for the repayment of borrowings and interest expense.

The above utilisations are in accordance with the intended use of the IPO net proceeds and percentage allocated, as stated in the offer document dated 1 July 2013.

Non-Sponsor Fees

No non-sponsor fees were paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. for FY2014.

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DIRECTORS' REPORT

The directors present their report to the members together with the audited consolidated financial statements of International Healthway Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2014 and the balance sheet of the Company as at 31 December 2014.

Directors

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

| | |
|-------------------------|--|
| Dr Jong Hee Sen | Non-Executive Chairman |
| Wong Ong Ming Eric | Non-Executive Director |
| Siew Teng Kean | Lead Independent Director |
| Ong Lay Khiam | Independent Director |
| Teo Cheng Hiang Richard | Independent Director |
| Chia Kwok Ping | Executive Director (appointed on 2 March 2015) |

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares or debentures

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

| | Holdings registered in name of director or nominee | | Holdings in which a director is deemed to have an interest | |
|--|--|---|--|---|
| | At 31.12.2014 | At 31.12.2013 or date of appointment if later | At 31.12.2014 | At 31.12.2013 or date of appointment if later |
| The Company | | | | |
| (Number of ordinary shares) | | | | |
| Dr Jong Hee Sen | 107,539,401 | 22,839,401 | 1,998,154 | 134,998,154 |
| Yip Yuen Leong (resigned on 21 January 2015) | 972,221 | 2,221 | - | - |
| Wong Ong Ming Eric | 31,000 | 31,000 | 8,000 | 68,000 |
| Siew Teng Kean | 127,827 | 127,827 | - | - |
| Ong Lay Khiam | - | - | 16,458 | 16,458 |
| Teo Cheng Hiang Richard | 18,614 | 18,614 | - | - |

There was no change in any of the above mentioned interests between the end of the financial year and 21 January 2015 except that Yip Yuen Leong disposed of 600,000 shares on 2 January 2015.

DIRECTORS' REPORT

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report, and except that Dr Jong Hee Sen, Yip Yuen Leong (resigned on 21 January 2015) and Chia Kwok Ping (appointed on 2 March 2015) have employment relationships with a subsidiary of the Company and have received remuneration in that capacity.

Share options

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

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

There were no unissued shares of the Company under option at the end of the financial year.

Independent auditor

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

On behalf of the directors,

Dr Jong Hee Sen
Non-Executive Chairman

Siew Teng Kean
Lead Independent Director

1 April 2015

STATEMENT BY DIRECTORS

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 32 to 98 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors,

Dr Jong Hee Sen
Non-Executive Chairman

Siew Teng Kean
Lead Independent Director

1 April 2015

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INTERNATIONAL HEALTHWAY CORPORATION LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of International Healthway Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 32 to 98, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2014, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group for the year ended on that date.

Report on other Legal and Regulatory Requirements

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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 1 April 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

| | Note | 2014 S\$'000 | 2013 S\$'000 |
|---|--------|-----------------|-----------------|
| Revenue | 5 | 35,438 | 31,315 |
| Cost of sales | 6 | (17,011) | (16,381) |
| Gross profit | | 18,427 | 14,934 |
| Other income | 8 | 9,765 | 4,817 |
| Fair value gain on investment properties and investment properties under development | 21, 22 | 48,882 | 53,530 |
| Other gains/(losses) - net | 9 | 398 | (596) |
| Administrative expenses | 6 | (12,253) | (12,994) |
| Finance expenses | 10 | (19,010) | (8,250) |
| Profit before tax | | 46,209 | 51,441 |
| Income tax expense | 11 | (8,793) | (6,892) |
| Profit after tax | | 37,416 | 44,549 |
| Other comprehensive (loss)/income: | | | |
| Items that may be reclassified subsequently to profit and loss: | | | |
| Currency translation differences arising from consolidation | | (4,074) | (1,829) |
| Items that will not be reclassified subsequently to profit and loss: | | | |
| Revaluation gains on lease prepayments | | 3,636 | - |
| Other comprehensive loss, net of tax | | (438) | (1,829) |
| Total comprehensive income | | 36,978 | 42,720 |
| Profit attributable to: | | | |
| Equity holders of the Company | | 37,304 | 44,470 |
| Non-controlling interests | | 112 | 79 |
| | | 37,416 | 44,549 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Company | | 35,906 | 42,360 |
| Non-controlling interests | | 1,072 | 360 |
| | | 36,978 | 42,720 |
| Earnings per share attributable to equity holders of the Company (expressed in cents per share) | | | |
| Basic earnings per share | 12 | 2.29 | 2.94 |
| Diluted earnings per share | 12 | 2.27 | 2.94 |

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

BALANCE SHEET - GROUP

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

| | Note | 2014 S\$'000 | 2013 S\$'000 |
|---|-------|-----------------|-----------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 13 | 31,025 | 35,272 |
| Trade and other receivables | 14 | 16,601 | 16,642 |
| Other current assets | 15 | 39,957 | 362 |
| Inventories | 16 | 548 | 729 |
| Assets held-for-sale | 17 | 92,993 | - |
| | | <u>181,124</u> | <u>53,005</u> |
| Non-current assets | | | |
| Intangible assets | 18 | 45,924 | 43,121 |
| Lease prepayments | 19 | 6,679 | 12,506 |
| Investment properties | 21 | 250,465 | 216,736 |
| Investment properties under development | 22 | 107,150 | 82,294 |
| Property, plant and equipment | 23 | 6,313 | 6,462 |
| | | <u>416,531</u> | <u>361,119</u> |
| Total assets | | <u>597,655</u> | <u>414,124</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 24 | 48,927 | 13,441 |
| Borrowings | 25 | 127,830 | 9,664 |
| Income tax liabilities | 11(b) | 1,077 | 916 |
| | | <u>177,834</u> | <u>24,021</u> |
| Non-current liabilities | | | |
| Trade and other payables | 24 | 14,838 | 7,131 |
| Borrowings | 25 | 181,138 | 213,696 |
| Deferred tax liabilities | 27 | 14,744 | 6,303 |
| | | <u>210,720</u> | <u>227,130</u> |
| Total liabilities | | <u>388,554</u> | <u>251,151</u> |
| NET ASSETS | | <u>209,101</u> | <u>162,973</u> |
| EQUITY | | | |
| Share capital | 28 | 185,219 | 176,429 |
| Currency translation reserve | | (6,271) | (2,147) |
| Merger reserve | 29 | (65,742) | (66,102) |
| Asset revaluation reserve | 29 | 2,726 | - |
| Statutory surplus reserve | 29 | 327 | 253 |
| Retained earnings | | 87,626 | 50,396 |
| | | <u>203,885</u> | <u>158,829</u> |
| Non-controlling interests | | 5,216 | 4,144 |
| Total equity | | <u>209,101</u> | <u>162,973</u> |

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

BALANCE SHEET - COMPANY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

| | Note | 2014 S\$'000 | 2013 S\$'000 |
|--------------------------------|------|-----------------|-----------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 13 | 5,844 | 3,770 |
| Trade and other receivables | 14 | 165,397 | 106,252 |
| Other current assets | 15 | 287 | 57 |
| | | <u>171,528</u> | <u>110,079</u> |
| Non-current assets | | | |
| Investment in subsidiaries | 20 | 83,311 | 71,754 |
| Property, plant and equipment | 23 | 83 | 27 |
| | | <u>83,394</u> | <u>71,781</u> |
| Total assets | | <u>254,922</u> | <u>181,860</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 24 | 30,389 | 3,003 |
| Borrowings | 25 | 32,008 | 1,244 |
| Other liabilities | 26 | 776 | 308 |
| | | <u>63,173</u> | <u>4,555</u> |
| Non-current liabilities | | | |
| Trade and other payables | 24 | 8,000 | - |
| Borrowings | 25 | - | 4,509 |
| Other liabilities | 26 | 1,665 | 195 |
| | | <u>9,665</u> | <u>4,704</u> |
| Total liabilities | | <u>72,838</u> | <u>9,259</u> |
| NET ASSETS | | <u>182,084</u> | <u>172,601</u> |
| EQUITY | | | |
| Share capital | 28 | 185,219 | 176,429 |
| Accumulated losses | | (3,135) | (3,828) |
| Total equity | | <u>182,084</u> | <u>172,601</u> |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

| | Note | Attributable to equity holders of the Company | | | | | Retained earnings S\$'000 | Total S\$'000 | Non- controlling interests S\$'000 | Total equity S\$'000 |
|--|-------|---|---|------------------------------|--|--|------------------------------|------------------|---|----------------------------|
| | | Share capital S\$'000 | Currency translation reserve S\$'000 | Merger reserve S\$'000 | Asset revaluation reserve S\$'000 | Statutory surplus reserve S\$'000 | | | | |
| 2014 | | | | | | | | | | |
| Beginning of financial year | | 176,429 | (2,147) | (66,102) | - | 253 | 50,396 | 158,829 | 4,144 | 162,973 |
| Issue of shares and effect of adjustments pursuant to acquisition under common control | 28,35 | 8,790 | - | 360 | - | - | - | 9,150 | - | 9,150 |
| Profit for the year | | - | - | - | - | - | 37,304 | 37,304 | 112 | 37,416 |
| Other comprehensive (loss)/income | | | | | | | | | | |
| Currency translation differences | | - | (4,124) | - | - | - | - | (4,124) | 50 | (4,074) |
| Transfer to Statutory surplus reserve | | - | - | - | - | 74 | (74) | - | - | - |
| Revaluation gains on lease prepayments | | - | - | - | 2,726 | - | - | 2,726 | 910 | 3,636 |
| End of financial year | | 185,219 | (6,271) | (65,742) | 2,726 | 327 | 87,626 | 203,885 | 5,216 | 209,101 |

| | Note | Attributable to equity holders of the Company | | | | | Retained earnings S\$'000 | Total S\$'000 | Non- controlling interests S\$'000 | Total equity S\$'000 |
|--|------|---|---|------------------------------|--|--|------------------------------|------------------|---|----------------------------|
| | | Share capital S\$'000 | Currency translation reserve S\$'000 | Merger reserve S\$'000 | Statutory surplus reserve S\$'000 | Statutory surplus reserve S\$'000 | | | | |
| 2013 | | | | | | | | | | |
| Beginning of financial year | | 5,001 | (37) | - | - | - | 6,179 | 11,143 | - | 11,143 |
| Issue of share at date of incorporation of the Company | | -* | - | - | - | - | - | -* | - | -* |
| Issue of shares and effect of adjustments pursuant to Restructuring Exercise | | 84,020 | - | (66,102) | - | - | - | 17,918 | - | 17,918 |
| Issue of shares pursuant to acquisition of subsidiaries | | 54,401 | - | - | - | - | - | 54,401 | 3,660 | 58,061 |
| Disposal of equity interest in a subsidiary | | - | - | - | - | - | - | - | 124 | 124 |
| Issue of shares pursuant to IPO | 28 | 28,088 | - | - | - | - | - | 28,088 | - | 28,088 |
| Issue of shares pursuant to payment of professional fees | 28 | 6,236 | - | - | - | - | - | 6,236 | - | 6,236 |
| Share issue expenses | 28 | (1,317) | - | - | - | - | - | (1,317) | - | (1,317) |
| Profit for the year | | - | - | - | - | - | 44,470 | 44,470 | 79 | 44,549 |
| Other comprehensive (loss)/income | | | | | | | | | | |
| Currency translation differences | | - | (2,110) | - | - | - | - | (2,110) | 281 | (1,829) |
| Transfer to Statutory surplus reserve | | - | - | - | 253 | (253) | - | - | - | - |
| End of financial year | | 176,429 | (2,147) | (66,102) | 253 | 50,396 | 158,829 | 203,885 | 4,144 | 162,973 |

*Amount less than S\$1,000

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

| | Note | 2014 S\$'000 | 2013 S\$'000 |
|---|------|------------------|------------------|
| Cash flows from operating activities | | | |
| Profit after tax | | 37,416 | 44,549 |
| Adjustments for: | | | |
| - Income tax expense | | 8,793 | 6,892 |
| - Depreciation of property, plant and equipment | | 887 | 750 |
| - Amortisation of lease prepayments | | 293 | 291 |
| - Loss on disposal of property, plant and equipment | | 4 | 9 |
| - Impairment loss on trade receivables | | 51 | 138 |
| - Gain on disposal of a subsidiary | | - | (369) |
| - Interest income | | (193) | (367) |
| - Interest expense | | 19,010 | 8,250 |
| - Fair value gain on investment properties | | (44,134) | (31,178) |
| - Fair value gain on investment properties under development | | (4,748) | (22,352) |
| - Expenses settled in shares | | - | 1,580 |
| - Foreign currency translation differences | | 720 | 10,585 |
| | | <u>18,099</u> | <u>18,778</u> |
| Changes in working capital | | | |
| - Inventories | | 181 | 36 |
| - Trade and other receivables | | 4,037 | (7,235) |
| - Other current assets | | (2,072) | (345) |
| - Trade and other payables | | 3,698 | 17,364 |
| Cash generated from operations | | <u>23,943</u> | <u>28,598</u> |
| Interest paid | | (17,788) | (6,377) |
| Income tax paid | | (199) | (340) |
| Net cash provided by operating activities | | <u>5,956</u> | <u>21,881</u> |
| Cash flows from investing activities | | | |
| Acquisition of investment properties | | (103,655) | (198,547) |
| Acquisition of/additions to investment properties under development | | (11,086) | (15,061) |
| Deposit (placed)/refunded for purchase of assets | | (4,764) | 2,456 |
| Purchase of property, plant and equipment | | (651) | (1,719) |
| Net cash inflow from acquisition of subsidiaries | 35 | 58 | 1,901 |
| Net cash outflow from disposal of a subsidiary | | - | (3) |
| Interest received | | 193 | 5 |
| Net cash used in investing activities | | <u>(119,905)</u> | <u>(210,968)</u> |
| Cash flows from financing activities | | | |
| Advances from related parties (net) | | 17,322 | 15,993 |
| Proceeds from borrowings | | 120,758 | 225,879 |
| Repayment of borrowings | | (27,036) | (40,310) |
| Proceeds from issuance of shares | | - | 28,088 |
| Share issue expenses paid | | - | (5,358) |
| Increase in bank deposits pledged | | - | (3,750) |
| Capital contribution by former holding company | | - | -* |
| Net cash provided by financing activities | | <u>111,044</u> | <u>220,542</u> |
| Net (decrease)/increase in cash and cash equivalents | | <u>(2,905)</u> | <u>31,455</u> |
| Cash and cash equivalents at beginning of financial year | | 31,522 | 69 |
| Effects of currency translation on cash and cash equivalents | | (1,342) | (2) |
| Cash and cash equivalents at end of financial year | 13 | <u>27,275</u> | <u>31,522</u> |

*Amount less than S\$1,000

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

1. General information

International Healthway Corporation Limited (the "Company") is listed on the Catalist of the Singapore Exchange Securities Trading Limited and incorporated and domiciled in Singapore. The address of its registered office is at 2 Leng Kee Road, #02-07, Thye Hong Centre, Singapore 159086.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are as disclosed in Note 20 to the financial statements.

