INTERNATIONAL HEALTHWAY CORPORATION
(In receivership over charged shares in certain subsidiaries)

DELIVERING EXCEPTIONAL PATIENT EXPERIENCE

ANNUAL REPORT 2015

MISSION

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

CONTENTS

CORPORATE PROFILE

International Healthway Corporation Limited ("IHC" or "International Healthway Corporation") is an integrated healthcare services and facilities provider. Since its incorporation in February 2013 in Singapore and listing on the SGX Catalist on 8 July 2013, IHC has increased its market presence in the major Asian economies of the People's Republic of China ("China"), Japan, Malaysia, and Australia.

IHC is well-positioned to capitalise on these highly attractive growth markets with quality investments in healthcare sub-sectors with favourable industry trends, such as (i) elderly care in Japan with a rapidly aging population; and (ii) hospital services in China where better healthcare needs are growing along with rising affluence.

IHC plans to continue to expand our hospital network in China through management contracts and partnerships. Existing projects that are making good progress are a specialist and rehabilitation hospital project in Dujiangyan, Chengdu, and a planned extension of our Wuxi Hospital.

Other than the provision of healthcare services through the management and operation of hospital and elderly care nursing homes, IHC also makes selective investments into mixed-use developments. In Australia, IHC have acquired three assets situated near major hospitals.

International Healthway Corporation aims to provide patient-centred medical services to our communities; touching the lives of our patients with quality and sustainable care.

BUSINESS SEGMENT OVERVIEW

International Healthway Corporation has a diversified portfolio of quality healthcare assets with attractive, stable returns.

JAPAN

Japan Nursing Homes

- IHC owns and manages a vast portfolio of 12 fully operating nursing homes located across Japan in major cities of Sapporo, Nara, Kyoto and Nagano, providing professional care for the elderly.
- All of these IHC properties has high occupancy rates.
- The operations have good and long track records.
- All of these IHC properties are well-established in the communities

CHINA

Wuxi Hospital

- IHC owns and operates a general hospital of 165 beds in Wuxi New District, China. It employs more than 300 dedicated medical professionals and offers a wide range of medical specialisations in addition to operating an ambulance service.
- The hospital has a successful operational track record of over 10 years.
- The hospital boasts high occupancy rates.
- The hospital is in a prime location in the Wuxi New District.

AUSTRALIA

Australia Commercial Buildings

- IHC owns 3 mixed-use healthcare and commercial centres in major medical hubs in Victoria, Australia.
- 2 of these properties are located on St Kilda Road, next to the Alfred Hospital.
- The other property is located next to Geelong Private Hospital and is connected via a sky bridge.
- These properties are tenanted to reputable major tenants including Seek Ltd, Monash IVF, Healthscope and US Consulate.

PIPELINE HEALTHCARE ASSETS

International Healthway Corporation has invested into a healthy pipeline of projects and is equipped with the extensive knowledge to develop and realise the value of these investments.

CHINA

Wuxi Hospital Extension

- IHC is in the midst of expanding the Wuxi Hospital into a Class 3A hospital, catering up to 1,300 beds and an annex of medical suites.
- Concurrently, the government is building a new local train line that will be connected to the basement of our expanded hospital.
- When completed in 2019, the expansion will allow IHC to bring better medical service support to the community.

Chengdu Hospital Project

- IHC is developing a specialist-rehab and wellness hospital development in Dujiangyan, Chengdu.
- It is located next to a 1,000-bed public general hospital, and is also situated near large catchment areas of residential hubs, town amenities and industrial estates.
- When completed in 2019, the Chengdu project will also include a wellness-themed positioning.

MALAYSIA

KLCC Project

- IHC owns a prime piece of land in Kuala Kumpur, and is developing it into a landmark and upscale medical hub with serviced residences. ("KLCC Project")
- The KLCC Project will also comprise specialist medical suites and retail space with a wellness-themed lifestyle positioning.
- Financing for the KLCC Project was secured in 2014, and the project has been earmarked for completion in 2018-2019.

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

International Healthway Corporation has a strong footprint across key Asia-Pacific healthcare markets.

KEY PORTFOLIO STATISTICS

International Healthway Corporation is well equipped, both in infrastructure and talents, to cater to the rising demands of healthcare and elderly care in China and Japan respectively.