2. Acquisition under common control

On 15 January 2014, the Group acquired the entire equity interest of IHC Shanghai Medical Village Pte. Ltd. and its subsidiaries, IHC Apex Limited, IHC Medical Holding (HK) Limited and Kang Hui Maternity Centre Services (Shanghai) Co., Ltd. (collectively, "HV Group") from a related party, Healthway Medical Development Private Limited ("HMD"). The principal activity for HV Group is that of investment in and development of properties. The purchase consideration for the acquisition was S\$8,790,000, which was entirely satisfied by the issuance of shares as disclosed in Note 28.

The acquisition of HV Group by the Company has been accounted for as a business combination involving entities under common control as the Company and HMD are under the common control of the same substantial shareholders before and after the acquisition.

The acquisition is accounted for using merger accounting (also referred to as predecessor accounting). Accordingly, the consolidated financial statements of the Group are presented as follows:

- (i) The assets and liabilities of HV Group are brought into the Group's books based on their existing carrying values in the consolidated financial statements of HMD.
- (ii) The difference between the purchase consideration and the assets and liabilities of HV Group brought into the Group's books, is recognised separately as a component of equity.
- (iii) All significant intra-group transactions and balances have been eliminated.

3. Significant accounting policies

3.1 Basis of preparation

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

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement, or complexity, or areas where estimates and assumptions are significant to the financial statements are disclosed in Note 4.

Interpretations and amendments to published standards effective in 2014

On 1 January 2014, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3. Significant accounting policies (continued)

3.1 Basis of preparation (continued)

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

3.2 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:

(a) *Rendering of services*

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

(b) *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.

(c) *Interest income*

Interest income is recognised using the effective interest method.

(d) *Guarantee fee income*

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

3.3 Government grants

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

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

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

3.4 Group accounting

Subsidiaries

(a) *Consolidation*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3. Significant accounting policies (continued)

3.4 Group accounting (continued)

Subsidiaries (continued)

(a) *Consolidation* (continued)

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

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

(b) *Acquisitions*

The acquisition method of accounting is used to account for business combinations by the Group that were not under common control.

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

Acquisition related costs are expensed as incurred.

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

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

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

Merger accounting is used to account for business combinations by the Group that were under common control. Under merger accounting, the assets and liabilities of the acquiree are brought into the Group's books based on their existing carrying values. Accounting policies of the acquiree have been changed where necessary to ensure consistency with the policies adopted by the Group. The difference between the purchase consideration transferred over the carrying value of the net assets of the acquiree is recorded in a separate component in equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3. Significant accounting policies (continued)

3.4 Group accounting (continued)

Subsidiaries (continued)

(c) *Disposals*

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

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

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

(d) *Transactions with non-controlling interests*

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

3.5 Property, plant and equipment

(a) *Measurement*

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

The cost of an item of property, plant and equipment initially recognised includes its purchase price, capitalized borrowing costs and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) *Depreciation*

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3. Significant accounting policies (continued)

3.5 Property, plant and equipment (continued)

(c) Subsequent expenditure

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

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other gains and losses". Any amount in asset revaluation reserve relating to that asset is transferred to retained profits directly.

3.6 Intangible assets

Goodwill on acquisitions

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

Goodwill on acquisitions of subsidiaries and businesses is recognised separately as intangible assets and carried at cost less accumulated impairment losses. It is assessed to have an indefinite useful life, and is not amortised.

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold.

3.7 Lease prepayments

Lease prepayments represent prepaid operating lease payments for land 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.

3.8 Borrowing costs

Borrowing 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.

3.9 Investment properties and investment properties under development

Investment properties (including those under development) are properties held for long-term rental yields and/or for capital appreciation. Investment properties include land under operating leases that is held for long-term capital appreciation or for a currently indeterminate use and properties that are being constructed or developed for future use as investment properties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3. Significant accounting policies (continued)

3.9 Investment properties and investment properties under development (continued)

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest-and-best-use basis. Changes in fair values are recognised in profit or loss.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment properties and investment properties under development only when there is a change in use. For a transfer from owner-occupied property to investment properties and investment properties under development, the property is accounted for in accordance with the accounting policy for property, plant and equipment up to the date of the transfer.

3.10 Investment in subsidiaries

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

3.11 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

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

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

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

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

(b) Lease prepayments

Property, plant and equipment
Investment in subsidiaries

Lease prepayments, property, plant and equipment and investment in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3. Significant accounting policies (continued)

3.11 Impairment of non-financial assets (continued)

- (b) *Lease prepayments*
Property, plant and equipment
Investment in subsidiaries

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

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

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

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

3.12 Loans and receivables

- Cash and cash equivalents*
Trade and other receivables

Cash and cash equivalents and trade and other receivables are initially recognised at their fair values plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

The Group assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

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

These assets are presented as current assets except for those that are expected to be realised later than 12 months after the balance sheet date, which are presented as non-current assets.

3.13 Financial guarantees

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3. Significant accounting policies (continued)

3.13 Financial guarantees (continued)

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

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

Intra-group transactions are eliminated on consolidation.

3.14 Offsetting financial instruments

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

3.15 Borrowings

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

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

Borrowings are derecognised when the obligation is discharged, cancelled or expired. The difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.16 Trade and other payables

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

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

3.17 Leases

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

The Group leases office space under operating leases from non-related parties.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3. Significant accounting policies (continued)

3.17 Leases (continued)

(b) *When the Group is the lessor:*

The Group leases investment properties under operating leases to non-related parties.

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

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

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

3.18 Inventories

Inventories comprising pharmacy and medical and surgical supplies are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method and comprises all costs of purchase and other costs incurred in bring the inventories to their present location and conditions. Allowance is made for all damaged, expired and slow moving items.

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

3.19 Income taxes

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

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

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

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

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3. Significant accounting policies (continued)

3.19 Income taxes (continued)

- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment properties measured at fair value are presumed to be recovered entirely through sale.

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

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

3.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events. It is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

3.21 Employee compensation

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

(a) *Defined contribution plans*

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

(b) *Short-term compensated absences*

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

3.22 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollars, which is the functional currency of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3. Significant accounting policies (continued)

3.22 Currency translation (continued)

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

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

(c) Translation of Group entities' financial statements

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

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

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

3.23 Segment reporting

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

3.24 Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3. Significant accounting policies (continued)

3.25 Share capital

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

3.26 Dividends to Company's shareholders

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

3.27 Assets held-for-sale

Non-current assets are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

4. Critical accounting estimates, assumptions and judgements

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

4.1 Critical accounting estimates and assumptions

(a) *Fair value estimation of investment properties and investment properties under development*

Investment properties and investment properties under development are stated at fair value based on valuations performed by independent professional valuers. The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties had each acted knowledgeably and without compulsion.

The valuers have considered valuation techniques including the direct comparison method, capitalisation approach and/or discounted cash flows, where appropriate.

The fair value of investment properties and investment properties under development amounts to S\$250,465,000 (2013: S\$216,736,000) and S\$107,150,000 (2013: S\$82,294,000) respectively.

(b) *Estimated impairment of non-financial assets*

Goodwill is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Lease prepayments and property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The recoverable amounts of these assets and where applicable, CGU, have been determined based on value-in-use calculations. These calculations require the use of estimates such as expected cash flows resulting from operating margin and expenses, discounting rate and growth rate (Note 18).

The carrying amount of goodwill arising on consolidation as at 31 December 2014 was S\$45,924,000 (2013: S\$43,121,000). If the management's budgeted gross margin reduced by 4% for the first 5 years and growth rate reduced by 3%, the recoverable amount will still be in excess of the carrying amount of goodwill in the CGU.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

4.2 Critical judgements in applying the entity's accounting policies

Distinction between Investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers the purpose and usage of the property. Properties held to earn rentals or for capital appreciation purpose are held as investment properties, while properties which are held for use in the production or supply of goods or services or for administrative purposes are held as property, plant and equipment.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts these portions separately.

If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

5. Revenue

| | Group | |
|----------------------|---------|---------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Healthcare services: | | |
| Medical services | 19,667 | 19,888 |
| Rental income | 15,771 | 11,427 |
| | 35,438 | 31,315 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

6. Expenses by nature

| | Group | |
|---|---------------|---------------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Purchases of inventories | 7,399 | 7,852 |
| Amortisation of lease prepayments | 293 | 291 |
| Depreciation of property, plant and equipment | 887 | 750 |
| Total amortisation and depreciation | 1,180 | 1,041 |
| Directors and employee compensation (Note 7) | 8,053 | 6,838 |
| Impairment loss on trade receivables | 51 | 138 |
| Advertising expense | 61 | 110 |
| Rental expense on operating lease | 367 | 103 |
| Medical consultancy fee | 2,193 | 2,034 |
| Legal and professional fee | 3,829 | 6,916 |
| Travelling expense | 410 | 193 |
| Utility expense | 395 | 266 |
| Repair and maintenance | 773 | 418 |
| Property tax | 1,651 | 979 |
| Insurance | 119 | 67 |
| Other expenses | 2,595 | 2,335 |
| Changes in inventories | 188 | 85 |
| Total cost of sales and administrative expenses | 29,264 | 29,375 |

7. Directors and employee compensation

| | Group | |
|--|--------------|--------------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Wages and salaries | 5,915 | 5,440 |
| Employer's contribution to pension funds | 1,136 | 913 |
| Other benefits | 740 | 324 |
| Directors' fee of the Company | 262 | 161 |
| | 8,053 | 6,838 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

8. Other income

| | Group | |
|---|--------------|--------------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Interest income | | |
| - Loan to a related company | - | 362 |
| - Loan to a third party | 135 | - |
| - Bank deposits | 58 | 5 |
| Guarantee fee income | 3,625 | 2,549 |
| Rental income from assets held-for-sale (Note 17) | 4,384 | - |
| Corporate service fee income | - | 205 |
| Others | 1,563 | 1,696 |
| | 9,765 | 4,817 |

9. Other gains/(losses) – net

| | Group | |
|---|------------|--------------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Currency translation gains/(losses) | 389 | (956) |
| Gain on disposal of a subsidiary | - | 369 |
| Loss on disposal of property, plant and equipment | (4) | (9) |
| Others | 13 | - |
| | 398 | (596) |

10. Finance expenses

| | Group | |
|---|---------------|--------------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Interest expense | | |
| - Borrowings | 22,259 | 9,689 |
| Less: Amount capitalised in investment properties under development | (3,249) | (1,439) |
| Finance expense recognised in profit or loss | 19,010 | 8,250 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

11. Income tax expense

(a) Income tax expense

| | Group | |
|---|--------------|--------------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Tax expense attributable to profit is made up of: | | |
| Current income tax | | |
| - Foreign | 337 | 287 |
| Deferred income tax | 8,456 | 6,605 |
| | 8,793 | 6,892 |

Tax expense attributable to profit is made up of:

Current income tax

- Foreign

Deferred income tax

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

| | Group | |
|--|--------------|--------------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Profit before tax | 46,209 | 51,441 |
| Tax calculated at a tax rate of 17% (2013:17%) | 7,856 | 8,745 |
| Effects of: | | |
| - different tax rates in other countries | (80) | (770) |
| - income not subject to tax | (2,045) | (3,153) |
| - expenses not deductible for tax purposes | 1,600 | 1,062 |
| - deferred tax assets not recognised in respect of current year's tax losses | 1,462 | 1,008 |
| Income tax expense | 8,793 | 6,892 |

(b) Movement in income tax liabilities

| | Group | |
|----------------------------------|--------------|------------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Beginning of financial year | 916 | - |
| Acquisition of subsidiaries | - | 908 |
| Income tax paid | (199) | (340) |
| Tax expense | 337 | 287 |
| Currency translation differences | 23 | 61 |
| End of financial year | 1,077 | 916 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

11. Income tax expense (continued)

(c) *The tax (charge)/credit relating to each component of other comprehensive income is as follows:*

| Group | 2014 | | | 2013 | | |
|---|----------------------|----------------------|---------------------|----------------------|----------------------|---------------------|
| | Before tax \$'000 | Tax charge \$'000 | After tax \$'000 | Before tax \$'000 | Tax charge \$'000 | After tax \$'000 |
| Currency translation differences arising from consolidation | (4,074) | - | (4,074) | (1,829) | - | (1,829) |
| Revaluation gains on lease prepayments | 4,040 | (404) | 3,636 | - | - | - |
| Other comprehensive income | (34) | (404) | (438) | (1,829) | - | (1,829) |

12. Earnings per share

(a) Basic earnings per share

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

| | 2014 | 2013 |
|--|-----------|-----------|
| Profit attributable to equity holders of the Company (S\$'000) | 37,304 | 44,470 |
| Weighted average number of ordinary shares outstanding for basic earnings per share ('000) | 1,631,185 | 1,513,579 |
| Basic earnings per share (cents) | 2.29 | 2.94 |

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

The Company has an other payable balance of S\$7,562,000 (2013: Nil) (Note 24(a)) which can be repaid by ordinary shares of the Company. In accordance with the terms of the agreement, the payable balance is repayable in cash or a variable number of shares of the Company, based on the 15-day volume weighted average price of the Company's shares as at the maturity date. The other payable is assumed to have been converted into ordinary shares at issuance and the net profit is adjusted to eliminate the interest expense less the tax effect.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

12. Earnings per share (continued)

(b) Diluted earnings per share (continued)

Diluted earnings per share attributable to equity holders of the Company is calculated as follows:

| | 2014 | 2013 |
|--|------------------|-----------|
| Net profit used to determine diluted earnings per share (\$'000) | 37,304 | 44,470 |
| Weighted average number of ordinary shares outstanding for basic earnings per share ('000) | 1,631,185 | 1,513,579 |
| Adjustments for ('000) | | |
| - Other payables able to be settled in Shares (Note (a)) | 13,779 | - |
| | 1,644,964 | 1,513,579 |
| Diluted earnings per share (cents per share) | 2.27 | 2.94 |

(a) The number of shares is estimated based on the year-end stock price of the Company.

13. Cash and cash equivalents

| | Group | | Company | |
|--------------------------|---------------|---------|--------------|---------|
| | 2014 | 2013 | 2014 | 2013 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Cash on hand and at bank | 27,236 | 31,522 | 2,066 | 20 |
| Short-term bank deposits | 3,789 | 3,750 | 3,778 | 3,750 |
| | 31,025 | 35,272 | 5,844 | 3,770 |

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

| | Group | |
|-----------------------------------|----------------|---------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Cash and bank balances (as above) | 31,025 | 35,272 |
| Less: Bank deposits pledged | (3,750) | (3,750) |
| | 27,275 | 31,522 |

Bank deposits of S\$3,750,000 (2013: S\$3,750,000) are pledged in relation to the security granted for certain borrowings (Note 25(b)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

13. Cash and cash equivalents (continued)

Bank balances of S\$16,575,000 (2013: S\$26,454,000) are included as part of the floating charge to third parties for borrowings of the Group (Note 25(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.

Acquisition of subsidiaries

Please refer to Note 35 for the effects of acquisition of subsidiaries on the cash flows of the Group.

14. Trade and other receivables

| | Group | | Company | |
|---|---------|---------|---------|---------|
| | 2014 | 2013 | 2014 | 2013 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Trade receivables | 2,565 | 2,285 | - | - |
| Less: Allowance for impairment of receivables - non-related parties | (51) | - | - | - |
| Trade receivables - net | 2,514 | 2,285 | - | - |
| Other receivables (Note (a)) | 5,883 | 5,024 | 3,230 | 1,696 |
| Amount owing from related parties | 8,204 | 6,748 | 5,360 | 5,381 |
| Amount owing from subsidiaries | - | - | 156,807 | 99,175 |
| Consumption tax receivable - net | - | 2,585 | - | - |
| | 16,601 | 16,642 | 165,397 | 106,252 |

Amounts owing from related parties and subsidiaries are unsecured, interest-free and repayable on demand, except for a loan by the Company to a subsidiary of S\$18,732,000 (2013: S\$14,833,000) for which an interest rate of 14% (2013: 14%) per annum was charged, which is also unsecured and repayable upon demand.

- (a) An amount of S\$5,073,000 (2013: S\$1,696,000) was included in other receivables of the Group, which is due from a non-controlling shareholder of a subsidiary of the Company. This balance is unsecured, interest-free and repayable upon demand. Please refer to Note 30(a) for the ongoing litigation between the Group and the non-controlling shareholder.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

15. Other current assets

| | Group | | Company | |
|---------------------|---------------|------------|------------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Deposits (Note (a)) | 37,840 | 339 | 57 | 57 |
| Prepayments | 2,117 | 23 | 230 | - |
| | 39,957 | 362 | 287 | 57 |

- (a) Included within the deposits balance of the Group is an amount of S\$28,065,000 (2013: Nil) which relates to the deposits paid for the Group's ongoing development project for an intended mixed-use maternity home development in Shanghai, China. Please refer to Note 30(b) for the ongoing litigation between the Group and the Vendor of this development project.

16. Inventories

| | Group | |
|-------------------------------|------------|------------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Pharmacy supplies | 501 | 681 |
| Medical and surgical supplies | 47 | 48 |
| | 548 | 729 |

The cost of inventories recognised as an expense and included in "cost of sales" amounted to S\$7,587,000 (2013: S\$7,937,000).

17. Assets held-for-sale

Assets held-for-sale comprised of two commercial properties in Melbourne, Australia for which the Group's Board of Directors had committed to a plan for the sale of these properties on 29 September 2014. Accordingly, these properties were transferred from investment properties (Note 21) to assets held-for-sale.

Efforts to sell these properties have commenced, and a letter of intent had been entered into with a non-related buyer for this sale, which is expected to complete in June 2015.

These properties were stated at the lower of its carrying amount and its fair value less costs to sell. These properties were stated at cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

17. Assets held-for-sale (continued)

(a) Details of the assets classified as held-for-sale are as follows:

| | Group |
|-------------------------|---------------|
| | 2014 |
| | S\$'000 |
| - Investment properties | <u>92,993</u> |

| Location | Existing use | Site and gross floor area | Percentage Interest held by Group |
|---------------------------------------|-----------------------------|--|-----------------------------------|
| 541 St Kilda Rd, Melbourne, Australia | 6-Storey Office building | Site area: 2,846m ² Gross floor area: 8,251m ² | 100% |
| 553 St Kilda Rd, Melbourne, Australia | 7-Storey Office building | Site area: 3,044m ² Gross floor area: 10,155.3m ² | 100% |

(b) The following amounts relating to assets held-for-sale are recognised in profit and loss:

| | Group | |
|--|----------------|---------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Rental income (Note 8) | 4,384 | - |
| Direct operating expenses arising from: | | |
| - Investment properties that generated rental income | <u>(1,619)</u> | - |

(c) Expenses recognised in other comprehensive income relating to assets held-for-sale as follows:

| | Group |
|------------------------------------|--------------|
| | 2014 |
| | S\$'000 |
| - Currency translation differences | <u>2,998</u> |

(d) Assets held-for-sale are mortgaged to secure certain borrowings (Note 25(a) and (d)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

18. Intangible assets

| | Group | |
|-----------------------------------|---------|---------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Goodwill arising on consolidation | 45,924 | 43,121 |

| | Group | |
|----------------------------------|---------|---------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Cost | | |
| Beginning of financial year | 43,121 | - |
| Acquisition of subsidiaries | - | 43,121 |
| Currency translation differences | 2,803 | - |
| End of financial year | 45,924 | 43,121 |

Impairment test for goodwill

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

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

Key assumptions used for value-in-use calculations:

| 2014 | People's Republic of China |
|--|----------------------------|
| | % |
| Gross margin ¹ | 32 |
| Growth rate ² | |
| - from 2015 to 2019 | 11 - 13 |
| - from 2020 to 2031 | 5 |
| - terminal growth rate from 2032 to 2054 | 3 |
| Discount rate ³ | 13.75 |

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

18. Intangible assets (continued)

Key assumptions used for value-in-use calculations: (continued)

| 2013 | People's Republic of China |
|--|-------------------------------|
| | % |
| Gross margin ¹ | 32 |
| Growth rate ² | |
| - from 2014 to 2018 | 15 - 26 |
| - from 2019 to 2030 | 5 |
| - terminal growth rate from 2031 to 2054 | 3 |
| Discount rate ³ | 13.75 |

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

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

The carrying amount of goodwill arising on consolidation as at 31 December 2014 was S\$45,924,000 (2013: S\$43,121,000). If the management's budgeted gross margin reduced by 4% for the first 5 years and growth rate reduced by 3%, the recoverable amount will still be in excess of the carrying amount of goodwill in the CGU.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

19. Lease prepayments

| | | Group |
|---|------|----------------------|
| | | S\$'000 |
| Group | | |
| 2014 | Note | |
| <i>Cost</i> | | |
| Beginning of financial year | | 14,888 |
| Transferred to investment properties under development (Note (b)) | 22 | (11,040) |
| Revaluation surplus | | 4,040 |
| Currency translation differences | | 285 |
| End of financial year | | <u>8,173</u> |
| <i>Accumulated amortisation</i> | | |
| Beginning of financial year | | 2,382 |
| Transferred to investment properties under development (Note (b)) | 22 | (1,237) |
| Amortisation charge | 6 | 293 |
| Currency translation differences | | 56 |
| End of financial year | | <u>1,494</u> |
| Net book value | | |
| End of financial year | | <u>6,679</u> |
| 2013 | | |
| <i>Cost</i> | | |
| Beginning of financial year | | - |
| Acquisition of subsidiaries | | 13,955 |
| Currency translation differences | | 933 |
| End of financial year | | <u>14,888</u> |
| <i>Accumulated amortisation</i> | | |
| Beginning of financial year | | - |
| Acquisition of subsidiaries | | 1,954 |
| Amortisation charge | 6 | 291 |
| Currency translation differences | | 137 |
| End of financial year | | <u>2,382</u> |
| Net book value | | |
| End of financial year | | <u>12,506</u> |

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

(b) During the year, the Group's Board of Directors had committed to a development plan relating to this land. A portion of this land is intended to be redeveloped for future rental purpose, with the remaining portion redeveloped for own use. Due to the change in use of asset, lease prepayments of net book value of S\$9,803,000 was transferred to investment properties under development (Note 22).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

20. Investment in subsidiaries

| | Company | |
|--|---------|---------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| <i>Equity investments at cost</i> | | |
| Beginning of financial year | 71,754 | - |
| Acquisition of subsidiaries (Note 35) | 8,790 | 71,103 |
| Corporate guarantees issued for subsidiaries' borrowings | 2,767 | 651 |
| End of financial year | 83,311 | 71,754 |

The Group had the following subsidiaries as at 31 December 2014 and 2013:

| Name | Principal activities | Country of business/ incorporation | Proportion of ordinary shares directly held by parent | | Proportion of ordinary shares held by the Group | | Proportion of ordinary shares held by non-controlling interests | | Proportion of preference shares held by the Group | |
|---|----------------------|------------------------------------|---|------|---|------|---|------|---|------|
| | | | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Held by the Company | | | | | | | | | | |
| IHC KLCC Investment Pte. Ltd. ^(a) | Investment holding | Singapore | 100 | 100 | 100 | 100 | - | - | - | - |
| IHC Wuxi Hospital Pte. Ltd. ^(a) | Investment holding | Singapore | 100 | 100 | 100 | 100 | - | - | - | - |
| IHC Chengdu Women and Child Hospital Pte. Ltd. ^(a) | Investment holding | Singapore | 100 | 100 | 100 | 100 | - | - | - | - |
| IHC Medical Assets Pte. Ltd. ^(a) | Investment holding | Singapore | 100 | 100 | 100 | 100 | - | - | - | - |
| IHC Japan Medical Facilities Pte. Ltd. ^(a) | Investment holding | Singapore | 100 | 100 | 100 | 100 | - | - | - | - |
| IHC Japan Medical Resources Pte. Ltd. ^(a) | Investment holding | Singapore | 100 | - | 100 | - | - | - | - | - |
| IHC Japan Medical Assets Pte. Ltd. ^(a) | Investment holding | Singapore | 100 | - | 100 | - | - | - | - | - |
| IHC Management Pte. Ltd. ^(a) | Investment holding | Singapore | 100 | - | 100 | - | - | - | - | - |
| IHC Medical RE Pte. Ltd. ^(a) | Investment holding | Singapore | 100 | - | 100 | - | - | - | - | - |
| IHC Management (Australia) Pty. Ltd. ^(f) | Investment holding | Australia | 100 | - | 100 | - | - | - | - | - |
| IHC Shanghai Medical Village Pte. Ltd. ^(a) | Investment holding | Singapore | 100 | - | 100 | - | - | - | - | - |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

20. Investment in subsidiaries (continued)

| Name | Principal activities | Country of business/ incorporation | Proportion of ordinary shares directly held by parent | | Proportion of ordinary shares held by the Group | | Proportion of ordinary shares held by non-controlling interests | | Proportion of preference shares held by the Group | |
|---|---|------------------------------------|---|------|---|------|---|------|---|------|
| | | | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Held by subsidiaries | | | | | | | | | | |
| IHC Seasons Residences Sdn. Bhd. ^(b) | Development of and investment in properties | Malaysia | 100 | 100 | 100 | 100 | - | - | - | - |
| Keystone Icons Sdn. Bhd. ^(b) | Development of and investment in properties | Malaysia | 100 | 100 | 100 | 100 | - | - | - | - |
| IHC Star Limited ^(c) | Investment holding | British Virgin Islands | 100 | 100 | 100 | 100 | - | - | - | - |
| IHC Peak Limited ^(c) | Investment holding | British Virgin Islands | 100 | 100 | 100 | 100 | - | - | - | - |
| IHC Summit Limited ^(c) | Investment holding | British Virgin Islands | 100 | 100 | 100 | 100 | - | - | - | - |
| IHC Apex Limited ^(c) | Investment holding | British Virgin Islands | 100 | - | 100 | - | - | - | - | - |
| IHC Medical Facilities (HK) Limited ^(d) | Investment holding | Hong Kong | 100 | 100 | 100 | 100 | - | - | - | - |
| IHC Medical Services (HK) Limited ^(d) | Investment holding | Hong Kong | 100 | 100 | 100 | 100 | - | - | - | - |
| IHC Medical Assets (HK) Limited ^(d) | Investment holding | Hong Kong | 100 | 100 | 100 | 100 | - | - | - | - |
| IHC Medical Holdings (HK) Limited ^(d) | Investment holding | Hong Kong | 100 | - | 100 | - | - | - | - | - |
| IHC Senior Housing (HK) Limited ^(d) | Investment holding | Hong Kong | 100 | - | 100 | - | - | - | - | - |
| IHC Management (HK) Limited ^(d) | Investment holding | Hong Kong | 100 | - | 100 | - | - | - | - | - |
| IHC IVF Specialist Clinic (HK) Limited ^(d) | Investment holding | Hong Kong | 100 | - | 100 | - | - | - | - | - |
| IHC Medical Clinic Management (HK) Limited ^(d) | Investment holding | Hong Kong | 100 | - | 100 | - | - | - | - | - |

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

20. Investment in subsidiaries (continued)

| Name | Principal activities | Country of business/ incorporation | Proportion of ordinary shares directly held by parent | | Proportion of ordinary shares held by the Group | | Proportion of ordinary shares held by non-controlling interests | | Proportion of preference shares held by the Group | |
|---|---|------------------------------------|---|------|---|------|---|------|---|------|
| | | | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Held by subsidiaries | | | | | | | | | | |
| IHC Hospital Investment Holding (HK) Limited ^(d) | Investment holding | Hong Kong | 100 | - | 100 | - | - | - | - | - |
| IHC Hospital Management (HK) Limited ^(d) | Investment holding | Hong Kong | 100 | - | 100 | - | - | - | - | - |
| IHC Healthcare REIT ^(a) | Investment holding | Singapore | 100 | - | 100 | - | - | - | - | - |
| IHC Australia First Trust ^(k) | Investment in properties | Australia | 100 | - | 100 | - | - | - | - | - |
| Kang Hui (Chengdu) Assets Co., Ltd. ^(e) | Development of and investment in properties | People's Republic of China | 100 | 100 | 100 | 100 | - | - | - | - |
| Kang Hui Maternity Center Services (Shanghai) Co., Ltd. ^(e) | Development of and investment in properties | People's Republic of China | 100 | - | 100 | - | - | - | - | - |
| Kang Mai Investment Management (Shanghai) Co., Ltd. ^(f) | Investment holding | People's Republic of China | 100 | - | 100 | - | - | - | - | - |
| Hao Lin Medical Investment Management (Shanghai) Co., Ltd. ^(f) | Investment holding | People's Republic of China | 100 | - | 100 | - | - | - | - | - |
| Kang Yi Hospital Investment Holding (Shanghai) Co., Ltd. ^(f) | Investment holding | People's Republic of China | 100 | - | 100 | - | - | - | - | - |
| Kang Shi Hospital Management (Shanghai) Co., Ltd. ^(f) | Investment holding | People's Republic of China | 100 | - | 100 | - | - | - | - | - |
| Kang Hui (Wuxi) Investment Management Co., Ltd. ^(f) | Investment holding | People's Republic of China | 100 | - | 100 | - | - | - | - | - |
| IHC Japan One ISH ^(c) | Investment holding | Japan | 50 | 50 | 50 | 50 | 50 | 50 | - | - |
| IHC Japan 1 GK ^(c) | Investment holding | Japan | 100 | 100 | 100 | 100 | - | - | - | - |

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

20. Investment in subsidiaries (continued)

| Name | Principal activities | Country of business/ incorporation | Proportion of ordinary shares directly held by parent | | Proportion of ordinary shares held by the Group | | Proportion of ordinary shares held by non-controlling interests | | Proportion of preference shares held by the Group | |
|---|---|------------------------------------|---|-------|---|--------|---|-------|---|------|
| | | | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Held by subsidiaries | | | | | | | | | | |
| IHC Japan 2 GK ^(c) | Investment holding | Japan | 100 | - | 100 | - | - | - | - | - |
| IHC Japan First TMK ^(g) | Investment in properties | Japan | 75 | 75 | 62.50* | 62.50* | 37.50 | 37.50 | 100 | 100 |
| Health Kind International Limited ^(h) | Investment holding | Hong Kong | 76.50 | 76.50 | 76.50 | 76.50 | 23.50 | 23.50 | - | - |
| Health Kind International (Shanghai) Co., Ltd. ⁽ⁱ⁾ | Investment holding | People's Republic of China | 98 | 98 | 74.97 | 74.97 | 25.03 | 25.03 | - | - |
| Wuxi New District Phoenix Hospital Co., Ltd. ^(j) | Operation of a general hospital | People's Republic of China | 100 | 100 | 74.97 | 74.97 | 25.03 | 25.03 | - | - |
| Healthkind Medical Holding Co., Ltd. ^(k) | Development of and investment in properties | People's Republic of China | 100 | 100 | 76.50 | 76.50 | 23.50 | 23.50 | - | - |

(a) Audited by PricewaterhouseCoopers 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), People's Republic of China

(f) Incorporated during the financial year end and auditor had yet to be appointed

(g) Audited by PricewaterhouseCoopers, Japan

(h) Audited by Acutus CPA Limited, Hong Kong

(i) Audited by Shanghai Zhong Chuang Certified Public Accountants, People's Republic of China

(j) Audited by Wuxi Xin Cheng Certified Public Accountants, People's Republic of China

(k) Audited by GMK Partners Pty Ltd, Australia

* 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 benefit 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

20. Investment in subsidiaries (continued)

The Directors are 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.

Significant restrictions

Cash and short term deposits of S\$8,373,000 (2013: S\$4,288,000) in the Group are held in the People's Republic of China (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.

21. Investment properties

| | Group |
|---|----------------|
| | S\$'000 |
| 2014 | |
| Beginning of financial year | 216,736 |
| Additions | 103,655 |
| Transferred to assets held-for-sale (Note 17) | (95,991) |
| Fair value gain recognised in profit or loss | 44,134 |
| Currency translation differences | (18,069) |
| | <u>250,465</u> |
| 2013 | |
| Beginning of financial year | - |
| Additions | 198,547 |
| Fair value gain recognised in profit or loss | 31,178 |
| Currency translation differences | (12,989) |
| | <u>216,736</u> |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

21. Investment properties (continued)

As at balance sheet date, the details of the investment properties, which are freehold, are as set out below:

| Investment Property | Usage | Location |
|--|--------------------------|-----------------|
| Varus Fujino | Skilled nursing facility | Hokkaido, Japan |
| Varus Ishiyama | Skilled nursing facility | Hokkaido, Japan |
| Varus Kotoni | Skilled nursing facility | Hokkaido, Japan |
| Varus Makomanai-Koen | Skilled nursing facility | Hokkaido, Japan |
| Varus Tsukisamu-Koen | Skilled nursing facility | Hokkaido, Japan |
| Varus Cuore Yamanote | Skilled nursing facility | Hokkaido, Japan |
| Varus Cuore Sapporo-Kita/ Varus Cuore Sapporo-Kita Annex | Skilled nursing facility | Hokkaido, Japan |
| ElySION Gakuenmae | Skilled nursing facility | Nara, Japan |
| ElySION Mamigaoka / ElySION Mamigaoka Annex | Skilled nursing facility | Nara, Japan |
| ElySION Amanohashidate | Skilled nursing facility | Kyoto, Japan |
| ElySION Kaichi North | Skilled nursing facility | Nagano, Japan |
| ElySION Kaichi West | Skilled nursing facility | Nagano, Japan |

Investment properties are leased to non-related parties under operating leases (Note 31(b)), and have lease tenures ending 25 April 2043.

The following amounts are recognised in profit and loss for the above properties:

| | Group | |
|--|-----------------|-----------------|
| | 2014 S\$'000 | 2013 S\$'000 |
| Rental income (Note 5) | 15,771 | 11,427 |
| Direct operating expenses arising from: | | |
| - Investment properties that generated rental income | (1,531) | (1,031) |

All the investment properties are mortgaged to secure the TMK Bonds (Note 25(c)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

21. Investment properties (continued)

Fair value hierarchy - Recurring fair value measurements

| Description | Fair value measurements using | | |
|--------------------------------------|--|---|---|
| | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| | S\$'000 | S\$'000 | S\$'000 |
| 31 December 2014 | | | |
| - Skilled nursing facilities - Japan | - | - | 250,465 |
| 31 December 2013 | | | |
| - Skilled nursing facilities - Japan | - | - | 216,736 |

Valuation techniques and inputs used in Level 3 fair value measurements

The following table presents the valuation techniques and key inputs that were used to determine the fair value of investment properties categorised under Level 3 of the fair value hierarchy:

| Description | Fair value S\$'000 | Valuation technique | Unobservable inputs | Range of unobservable inputs | Relationship of unobservable inputs to fair value |
|------------------------------------|----------------------------|---------------------|------------------------------|------------------------------------|--|
| Skilled nursing facilities - Japan | 250,465 (2013: 216,736) | Income Approach | Discount rate | 4.7% - 5.1% (2013: 5.8% - 6.4%) | The higher the discount rate/ terminal capitalisation rate, the lower the fair value |
| | | | Terminal Capitalisation rate | 5% - 5.4% (2013: 6.1% - 6.7%) | |

Valuation processes of the Group

The Group engages external, independent and qualified valuers to determine the fair value of the Group's properties at the end of every financial year based on the properties' highest and best use. As at 31 December 2014, the fair values of the properties have been determined by Colliers International (2013: Savills Japan Co., Ltd).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

22. Investment properties under development

| | Group |
|--|----------------|
| | S\$'000 |
| 2014 | |
| Beginning of financial year | 82,294 |
| Additions | 11,086 |
| Fair value gain recognised in profit or loss | 4,748 |
| Transferred from lease prepayments (Note 19) | 9,803 |
| Currency translation differences | (781) |
| End of financial year | <u>107,150</u> |
| 2013 | |
| Beginning of financial year | 46,000 |
| Additions | 15,061 |
| Fair value gain recognised in profit or loss | 22,352 |
| Currency translation differences | (1,119) |
| End of financial year | <u>82,294</u> |

An investment property under development amounting to S\$68,538,000 (2013: S\$61,050,000) is mortgaged to secure bank borrowings (Note 25(d)).

Fair value hierarchy - Recurring fair value measurements

| Description | Fair value measurements using | | |
|-------------------------------------|--|---|---|
| | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| | S\$'000 | S\$'000 | S\$'000 |
| 31 December 2014 | | | |
| - Land – Dujiangyan, Chengdu, China | - | - | 27,791 |
| - Land – Kuala Lumpur, Malaysia | - | - | 68,538 |
| - Land – Wuxi, China | - | - | 10,821 |
| 31 December 2013 | | | |
| - Land – Dujiangyan, Chengdu, China | - | - | 21,244 |
| - Land – Kuala Lumpur, Malaysia | - | - | 61,050 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

22. Investment properties under development

Valuation techniques and inputs use in derive Level 3 fair value measurements

The following table presents the valuation techniques and key inputs that were used to determine the fair value of investment properties under development categorised under Level 3 of the fair value hierarchy:

| Description | Unexpired term of the leasehold land | Fair value S\$'000 | Valuation techniques | Unobservable inputs | Range | Relationship of unobservable inputs to fair value |
|-------------------------------------|--------------------------------------|--------------------------|--|---|--|--|
| - Land – Dujiangyan, Chengdu, China | 48 years | 27,791 (2013: 21,244) | Income Approach (2013: Direct Comparison) | Discount Rate (2013: Price per square meter) | 15.3% (2013: S\$428 - S\$233) | The higher the discount rate, the lower the fair value |
| - Land – Kuala Lumpur, Malaysia | 93 years | 68,538 (2013: 61,050) | Direct Comparison | Price per square meter | S\$13,511 - S\$8,138 (2013: S\$13,779 - S\$8,301) | The higher the price per square meter, the higher the fair value |
| - Land – Wuxi, China | 40 years | 10,821 (2013: Nil) | Income Approach | Discount Rate | 13.0% | The higher the discount rate, the lower the fair value |

Valuation processes of the Group

The Group engages external, independent and qualified valuers to determine the fair value of the Group's properties at the end of every financial year based on the properties' highest and best use. As at 31 December 2014, the fair values of the land in China and Malaysia have been determined by Savills Valuation and Professional Services Limited and Raine & Horne International Zaki + Partners Sdn. Bhd. Respectively (2013: DTZ Debenham Tie Leung Limited and Raine & Horne International Zaki + Partners Sdn. Bhd. Respectively).

There were no changes in valuation techniques during the year except that the valuation technique for the Land – Dujiangyan, Chengdu, China was changed from the Direct Comparison approach to Income Approach as the Group has finalised its development plan during the financial year ended 31 December 2014 and Income Approach will better reflect the value of the land for the development plan that the Group adopts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

23. Property, plant and equipment

| Group | Note | Office renovation, furniture, fixtures and equipment | | | | Total |
|----------------------------------|------|--|-------------------|----------------|------------|--------------|
| | | Buildings | Medical equipment | Motor vehicles | | |
| | | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| 2014 | | | | | | |
| Cost | | | | | | |
| Beginning of financial year | | 4,820 | 825 | 4,764 | 245 | 10,654 |
| Additions | | - | 122 | 357 | 172 | 651 |
| Disposals | | - | (10) | (206) | - | (216) |
| Currency translation differences | | 93 | 14 | 77 | 11 | 195 |
| End of financial year | | 4,913 | 951 | 4,992 | 428 | 11,284 |
| Accumulated depreciation | | | | | | |
| Beginning of financial year | | 1,033 | 427 | 2,567 | 165 | 4,192 |
| Depreciation charge | 6 | 137 | 127 | 606 | 17 | 887 |
| Disposals | | - | (7) | (205) | - | (212) |
| Currency translation differences | | 25 | 10 | 64 | 5 | 104 |
| End of financial year | | 1,195 | 557 | 3,032 | 187 | 4,971 |
| Net book value | | | | | | |
| End of financial year | | 3,718 | 394 | 1,960 | 241 | 6,313 |
| 2013 | | | | | | |
| Cost | | | | | | |
| Beginning of financial year | | - | - | - | - | - |
| Acquisition of subsidiaries | | 4,518 | 629 | 3,167 | 230 | 8,544 |
| Additions | | - | 259 | 1,460 | - | 1,719 |
| Disposals | | - | (18) | (94) | - | (112) |
| Disposal of a subsidiary | | - | (84) | (11) | - | (95) |
| Currency translation differences | | 302 | 39 | 242 | 15 | 598 |
| End of financial year | | 4,820 | 825 | 4,764 | 245 | 10,654 |
| Accumulated depreciation | | | | | | |
| Beginning of financial year | | - | - | - | - | - |
| Acquisition of subsidiaries | | 839 | 342 | 2,016 | 133 | 3,330 |
| Depreciation charge | 6 | 135 | 95 | 497 | 23 | 750 |
| Disposals | | - | (13) | (90) | - | (103) |
| Disposal of a subsidiary | | - | (21) | (1) | - | (22) |
| Currency translation differences | | 59 | 24 | 145 | 9 | 237 |
| End of financial year | | 1,033 | 427 | 2,567 | 165 | 4,192 |
| Net book value | | | | | | |
| End of financial year | | 3,787 | 398 | 2,197 | 80 | 6,462 |

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

23. Property, plant and equipment (continued)

| | Office renovation, furniture, fixtures and equipment | Total |
|------------------------------|--|-----------|
| | S\$'000 | S\$'000 |
| Company | | |
| 2014 | | |
| Cost | | |
| Beginning of financial year | 28 | 28 |
| Additions | 75 | 75 |
| End of financial year | 103 | 103 |
| Accumulated depreciation | | |
| Beginning of financial year | 1 | 1 |
| Depreciation charge | 19 | 19 |
| End of financial year | 20 | 20 |
| Net book value | | |
| End of financial year | 83 | 83 |
| 2013 | | |
| Cost | | |
| Beginning of financial year | - | - |
| Additions | 28 | 28 |
| End of financial year | 28 | 28 |
| Accumulated depreciation | | |
| Beginning of financial year | - | - |
| Depreciation charge | 1 | 1 |
| End of financial year | 1 | 1 |
| Net book value | | |
| End of financial year | 27 | 27 |

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

24. Trade and other payables

| | Group | | Company | |
|--|---------------|---------------|---------------|--------------|
| | 2014 | 2013 | 2014 | 2013 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Current | | | | |
| Trade payables | 4,898 | 4,348 | - | - |
| Other payables (Note (a)) | 23,780 | 2,133 | 9,303 | 73 |
| Amount owing to related parties (Note (b)) | 12,733 | 2,395 | 11,138 | - |
| Amount owing to subsidiaries (Note (b)) | - | - | 7,751 | 2,507 |
| Accrued expenses | 6,223 | 3,217 | 2,197 | 423 |
| Deferred revenue | 1,287 | 1,334 | - | - |
| Advances received from patients | 6 | 14 | - | - |
| | 48,927 | 13,441 | 30,389 | 3,003 |
| Non-current | | | | |
| Rental deposit received in advance | 5,664 | 5,661 | - | - |
| Deferred rental income (Note (c)) | 1,174 | 1,470 | - | - |
| Amount owing to a related party (Note (b)) | 8,000 | - | 8,000 | - |
| | 14,838 | 7,131 | 8,000 | - |
| Total trade and other payables | 63,765 | 20,572 | 38,389 | 3,003 |

- (a) Included within the other payables balance is a payable of S\$7,562,000 (2013: Nil) to a non-related party. In accordance with the terms of the agreement, the payable balance is repayable in cash or a variable number of shares of the Company, based on the 15-day volume weighted average price of IHC shares as at the maturity date. As the Group do not have an unconditional right to avoid delivering cash to settle this contractual obligation, this payable has been classified as a financial liability.
- (b) The current amounts owing to related parties and subsidiaries are unsecured, interest-free and repayable on demand. The non-current amount owing to a shareholder is unsecured, interest-free and not expected to be repayable within 1 year from balance sheet date.
- (c) The fair value of rental deposit received in advance is estimated to approximate its carrying value, which is determined from the cumulative deposit received and discounted at 2.54% (2013: 2.54%). The fair value had been determined from the cash flow analyses, discounted at market borrowing rates, and is within level 2 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

25. Borrowings

| | Group | | Company | |
|--|----------------|----------------|---------------|--------------|
| | 2014 | 2013 | 2014 | 2013 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| <i>Current</i> | | | | |
| Loans from third parties (Note (a)) | 61,896 | 2,750 | 21,499 | - |
| Loans from financial institutions (Note (b)) | 5,226 | 1,892 | 4,509 | 1,244 |
| TMK Bonds (Note (c)) | 1,224 | 3,976 | - | - |
| Bank Borrowings (Note (d)) | 59,484 | 1,046 | 6,000 | - |
| | 127,830 | 9,664 | 32,008 | 1,244 |
| <i>Non-current</i> | | | | |
| Loans from third parties (Note (a)) | 11,196 | 36,120 | - | - |
| Loans from financial institutions (Note (b)) | 252 | 5,460 | - | 4,509 |
| TMK Bonds (Note (c)) | 142,357 | 148,135 | - | - |
| Bank Borrowings (Note (d)) | 27,333 | 23,981 | - | - |
| | 181,138 | 213,696 | - | 4,509 |
| Total borrowings | 308,968 | 223,360 | 32,008 | 5,753 |

Total borrowings include secured liabilities of S\$306,623,000 (2013: S\$221,060,000) and S\$32,008,000 (2013: S\$5,753,000) of the Group and the Company respectively.

(a) Loans from third parties

The loans from third parties are secured against:

- (i) first fixed charges created over the entire issued share capital of certain subsidiaries of the Company;
- (ii) a corporate guarantee from the Company and a subsidiary (Note 26);
- (iii) joint and several guarantee by a director of the Company and two related parties;
- (iv) a floating charge over bank deposits of certain subsidiaries of the Company (Note 13);
- (v) debenture over all assets and rights of certain subsidiaries of the Company;
- (vi) mortgage over the investment properties classified as held-for-sale (Note 17)
- (vii) deed of undertaking from certain subsidiaries of the Company; and
- (viii) deed of assignment in respect of payments made by a subsidiary to another subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

25. Borrowings (continued)

(b) *Loans from financial institutions*

The loans from financial institutions are secured against:

- (i) a fixed charge over a bank deposit of the Company (Note 13);
- (ii) joint and several guarantee by a director of the Company and a related party; and
- (iii) bank deposit of a non-controlling shareholder of a subsidiary of the Company.

(c) *TMK Bonds*

The TMK Bonds are secured against the total assets of a subsidiary of the Group which mainly comprise of investment properties (Note 21) and cash and cash equivalents (Note 13).

(d) *Bank Borrowings*

The bank borrowings are secured against:

- (i) a charge created over the land of a development project of the Group (Note 22);
- (ii) a deed of debenture over the assets and rights of the subsidiary pertaining to a development project of the Group (Note 22);
- (iii) a deed of assignment of the subsidiary full and entire rights and entitlements pertaining to a development project of the Group (Note 22);
- (iv) joint and several guarantee by a director of the Company and two related parties;
- (v) a second legal mortgage over certain asset of a related party of the Company;
- (vi) mortgage over the investment properties classified as held-for-sale (Note 17);
- (vii) a corporate guarantee from the Company (Note 26);
- (viii) a floating charge over the fixed deposit of a certain subsidiary of the Company (Note 13); and
- (ix) bank deposit of a non-controlling shareholder of a subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

25. Borrowings (continued)

(e) Fair value of non-current borrowings

| | Group | | Company | |
|-----------------------------------|---------|---------|---------|---------|
| | 2014 | 2013 | 2014 | 2013 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Loans from third parties | 12,468 | 39,116 | - | - |
| Loans from financial institutions | 252 | 5,460 | - | 4,509 |
| TMK Bonds | 142,357 | 148,135 | - | - |
| Bank Borrowings | 27,333 | 23,981 | - | - |

The fair values above are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group as follows:

| | Group | | Company | |
|-----------------------------------|-------|-------|---------|-------|
| | 2014 | 2013 | 2014 | 2013 |
| Loans from third parties | 5.90% | 5.75% | - | - |
| Loans from financial institutions | 7.81% | 6.11% | - | 5.75% |
| TMK Bonds | 5.94% | 5.46% | - | - |
| Bank Borrowings | 5.79% | 5.70% | - | - |

The fair values calculated above are within level 2 of the fair value hierarchy.

(f) Undrawn borrowing facilities

| | Group | | Company | |
|--------------------------|---------|---------|---------|---------|
| | 2014 | 2013 | 2014 | 2013 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Expiring beyond one year | 45,785 | 50,537 | - | - |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

26. Other liabilities

| | Company | |
|---------------------|--------------|------------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| <i>Current</i> | | |
| Corporate guarantee | 776 | 308 |
| <i>Non-current</i> | | |
| Corporate guarantee | 1,665 | 195 |
| | 2,441 | 503 |

Other liabilities of the Company are in relation to the corporate guarantees that the Company provided for its subsidiaries.

27. Deferred tax liabilities

Deferred income tax liabilities are shown on the balance sheet as follows:

| | Group | |
|---------------------------------|---------------|--------------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Deferred income tax liabilities | | |
| - To be settled within one year | - | - |
| - To be settled after one year | 14,744 | 6,303 |
| | 14,744 | 6,303 |

Movement in deferred income tax account is as follows:

| | Group | |
|----------------------------------|---------------|--------------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Beginning of financial year | 6,303 | - |
| Tax charge to | | |
| - profit or loss (Note 11(a)) | 8,456 | 6,605 |
| - equity (Note 11(c)) | 404 | - |
| Currency translation differences | (419) | (302) |
| End of financial year | 14,744 | 6,303 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

27. Deferred tax liabilities (continued)

| | Group | |
|---------------------------------|---------|---------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Deferred income tax liabilities | | |
| - Fair value gains | 14,744 | 6,303 |

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group had unrecognised tax losses of S\$851,000 (2013: S\$180,000) which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements, and for which the deferred tax benefits had not been recognised as their future realisation was uncertain. The tax losses have no expiry date.

Deferred income tax liabilities have not been recognised for the withholding and other taxes that will be payable on the earnings of overseas subsidiaries when remitted to the holding company. These unremitted profits are permanently reinvested and amount to S\$44,559,000 (2013: S\$31,318,000).

28. Share capital

| | Note | No. of ordinary shares | Amount |
|--|-------|------------------------|---------------|
| | | Issued share capital | Share capital |
| | | '000 | S\$'000 |
| Group and Company | | | |
| 2014 | | | |
| Beginning of financial year | | 1,604,845 | 176,429 |
| Issue of shares pursuant to acquisition of subsidiaries (Note (a)) | 2, 35 | 27,469 | 8,790 |
| End of financial year | | 1,632,314 | 185,219 |

The newly issued shares rank *pari passu* in all respects with the previously issued shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

28. Share capital (continued)

| | No. of ordinary shares | Amount |
|---|------------------------|---------------|
| | Issued share capital | Share capital |
| | '000 | S\$'000 |
| Group | | |
| 2013 | | |
| Beginning of financial year (Note (e)) | -* | 5,001 |
| Sub-division of shares pursuant to Restructuring Exercise | -* | - |
| Issue of shares pursuant to Restructuring Exercise | 1,420,000 | 84,020 |
| Issue of shares pursuant to acquisition of subsidiaries | 113,337 | 54,401 |
| Issue of shares pursuant to IPO (Note (b)) | 58,517 | 28,088 |
| Issue of shares pursuant to payment of professional fees (Note (c)) | 12,991 | 6,236 |
| Share issue expenses (Note (d)) | - | (1,317) |
| End of financial year | 1,604,845 | 176,429 |

* Amount less than 1,000 or S\$1,000

| | No. of ordinary shares | Amount |
|---|------------------------|---------------|
| | Issued share capital | Share capital |
| | '000 | S\$'000 |
| Company | | |
| 2013 | | |
| At date of incorporation (Note (e)) | -* | -* |
| Sub-division of shares pursuant to Restructuring Exercise | -* | -* |
| Issue of shares pursuant to Restructuring Exercise | 1,420,000 | 89,021 |
| Issue of shares pursuant to acquisition of subsidiaries | 113,337 | 54,401 |
| Issue of shares pursuant to IPO (Note (b)) | 58,517 | 28,088 |
| Issue of shares pursuant to payment of professional fees (Note (c)) | 12,991 | 6,236 |
| Share issue expenses (Note (d)) | - | (1,317) |
| End of financial year | 1,604,845 | 176,429 |

* Amount less than 1,000 or S\$1,000

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

28. Share capital (continued)

- (a) On 15 January 2014, the Company issued 27,469,000 ordinary shares at S\$0.32 per share as consideration for acquisition of IHC Shanghai Medical Village Pte Ltd and its subsidiaries (Note 2 and 35).
- (b) On 8 July 2013, the Company issued 58,517,000 ordinary shares at S\$0.48 per share as placement in connection with the IPO and raised gross proceeds of S\$28,088,000.
- (c) On 28 June 2013, the Company issued 12,991,000 ordinary shares for a total consideration of S\$6,236,000 for the payment of professional fees incurred. The fair value of the shares was determined based on the IPO price of the Group of S\$0.48 per share.
- (d) During the financial year ended 31 December 2013, listing expenses of S\$1,317,000 which were directly attributable to the issuance of new shares were deducted against the share capital account.
- (e) The share capital of the Group for the financial year ended 31 December 2012 reflected the combined share capital of the subsidiaries which were transferred as part of the Restructuring Exercise Pursuant to the IPO.

29. Reserves

- (a) **Merger reserve**
Merger reserve represents the difference between the consideration paid and net assets of entities acquired for acquisition of subsidiaries under common control as described in Note 2. Merger reserves are non-distributable.
- (b) **Asset revaluation reserve**
Asset revaluation reserve represents the revaluation surplus recognised on property, plant and equipment.
- (c) **Statutory surplus reserve**
In accordance with the relevant rules and regulations, the Group's subsidiaries in the PRC are required to appropriate certain percentage of their profits to various reserve funds.

All subsidiaries which are considered as Wholly Owned Foreign Enterprise may discontinue the contribution to the reserve fund when the aggregate sum of the reserve fund is more than 50% of the registered capital in accordance with the "Law of the PRC on Enterprise Operated Exclusively with Foreign Capital".

30. Contingencies

Group

(a) **Litigation with a non-controlling shareholder**

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").

The previous vendor of the IHC Wuxi Group is a non-related individual. At 31 December 2014, the non-related individual held a 23.5% direct interest in HKIL through his personal capacity and 2% indirect interest in HKIS through an investment holding company, Health Kind (Shanghai) Investment Management Co., Ltd ("HKIM").

In 2014, HKIM commenced legal proceedings against HKIL and HKIS, claiming that several shareholding transfer transactions which occurred in 2010 between HKIM, HKIL and HKIS were invalid. It is noted that all three entities were controlled by the same non-related individual in 2010.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

30. Contingencies (continued)

Group (continued)

(a) *Litigation with a non-controlling shareholder (continued)*

Both HKIS and HKIL have disclaimed this allegation, and are actively defending the action. Based on independent legal opinion obtained, it is unlikely that any significant liability will arise, as the above allegations occurred before the Company's acquisition of the IHC Wuxi Group. At the date of the financial statements, the Directors are of the view that no material losses will arise in respect of the legal claim.

As at 31 December 2014, an amount of S\$5,073,000 (2013: S\$1,696,000) is outstanding from the non-related individual (Note 14(a)). Due to the above ongoing legal proceedings, there is an indicator of impairment for these receivables. The Group has obtained an independent legal opinion that the Company is able to recover these receivables by withholding the future dividend distributions of IHC Wuxi Group due to the non-controlling shareholder as repayment of these receivables. On this basis, the Directors are of the view that no material impairment will arise on these receivables.

(b) *Litigation with a Vendor of the Group's development project in Shanghai, China*

The Group has an ongoing development project for an intended mixed-use maternity home development in Shanghai, China. The Company, through a wholly owned subsidiary, Kang Hui Maternity Centre Services Co., Ltd ("KHMCS") had entered into several sale and purchase agreements ("S&P agreements") with a non-related Vendor for the purchase of several buildings intended for this development. A deposit of S\$28,065,000 (2013: Nil) had been paid for this intended acquisition.

On 26 November 2014, the Vendor of the buildings commenced legal proceedings against KHMCS, and demanded to terminate the S&P agreements.

KHMCS still intends to purchase these properties, and have filed a countersuit against the Vendor to oppose the Vendor's demand. Based on independent legal opinion obtained, it is unlikely that any significant liability will arise, as the Vendor does not have the right to unilaterally terminate the S&P agreements. At the date of the financial statements, the Directors are of the view that no material losses will arise in respect of the legal claim.

Company

The Company has issued corporate guarantees to banks and third parties for borrowings of certain subsidiaries with net liability positions. These borrowings amount to S\$29,000,000 (2013: S\$11,568,000) at the balance sheet date.

31. Commitments

(a) *Capital commitments*

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

| | Group | |
|---------------------------|----------------|---------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Acquisition of properties | 57,483 | - |
| Development of projects | 67,321 | 6,993 |
| | 124,804 | 6,993 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

31. Commitments (continued)

(b) Operating lease arrangements - where the Group is a 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 balance sheet date but not recognised as liabilities are as follows:

| | Group | | Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2014 S\$'000 | 2013 S\$'000 | 2014 S\$'000 | 2013 S\$'000 |
| Not later than one year | 300 | 301 | 185 | 205 |
| Later than one year but not later than five years | 148 | 400 | 148 | 331 |
| | 448 | 701 | 333 | 536 |

(c) Operating lease commitments - where the Group is a 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 balance sheet date but not recognised as receivables, are as follows:

| | Group | |
|----------------------------|-----------------|-----------------|
| | 2014 S\$'000 | 2013 S\$'000 |
| Not later than one year | 19,079 | 15,735 |
| Between one and five years | 60,106 | 62,941 |
| Later than five years | 38,907 | 56,652 |
| | 118,092 | 135,328 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

32. Financial risk management

Financial risk factors

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

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group, as well as establishing and reviewing the detailed financial risk management policies for the Group.

(a) *Market risk*

(i) *Currency risk*

The Group operates predominantly in Asia-Pacific 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 Singapore Dollar ("SGD"), Malaysian Ringgit ("MYR"), Hong Kong Dollar ("HKD"), Chinese Yuan Renminbi ("RMB"), Japanese Yen ("JPY"), US Dollar ("USD") and Australian Dollar ("AUD").

The Group's currency exposure based on the information provided to key management is as follows:

| | SGD S\$'000 | MYR S\$'000 | JPY S\$'000 | HKD S\$'000 | USD S\$'000 | RMB S\$'000 | AUD S\$'000 | Total S\$'000 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| At 31 December 2014 | | | | | | | | |
| Financial assets | | | | | | | | |
| Cash and cash equivalents | 6,080 | 924 | 15,644 | - | 6,596 | 1,781 | - | 31,025 |
| Trade and other receivables | 12,091 | - | - | - | 286 | 3,918 | 306 | 16,601 |
| Receivables from subsidiaries | 224,234 | 14,559 | 14,373 | - | - | - | - | 253,166 |
| Other current assets | 7,065 | 8 | - | 8 | 20 | 29,134 | 1,605 | 37,840 |
| | 249,470 | 15,491 | 30,017 | 8 | 6,902 | 34,833 | 1,911 | 338,632 |
| Financial liabilities | | | | | | | | |
| Borrowings | (42,510) | (40,656) | (143,581) | - | (18,498) | (3,313) | (60,410) | (308,968) |
| Payables by subsidiaries | (224,234) | (14,559) | (14,373) | - | - | - | - | (253,166) |
| Trade and other payables | (35,832) | (9,441) | (9,551) | (162) | (773) | (5,635) | (1,078) | (62,472) |
| | (302,576) | (64,656) | (167,505) | (162) | (19,271) | (8,948) | (61,488) | (624,606) |
| Net financial (liabilities)/assets | (53,106) | (49,165) | (137,488) | (154) | (12,369) | 25,885 | (59,577) | (285,974) |
| Financial liabilities/(assets) denominated in the respective entities' functional currencies | 24,643 | 40,800 | 137,488 | 154 | (297) | (25,885) | 59,577 | 236,480 |
| Currency exposure of financial liabilities net of those denominated in the respective entities' functional currencies | (28,463) | (8,365) | - | - | (12,666) | - | - | (49,494) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

32. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

| | SGD | MYR | JPY | HKD | USD | RMB | Total |
|---|-----------|----------|-----------|---------|---------|---------|-----------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| At 31 December 2013 | | | | | | | |
| Financial assets | | | | | | | |
| Cash and cash equivalents | 3,886 | 11,525 | 15,565 | - | 3,203 | 1,093 | 35,272 |
| Trade and other receivables | 8,615 | 667 | 2,585 | - | - | 4,775 | 16,642 |
| Receivables from subsidiaries | 104,715 | - | 1,334 | - | - | - | 106,049 |
| Other current assets | 57 | 8 | - | - | - | 274 | 339 |
| | 117,273 | 12,200 | 19,484 | - | 3,203 | 6,142 | 158,302 |
| Financial liabilities | | | | | | | |
| Borrowings | (33,504) | (33,846) | (152,111) | - | - | (3,899) | (223,360) |
| Payables by subsidiaries | (104,715) | - | (1,334) | - | - | - | (106,049) |
| Trade and other payables | (3,492) | (1,087) | (11,225) | (3) | (9) | (4,756) | (20,572) |
| | (141,711) | (34,933) | (164,670) | (3) | (9) | (8,655) | (349,981) |
| Net financial (liabilities)/assets | (24,438) | (22,733) | (145,186) | (3) | 3,194 | (2,513) | (191,679) |
| Financial (assets)/liabilities denominated in the respective entities' functional currencies | (10,076) | 22,733 | 145,186 | 3 | - | 2,513 | 160,359 |
| Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies | (34,514) | - | - | - | 3,194 | - | (31,320) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

32. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

In respect of subsidiaries where the functional currencies are denominated in MYR, HKD and SGD, if the foreign currencies fluctuate against the functional currencies with all other variables including tax rate being held constant, the effects arising from the net financial liabilities/assets position will be as follows:

| | 31 December 2014 | | 31 December 2013 | |
|-----------------|------------------|--------------------------------|------------------|--------------------------------|
| | Change % | Profit after tax S\$'000 | Change % | Profit after tax S\$'000 |
| Group | | | | |
| SGD against MYR | | | | |
| - Strengthened | 2 | (40) | 2 | (310) |
| - Weakened | 2 | 40 | 2 | 310 |
| SGD against HKD | | | | |
| - Strengthened | 4 | (633) | 2 | (174) |
| - Weakened | 4 | 633 | 2 | 174 |
| USD against SGD | | | | |
| - Strengthened | 4 | (635) | - | - |
| - Weakened | 4 | 635 | - | - |

The Company's currency exposure based on the information provided to key management is as follows:

| | SGD S\$'000 | MYR S\$'000 | USD S\$'000 | Total S\$'000 |
|---|----------------|----------------|----------------|------------------|
| At 31 December 2014 | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 5,844 | - | - | 5,844 |
| Trade and other receivables | 165,397 | - | - | 165,397 |
| Other current assets | 57 | - | - | 57 |
| | 171,298 | - | - | 171,298 |
| Financial liabilities | | | | |
| Borrowings | (13,510) | - | (18,498) | (32,008) |
| Trade and other payables | (29,394) | (8,365) | (630) | (38,389) |
| | (42,904) | (8,365) | (19,128) | (70,397) |
| Net financial assets/(liabilities) | 128,394 | (8,365) | (19,128) | 100,901 |
| Financial assets denominated in the Company's functional currency | (128,394) | - | - | (128,394) |
| Currency exposure of financial liabilities net of those denominated in the Company's functional currency | - | (8,365) | (19,128) | (27,493) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

32. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

In 2013, the Company was not exposed to any significant currency risk as the transactions and balances were denominated in its functional currency.

In 2014, if the MYR and USD change against the SGD by 2% (2013: Nil) and 4% (2013: Nil) respectively with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

| | 31 December 2014 Increase/(decrease) | |
|-----------------|---|--------------------------------|
| | Change % | Profit after tax S\$'000 |
| Company | | |
| MYR against SGD | | |
| - Strengthened | 2 | (139) |
| - Weakened | 2 | 139 |
| USD against SGD | | |
| - Strengthened | 4 | (635) |
| - Weakened | 4 | 635 |

(ii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to cash flow 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.

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group and the Company do not have exposure to the fair value interest risk as the Group and the Company do not have any variable-rate financial instruments carried at fair value.

The Company periodically reviews its liabilities and monitors interest rate fluctuations to ensure that the exposure to interest rate risk is within acceptable levels. If the interest rates had increased/decreased by 0.50% (2013: 0.50%) with all other variables including tax rate being held constant, the profit after tax would have been lower/higher by S\$56,000 (2013: S\$24,000) as a result of higher/lower interest expense on these borrowings.

The Group periodically reviews its liabilities and monitors interest rate fluctuations to ensure that the exposure to interest rate risk is within acceptable levels. If the interest rates had increased/decreased by 0.50% (2013: 0.50%) with all other variables including tax rate being held constant, the profit after tax would have been lower/higher by S\$453,000 (2013: S\$141,000) as a result of higher/lower interest expense on these borrowings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

32. Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's main classes of financial assets are cash and cash equivalents, trade and other receivables and other current assets.

The maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial instruments presented on the balance sheet.

- (i) Financial assets that are neither past due nor impaired
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 and other current assets that are neither past due nor impaired are substantially companies with good collection track records with the Group.
- (ii) Financial assets that are past due and/or impaired
There is no class of financial assets that is past due and/or impaired except for trade and other receivables.

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

| | Group | |
|------------------------|--------------|------------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Past due < 3months | 101 | 54 |
| Past due 3 to 6 months | 69 | 48 |
| Past due > 6 months | 1,849 | 126 |
| | 2,019 | 228 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

32. Financial risk management (continued)

(b) Credit risk (continued)

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

An amount of S\$1,696,000 (2013: Nil) was included in the age analysis of other receivables past due > 6 months but not impaired, which is due from a non-controlling shareholder of a subsidiary of the Company (Note 14(a)). Please refer to Note 30(a) for the ongoing litigation between the Group and the non-controlling shareholder.

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

| | Group | |
|-----------------------------|-----------|----------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Past due < 3 months | 15 | - |
| Past due 3 to 6 months | 6 | - |
| Past due over 6 months | 30 | - |
| | <u>51</u> | <u>-</u> |
| Allowance for impairment | (51) | - |
| | <u>-</u> | <u>-</u> |
| Beginning of financial year | - | - |
| Allowance made | 51 | - |
| End of financial year | <u>51</u> | <u>-</u> |

(c) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

32. Financial risk management (continued)

(c) Liquidity risk (continued)

The tables below analyse non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

| | Within 1 year | Between 1 to 5 Years | After 5 years |
|-------------------------------|------------------|----------------------------|---------------------|
| Group | S\$'000 | S\$'000 | S\$'000 |
| At 31 December 2014 | | | |
| Trade and other payables | 48,927 | 14,838 | - |
| Borrowings | 147,188 | 169,443 | 25,311 |
| At 31 December 2013 | | | |
| Trade and other payables | 13,441 | 7,131 | - |
| Borrowings | 23,998 | 213,349 | 22,727 |
| Company | | | |
| At 31 December 2014 | | | |
| Trade and other payables | 30,389 | 8,000 | - |
| Borrowings | 33,917 | - | - |
| Financial guarantee contracts | 129,698 | - | - |
| At 31 December 2013 | | | |
| Trade and other payables | 3,003 | - | - |
| Borrowings | 1,326 | 4,524 | - |
| Financial guarantee contracts | 67,376 | - | - |

(d) Capital risk

The primary objective of the Group's capital management is to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future development of its business.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to its shareholders, return capital to its shareholders or issue new shares. There were no changes in the Group's approach to capital management from the financial year ended 31 December 2014 and 31 December 2013. The Group and the Company is not subject to any externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

32. Financial risk management (continued)

(e) Fair value measurements

The carrying amounts of cash and cash equivalents, trade and other receivables, other current assets and current trade and other payables approximate their fair values because these are mostly short-term in nature. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair values of trade and other payables and borrowings are disclosed in Note 24 and Note 25(e) respectively.

(f) Financial instruments by category

The aggregate carrying amount of loans and receivables and financial liabilities at amortised cost are as follows:

| | Group | | Company | |
|---|---------|---------|---------|---------|
| | 2014 | 2013 | 2014 | 2013 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Loans and receivables | 85,466 | 52,253 | 171,298 | 110,079 |
| Financial liabilities at amortised cost | 371,440 | 242,584 | 70,397 | 8,756 |

(g) Offsetting financial assets and financial liabilities

(i) Financial assets

The Group and Company has the following financial instruments subject to enforceable master netting arrangements or similar agreements as follows:

| | Related amounts set off in the balance sheet | | |
|-------------------------------|--|---------------------------------------|--|
| | Gross amounts - financial assets | Gross amounts - financial liabilities | Net amounts - financial liabilities presented in the balance sheet |
| | \$'000 | \$'000 | \$'000 |
| Group and Company | | | |
| At 31 December 2014 | | | |
| Amount due from related party | 1,400 | (1,680) | (280) |
| At 31 December 2013 | | | |
| Amount due from related party | - | - | - |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

33. Related party transactions

- (a) In addition to the information 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 | |
|--|---------|---------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Guarantee income paid/payable by a related company | 3,625 | 2,549 |
| Profit guarantee from a related party | 1,520 | 1,696 |
| Corporate service fee charged to related parties | - | 205 |
| Consultancy fee paid to a director of the Company | 60 | 25 |

Balances with related parties at the balance sheet date are set out in Note 14 and Note 24.

Other related parties comprise mainly companies which are controlled or significantly influenced by the Group's key management personnel and their close family members.

- (b) Key management personnel compensation

| | Group | |
|---|--------------|------------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Wages and salaries | 1,309 | 550 |
| Directors' fees of the Company | 300 | 161 |
| Post-employment benefits - contribution to Central Provident Fund | 61 | 35 |
| | <u>1,670</u> | <u>746</u> |

Included in the above is total compensation to directors of the Company amounting to S\$1,079,000 (2013: S\$633,000).

34. Segment information

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

Management considers the business from the operational perspective which are, provision of healthcare services, integrated medical real estate and investment holding.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

34. Segment information (continued)

The Group's business can be categorised into two segments as follows:

- (i) Provision of healthcare services ("Healthcare Services") through:
 - the management and operation of hospital, and
 - the rental of healthcare-related facilities.
- (ii) Development of medical real estate (such as hospital facilities), healthcare-related assets (such as nursing homes) and integrated mixed-use developments with medical real estate/healthcare-related assets, retail space, office and/or service residences ("Integrated Medical Real Estate").

All other segment comprises a head office function, including mostly senior management staff.

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

| | Healthcare Services | Integrated Medical Real Estate | All other segments | Total |
|---|------------------------|--------------------------------------|-----------------------|----------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| 31 December 2014 | | | | |
| Revenue | | | | |
| External revenue | | | | |
| - Medical services | 19,667 | - | - | 19,667 |
| - Rental income | 15,771 | - | - | 15,771 |
| Total segment revenue | 35,438 | - | - | 35,438 |
| Other income | | | | |
| - Rental income from assets held-for-sale | - | 4,384 | - | 4,384 |
| Adjusted EBITDA | 66,922 | 6,498 | (7,214) | 66,206 |
| Depreciation of property, plant and equipment | (825) | (2) | (60) | (887) |
| Amortisation of lease prepayments | (293) | - | - | (293) |
| Finance expenses | (12,017) | (5,508) | (1,485) | (19,010) |
| Interest income | 3 | 24 | 166 | 193 |
| Profit/(loss) before tax | 53,790 | 1,012 | (8,593) | 46,209 |
| Segment assets and consolidated total assets | 339,515 | 233,975 | 24,165 | 597,655 |
| Segment assets includes: | | | | |
| Additions to: | | | | |
| - Property, plant and equipment | 552 | 12 | 87 | 651 |
| - Investment properties | 7,663 | 95,992 | - | 103,655 |
| - Investment properties under development | - | 11,086 | - | 11,086 |
| Segment liabilities | 185,221 | 134,731 | 52,781 | 372,733 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

34. Segment information (continued)

| | Healthcare Services | Integrated Medical Real Estate | All other segments | Total |
|---|------------------------|--------------------------------------|-----------------------|---------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| 31 December 2013 | | | | |
| Revenue | | | | |
| External revenue | | | | |
| - Medical services | 19,888 | - | - | 19,888 |
| - Rental income | 11,427 | - | - | 11,427 |
| Total segment revenue | 31,315 | - | - | 31,315 |
| Adjusted EBITDA | 45,440 | 20,958 | (6,033) | 60,365 |
| Depreciation of property, plant and equipment | (738) | - | (12) | (750) |
| Amortisation of lease prepayments | (291) | - | - | (291) |
| Finance expenses | (7,355) | - | (895) | (8,250) |
| Interest income | 3 | - | 364 | 367 |
| Profit/(loss) before tax | 37,059 | 20,958 | (6,576) | 51,441 |
| Segment assets and consolidated total assets | 303,383 | 83,965 | 26,776 | 414,124 |
| Segment assets includes: | | | | |
| Additions to: | | | | |
| - Property, plant and equipment | 1,548 | - | 171 | 1,719 |
| - Investment properties | 198,547 | - | - | 198,547 |
| - Investment properties under development | - | 15,061 | - | 15,061 |
| Segment liabilities | 196,812 | 38,260 | 8,860 | 243,932 |

The key management assesses the performance of the operating segments based on a measure of earnings before interest, tax, depreciation and amortisation ("adjusted EBITDA"). This measurement basis excludes the effects of expenditure from the operating segments such as restructuring costs that are not expected to recur regularly in every period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

34. Segment information (continued)

(a) Reconciliations

(i) Segment profits

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

| | 2014 S\$'000 | 2013 S\$'000 |
|---|-----------------|-----------------|
| Adjusted EBITDA for reportable segments | 73,420 | 66,398 |
| Adjusted EBITDA for all other segments | (7,214) | (6,033) |
| Depreciation of property, plant and equipment | (887) | (750) |
| Amortisation of lease prepayments | (293) | (291) |
| Finance expense | (19,010) | (8,250) |
| Interest income | 193 | 367 |
| Profit before tax | <u>46,209</u> | <u>51,441</u> |

(ii) Segment assets

The amounts provided to the key management with respect to total assets are measured in a manner consistent with that of the financial statements. All assets are allocated to reportable segments.

Segment assets are reconciled to total assets as follows:

| | 2014 S\$'000 | 2013 S\$'000 |
|--|-----------------|-----------------|
| Segment assets for reportable segments | 573,490 | 387,348 |
| Other segment assets | 24,165 | 26,776 |
| | <u>597,655</u> | <u>414,124</u> |

(iii) Segment liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

34. Segment information (continued)

(a) *Reconciliations* (continued)

(iii) Segment liabilities (continued)

Segment liabilities are reconciled to total liabilities as follows:

| | 2014 | 2013 |
|---|----------------|---------|
| | S\$'000 | S\$'000 |
| Segment liabilities for reportable segments | 319,952 | 235,072 |
| Other segment liabilities | 52,781 | 8,860 |
| Unallocated: | | |
| Income tax liabilities | 1,077 | 916 |
| Deferred tax liabilities | 14,744 | 6,303 |
| | 388,554 | 251,151 |

(b) *Revenue from major products and services*

Revenues from external customers are derived mainly from the provision of Healthcare Services.

(c) *Geographical information*

The Group's two business segments principally operate in five main geographical areas:

Singapore – the Company is headquartered in Singapore. The operations in this area are principally investment holding;

Japan – the operations in this area are principally provision of healthcare services through the rental of healthcare-related facilities;

China (including Hong Kong) – the operations in this area consist of the provision of healthcare services through the management and operation of hospital and the development of medical real estate, healthcare-related assets and integrated mixed use developments, as well as investment holding;

Malaysia – the operations in this area are principally development of medical real estate, healthcare-related assets and integrated mixed-use developments; and

Australia – the operations in this area are rental of office premises.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

34. Segment information (continued)

(c) Geographical information (continued)

| | Singapore | | China | | Japan | | Malaysia | | Australia | | Consolidated | |
|--|-----------------|-----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|----------|----------------|----------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Group | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Revenue | | | | | | | | | | | | |
| External customers | - | - | 19,667 | 19,888 | 15,771 | 11,427 | - | - | - | - | 35,438 | 31,315 |
| Fair value gain/(loss) | - | - | 5,114 | 9,588 | 44,134 | 31,178 | (366) | 12,764 | - | - | 48,882 | 53,530 |
| Other income/(loss) | (304) | 1,661 | 2,750 | 895 | 3,654 | 2,014 | (324) | (349) | 4,387 | - | 10,163 | 4,221 |
| | (304) | 1,661 | 27,531 | 30,371 | 63,559 | 44,619 | (690) | 12,415 | 4,387 | - | 94,483 | 89,066 |
| Other geographical information: | | | | | | | | | | | | |
| Segment assets | 17,463 | 11,479 | 151,090 | 93,294 | 266,130 | 236,073 | 69,472 | 73,278 | 93,500 | - | 597,655 | 414,124 |
| Segment liabilities | (106,686) | (32,102) | (10,841) | (12,500) | (166,465) | (168,765) | (43,412) | (37,784) | (61,150) | - | (388,554) | (251,151) |
| Net (liabilities)/assets | (89,222) | (20,623) | 140,249 | 80,794 | 99,665 | 67,308 | 26,060 | 35,494 | 32,350 | - | 209,101 | 162,973 |
| Non-current assets | 190 | 160 | 97,338 | 83,178 | 250,465 | 216,736 | 68,538 | 61,045 | - | - | 416,531 | 361,119 |

35. Business combinations under common control

On 15 January 2014, the Group acquired 100% equity interest in and control over IHC Shanghai Medical Village Pte. Ltd. and its subsidiaries, IHC Apex Limited, IHC Medical Holding (HK) Limited and Kang Hui Maternity Center Services (Shanghai) Co., Ltd. (collectively, "HV Group") from a related party, Healthway Medical Development Private Limited ("HMD"). The principal activity of the HV Group is that of investment in and development of properties.

Both the Group and HMD are controlled by the same substantial shareholders. As such, this acquisition is accounted for as an acquisition under common control, applying merger accounting. See Note 2 for details.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

35. Business combinations under common control (continued)

The assets and liabilities of HV Group are brought into the balance sheet as follows:

| | 2014 S\$'000 |
|-----------------------------|-----------------|
| Cash | 58 |
| Trade and other receivables | 2,151 |
| Other current assets | 25,171 |
| Trade and other payables | (6,980) |
| Borrowings | (11,250) |
| Net assets | <u>9,150</u> |
| Purchase consideration | <u>8,790</u> |
| Merger reserve (Note 29) | <u>360</u> |

36. Events occurring after balance sheet date

(a) Medium term note

On 23 January 2015, the Company established a S\$500,000,000 multicurrency medium term note (the "Programme"), under which the Company may issue notes (the "Notes") from time to time. Under the Programme, Notes may be issued in any currency, in various amounts and tenors, and may bear interest at fixed, floating, variable, hybrid or other rates or may not bear interest, in each case as agreed between the relevant dealer(s) of the Notes and the Company and as specified in the applicable pricing supplement.

The net proceeds arising from the issue of the Notes under the Programme (after deducting issue expenses) will be used for general corporate purposes, including financing investments, repayment of existing borrowings, general working capital and capital expenditure requirements of the Group or such other purposes as may be specified in the relevant pricing supplement.

On 6 February 2015, Company issued the first series of Notes amounting to S\$50,000,000. The Notes bear a fixed rate of 6% per annum payable semi-annually in arrears and will mature on 6 February 2018.

(b) Business acquisitions

On 1 January 2015, the Group acquired 100% equity interest in and control over Jiangsu Chang San Jiao Medical Co., Ltd. ("JCSJ"), a company incorporated in China for a cash consideration of S\$1,690,000 (RMB7,930,000). The principal activity of JCSJ is that of trading and supplying of pharmaceutical supplies and drugs.

On 28 January 2015, the Group acquired 100% equity interest in Wuxi Yilin Health Management Co., Ltd. ("WXYL"), which holds 70% equity interest in Health Kind (Shanghai) Investment Management Co., Ltd. ("HKIM"). The principal activities of WXYL and HKIM are the provision of health assessment services and investment holding respectively.

Details of the assets acquired and liabilities assumed, revenue and profit contribution of JCSJ and WXYL and the effect on the cash flows for the Group are not disclosed, as the accounting for these acquisitions are still incomplete at the time these financial statements have been authorised for issue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

37. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2015 and which the Group has not early adopted:

- FRS 103 Business Combinations (effective for annual periods beginning on or after 1 July 2014)

The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in FRS 32, Financial instruments: Presentation. The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

The standard is also amended to clarify that FRS 103 does not apply to the accounting for the formation of any joint arrangement under FRS 111. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

The Group will apply this amendment for business combinations taking place on/after 1 January 2015.

- FRS 108 Operating Segments (effective for annual periods beginning on or after 1 July 2014)

The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics.

The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.

This amendment will not result in any changes to the Group's accounting policies but will require more disclosures in the financial statements.

- FRS 40 Investment Property (effective for annual periods beginning on or after 1 July 2014)

The standard is amended to clarify that FRS 40 and FRS 103 are not mutually exclusive. The guidance in FRS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in FRS 103 to determine whether the acquisition of an investment property is a business combination.

The Group will apply this amendment for acquisition of investment property taking place on/after 1 January 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

- *FRS 16 Property, Plant and Equipment* (effective for annual periods beginning on or after 1 July 2014)

The standard is amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to the revalued amount. The split between gross carrying amount and accumulated depreciation is treated in one of the following ways:

- either the gross carrying amount is restated in a manner consistent with the revaluation of the carrying amount, and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses; or
- the accumulated depreciation is eliminated against the gross carrying amount of the asset.

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

- *FRS 24 Related Party Disclosures* (effective for annual periods beginning on or after 1 July 2014)

The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity').

The reporting entity is not required to disclose the compensation paid by the management entity to the management entity's employees or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

This amendment will not result in any changes to the Group's accounting policies but will require more disclosures in the financial statements.

- *FRS 113 Fair Value Measurement* (effective for annual periods beginning on or after 1 July 2014)

The amendment clarifies that the portfolio exception in FRS 113, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of FRS 39.

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

38. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of International Healthway Corporation Limited on 1 April 2015.

STATISTICS OF SHAREHOLDINGS

AS AT 17 MARCH 2014

| | |
|-------------------------------------|-----------------------------|
| Issued and fully paid | : S\$190,931,622 |
| Number of shares with voting rights | : 1,632,313,792 |
| Number of Treasury Shares held | : Nil |
| Class of shares | : Ordinary shares |
| Voting rights | : 1 vote per ordinary share |

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information provided and to the best knowledge of the Directors, approximately 40.37% of the issued ordinary shares of the Company were held in the hands of the public as at 17 March 2015 and therefore Rule 723 of the Rules of Catalist is complied with.

DISTRIBUTION OF SHAREHOLDINGS

| Range of Shareholdings | Number of Shareholders | Percentage | Number of Shares | Percentage |
|------------------------|------------------------|---------------|----------------------|---------------|
| 1 - 99 | 706 | 8.71 | 32,538 | 0.00 |
| 100 - 1,000 | 1,827 | 22.54 | 949,199 | 0.06 |
| 1,001 - 10,000 | 4,076 | 50.28 | 17,605,815 | 1.08 |
| 10,001 - 1,000,000 | 1,430 | 17.64 | 88,136,778 | 5.40 |
| 1,000,001 and above | 67 | 0.83 | 1,525,589,462 | 93.46 |
| TOTAL | 8,106 | 100.00 | 1,632,313,792 | 100.00 |

TWENTY LARGEST SHAREHOLDERS

| | NAME | NO. OF SHARES | % |
|----|--|----------------------|--------------|
| 1 | RHB SECURITIES SINGAPORE PTE. LTD. | 203,818,575 | 12.49 |
| 2 | HSBC (SINGAPORE) NOMINEES PTE. LTD. | 190,247,224 | 11.66 |
| 3 | CIMB SECURITIES (SINGAPORE) PTE. LTD. | 150,296,580 | 9.21 |
| 4 | GOLDEN CLIFF INTERNATIONAL LIMITED | 110,447,448 | 6.77 |
| 5 | CITIBANK NOMINEES SINGAPORE PTE LTD | 83,203,982 | 5.10 |
| 6 | OCBC SECURITIES PRIVATE LIMITED | 69,055,614 | 4.23 |
| 7 | TAN SEK KHOON | 63,902,000 | 3.91 |
| 8 | AATHAR AH KONG ANDREW | 61,063,831 | 3.74 |
| 9 | REAL EMPIRE INTERNATIONAL LIMITED | 48,551,154 | 2.97 |
| 10 | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 47,693,148 | 2.92 |
| 11 | CHIANG TIN TIAH | 43,970,000 | 2.69 |
| 12 | DBS NOMINEES (PRIVATE) LIMITED | 43,497,992 | 2.66 |
| 13 | DAIWA CAPITAL MARKETS SINGAPORE LIMITED | 38,990,475 | 2.39 |
| 14 | MERRILL LYNCH (SINGAPORE) PTE LTD | 36,000,289 | 2.21 |
| 15 | HONG LEONG FINANCE NOMINEES PTE LTD | 31,174,348 | 1.91 |
| 16 | LIM & TAN SECURITIES PTE LTD | 29,517,021 | 1.81 |
| 17 | FAN KOW HIN | 28,330,000 | 1.74 |
| 18 | BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH | 23,452,062 | 1.44 |
| 19 | UOB KAY HIAN PRIVATE LIMITED | 22,384,871 | 1.37 |
| 20 | THE ENTERPRISE FUND II LTD | 20,833,000 | 1.28 |
| | TOTAL | 1,346,429,614 | 82.50 |

STATISTICS OF SHAREHOLDINGS

AS AT 17 MARCH 2014

SUBSTANTIAL SHAREHOLDERS

| | Direct Interest | | Deemed Interest | |
|---|------------------|------------------|------------------|------------------|
| | Number of Shares | % ⁽¹⁾ | Number of Shares | % ⁽¹⁾ |
| Golden Cliff International Limited ⁽²⁾ | 110,447,448 | 6.77 | 167,682,657 | 10.27 |
| Fan Kow Hin ⁽³⁾ | 28,330,000 | 1.74 | 431,696,143 | 26.24 |
| Real Empire International Limited ⁽⁴⁾ | 48,551,154 | 2.97 | 204,599,903 | 12.53 |
| Aathar Ah Kong Andrew ⁽⁵⁾ | 61,063,831 | 3.74 | 361,360,921 | 22.14 |
| Dr Jong Hee Sen ⁽⁶⁾ | 2,703,202 | 0.46 | 88,834,353 | 5.14 |

Notes:

- (1) Percentage calculated based on 1,632,313,792 voting Shares as at 17 March 2015.
- (2) Golden Cliff is deemed interested in 858,750 ordinary shares in the Company ("Shares") held by Healthway Medical Development (Private) Limited ("HMD") by virtue of its shareholdings in HMD and 166,823,907 Shares held in the name of a nominee account.
- (3) Fan Kow Hin is deemed interested in the 278,130,105 Shares held by Golden Cliff International Limited ("Golden Cliff"), 10,616,258 Shares held by One Organisation Limited ("OOL") and 5,503,237 Shares held by One Organisation Pte Ltd ("OOPL"), by virtue of his shareholdings in Golden Cliff, OOL and OOPL. Fan Kow Hin is also deemed interested in 137,446,543 Shares held in the name of a nominee account.
- (4) Real Empire International Limited is deemed interested in the 858,750 Shares held by HMD, by virtue of its shareholdings in HMD and 203,741,153 shares held in a nominee account.
- (5) Aathar Ah Kong Andrew is deemed interested in the 253,151,057 Shares held by Real Empire International Limited ("Real Empire") by virtue of his shareholdings in Real Empire. Aathar Ah Kong Andrew is also deemed interested in the 107,926,453 Shares held by his various nominee accounts and 283,411 Shares held by his brother, Aathar Ah Tuk Henry.
- (6) Dr Jong Hee Sen is deemed interested in 1,998,154 Shares held by Xanery Limited ("Xanery") by virtue of his shareholdings in Xanery. Jong Hee Sen is also deemed interested in the 76,836,199 Shares held by his various nominee accounts and 10,000,000 Shares held by his wife, Lee Cher Leng.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("AGM") of International Healthway Corporation Limited (the "Company") will be held at The National University of Singapore Society, Kent Ridge Guild House, Dalvey Room, 9 Kent Ridge Drive, Singapore 119241 on Thursday, 30 April 2015 at 10.30 a.m., for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts for the financial year ended 31 December 2014 together with the Auditors' Report thereon. (Resolution 1)
2. To approve the payment of Directors' fees of S\$295,000 for the financial year ended 31 December 2014 (2013: S\$123,018). (Resolution 2)
3. To re-elect Mr Chia Kwok Ping, a Director retiring under Article 92 of the Company's Articles of Association and who being eligible, will offer himself for re-election. (Resolution 3)
4. To re-elect Dr Jong Hee Sen, a Director retiring under Article 93 of the Company's Articles of Association and who being eligible, will offer himself for re-election. (see explanatory note 1) (Resolution 4)
5. To record the retirement of Mr Teo Cheng Hiang Richard, a Director retiring under Article 93 of the Company's Articles of Association. Mr Teo Cheng Hiang Richard has decided not to seek re-election and will retire at the conclusion of the forthcoming AGM. (see explanatory note 2)
6. To re-appoint Messrs PricewaterhouseCoopers LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 5)
7. To transact any other business that may be properly transacted at an annual general meeting.

AS SPECIAL BUSINESS

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

8. **Ordinary Resolution: The Proposed General Share Issue Mandate (the "Share Issue Mandate")**
 "That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "Companies Act"), and Rule 806 of the Listing Manual (Section B: Rules of Catalist) (the "Rules of Catalist") of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), authority be and is hereby given to the directors of the Company (the "Directors") to:-
 - (a) (i) allot and issue shares in the capital of the Company (the "Shares") whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

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

NOTICE OF ANNUAL GENERAL MEETING

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

provided always that:-

- (i) the aggregate number of Shares to be issued pursuant to this resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) shall not exceed one hundred per cent (100%) of the total issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing shareholders of the Company (the "Shareholders") (including Shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) shall not exceed fifty per cent (50%) of the total issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (ii) below);
- (ii) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the percentage of total issued Shares shall be based on total issued Shares (excluding treasury shares) at the time of passing this resolution, after adjusting for:-
- (1) new Shares arising from the conversion or exercise of any convertible securities outstanding at the time this authority is given;
 - (2) new Shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time of passing this resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalyst; and
 - (3) any subsequent bonus issue, consolidation or subdivision of Shares;
- (c) in exercising the authority conferred by this resolution, the Directors shall comply with the provisions of the Rules of Catalyst for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act, and otherwise, and the Company's Articles of Association for the time being; and **(Resolution 6)**
- (d) (unless revoked or varied by the Company in a general meeting) this authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier."
(see explanatory note 3)

BY ORDER OF THE BOARD

Wee Woon Hong
Lee Hock Heng
Company Secretaries

14 April 2015
Singapore

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:-

1. Dr Jong Hee Sen will, upon re-election as Director of the Company, remain as member of the Nominating Committee of the Company.
2. Mr Teo Cheng Hiang Richard will retire as an Independent Director of the Company at the conclusion of the forthcoming AGM. Upon Mr Teo Cheng Hiang Richard's retirement, he will cease to be the member of the Nominating and Remuneration Committees. His replacement for each Committee will be announced in due course.
3. Under the Rules of Catalist, a share issue mandate approved by shareholders as an ordinary resolution will enable directors of an issuer to issue an aggregate number of new shares and/or convertible securities of the issuer of up to one hundred per cent (100%) of the total issued shares (excluding treasury shares) as at the time of passing of the resolution approving the share issue mandate, of which the aggregate number of new shares and/or convertible securities to be issued other than on a pro rata basis to existing shareholders must be not more than fifty per cent (50%) of the total issued shares of the issuer (excluding treasury shares).

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

The ordinary resolution 6 proposed in item 8 above, if passed, will empower the Directors from the date of the AGM until the date of the next annual general meeting is to be held or is required by law to be held, whichever is the earlier, to allot and issue shares and convertible securities in the capital of the Company. The aggregate number of shares and convertible securities which the Directors may allot and issue under this resolution, shall not exceed one hundred per cent (100%) of the Company's issued share capital of which the aggregate number of shares and/or convertible securities to be issued other than on a pro-rata basis to existing shareholders shall not exceed fifty per cent (50%) of the Company's issued share capital (excluding treasury shares) at the time of passing of this resolution. This authority will, unless previously revoked or varied at a general meeting, expire at the next annual general meeting of the Company.

Notes:-

- (i) A member of the Company entitled to attend and vote at the AGM may appoint not more than two (2) proxies to attend and vote instead of him.
- (ii) Where a member appoints two (2) proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.
- (iii) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.
- (iv) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 2 Leng Kee Road #02-07 Thye Hong Centre Singapore 159086 not less than 48 hours before the time appointed for holding the AGM.

NOTICE OF ANNUAL GENERAL MEETING

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 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 and its proxy(ies)'s or representative's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the 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 express consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, (iii) undertakes that the member will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iv) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty. Your and your proxy and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share register and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

INTERNATIONAL HEALTHWAY CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number 201304341E)

PROXY FORM

ANNUAL GENERAL MEETING

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member is deemed to have accepted and agreed to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 April 2015.

I/We, _____
(Name) of _____

_____ (Address)

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

| | | | |
|---------|----------------------|-----------------------------|---|
| Name | NRIC/Passport Number | Proportion of Shareholdings | |
| | | Number of Shares | % |
| Address | | | |

*and/or

| | | | |
|---------|----------------------|-----------------------------|---|
| Name | NRIC/Passport Number | Proportion of Shareholdings | |
| | | Number of Shares | % |
| Address | | | |

or failing *him/her, the Chairman of the Annual General Meeting ("AGM") of the Company as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf and, if necessary to demand a poll, at the AGM of the Company to be held at The National University of Singapore Society, Kent Ridge Guild House, Dalvey Room, 9 Kent Ridge Drive, Singapore 119241 on Thursday, 30 April 2015 at 10.30 a.m. and at any adjournment thereof.

In the absence of specific directions, the *proxy/proxies will vote or abstain as *he/they may think fit, as *he/they will on any other matter arising at the AGM.

| No. | Ordinary Resolutions relating to:- | To be used on a show of hands | | To be used in the event of a poll | |
|-----|---|-------------------------------|----------------------|-----------------------------------|--------------------------------------|
| | | For ¹ | Against ¹ | Number of Votes For ² | Number of Votes Against ² |
| 1. | Adoption of Directors' Report and Audited Accounts for the financial year ended 31 December 2014 | | | | |
| 2. | Approval of Directors' Fees amounting to S\$295,000 for the financial year ended 31 December 2014 | | | | |
| 3. | Re-election of Mr Chia Kwok Ping as a Director of the Company | | | | |
| 4. | Re-election of Dr Jong Hee Sen as a Director of the Company | | | | |
| 5. | Re-appointment of Messrs PricewaterhouseCoopers LLP as Auditors of the Company and to authorise the Directors to fix their remuneration | | | | |
| 6. | Authority to issue and allot shares pursuant to the Share Issue Mandate | | | | |

¹ Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Ordinary Resolutions as set out in the Notice of AGM.

² If you wish to exercise all your votes "For" or "Against", please tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate.

* Delete accordingly

Dated this _____ day of _____ 2015

Total Number of Shares held

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



IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:-

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at the AGM of the Company is entitled to appoint not more than two (2) proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.
3. The instrument appointing the a proxy or proxies must be deposited at the Company's registered office at 2 Leng Kee Road, #02-07, Thye Hong Centre, Singapore 159086 not less than 48 hours before the time appointed for the AGM.
4. Where a member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy. If no percentage is specified, the first named proxy shall be deemed to represent 100 per cent. (100%) of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
6. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore.
8. The submission of an instrument or form appointing a proxy by a member does not preclude him/her from attending and voting in person at the AGM if he/she so wishes.
9. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register 48 hours before the time appointed for holding the AGM, as certified by the Depository to the Company.



2 Leng Kee Road #02-07
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