OUR SERVICE

1,700
HOSPITAL BEDS[(1)]

1,458
NURSING & SENIOR ROOMS

OUR PEOPLE

OVER **300**
MEDICAL PROFESSIONALS

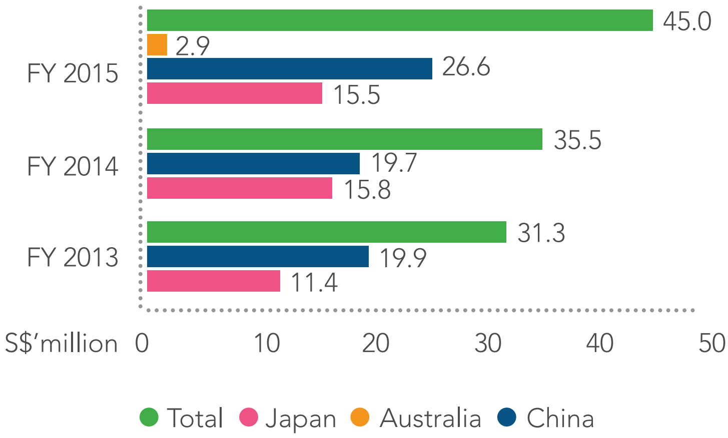
OVER **141,000**
PATIENT VISITS IN 2015 (IHC WUXI HOSPITAL)

(1) Assuming completion of both the Wuxi Hospital extension and Chengdu Hospital Project

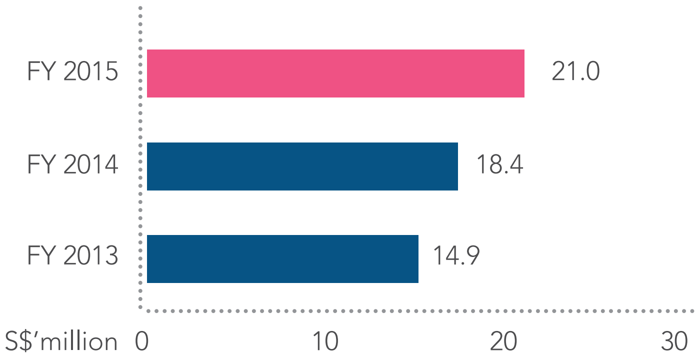
FINANCIAL HIGHLIGHTS

INCOME STATEMENT

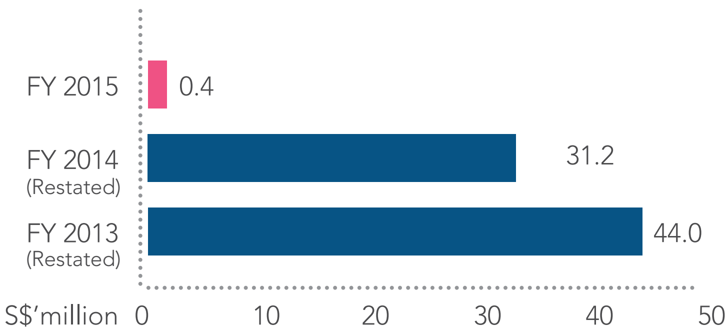
REVENUE



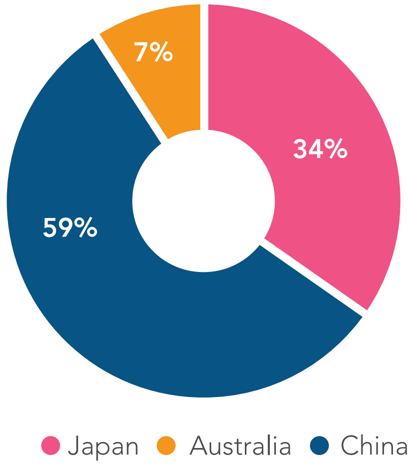
GROSS PROFIT



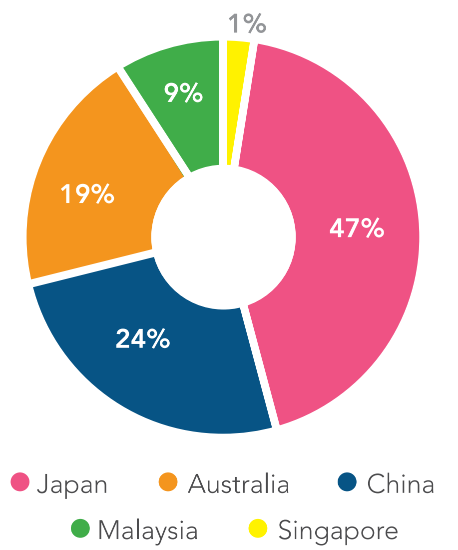
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY



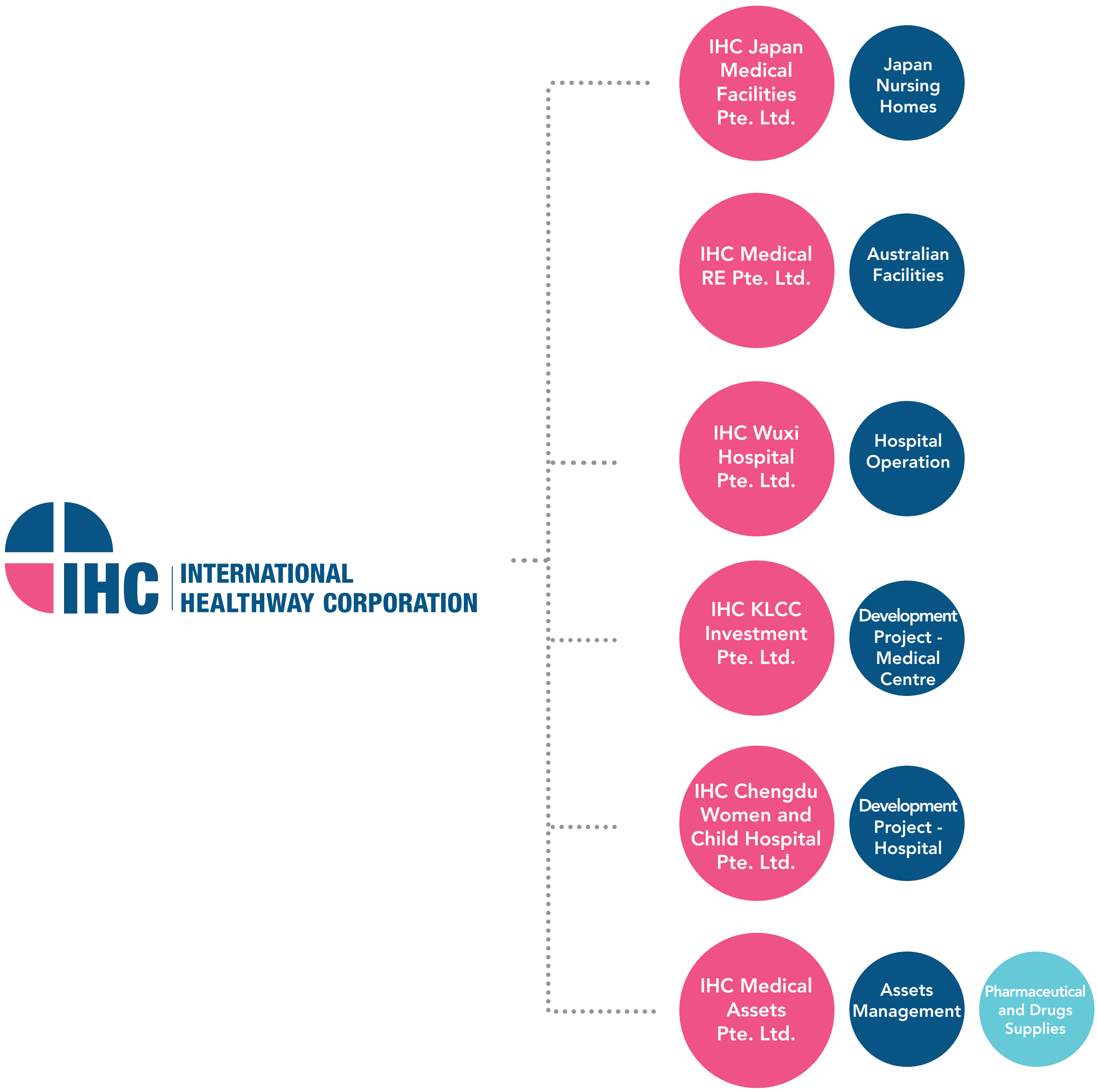
REVENUE (FY2015)



ASSET VALUE BY GEOGRAPHY (FY2015)



ORGANISATION STRUCTURE



Note: Structure presented reflects active subsidiaries only

LETTER TO SHAREHOLDERS

Dear Valued Shareholders,

YEAR IN REVIEW

2015 was an eventful year for the Group as we continued to improve the Group's revenue. Revenue increased by S$9.6 million from S$35.4 million for the financial year ended 31 December 2014 ("FY 2014") to S$45.0 million for the financial year ended 31 December 2015 ("FY 2015"). This was mainly attributed to S$5.2 million and S$2.9 million revenue contributions from the acquisition of 100% equity interest in a medical drug distribution company and rental income from Australia property acquired in 2015 (the "Acquisitions") respectively, and an increase of S$1.7 million revenue from our hospital in Wuxi, Jiangsu, People's Republic of China ("China") ("Wuxi Hospital").

The Group recorded a profit after tax of S$0.5 million in FY2015 as compared to restated profit after tax of S$31.4 million in FY2014, largely due to allowance for impairment of goodwill of S$10 million in relation to the Wuxi Hospital as a result of economic downturn in China, impairment of other receivables and deposits of S$23.8 million that relates to the termination of the Group's Shanghai project and increase of S$5.5 million professional fees relating to (i) the acquisition of the property in Geelong, Australia; and (ii) the project pertaining to the setting up of Real Estate Investment Trusts in Australia and Japan which has been terminated. However, these were partially mitigated by S$23.3 million increase in fair value gain on investment properties and investment properties under development ("IP and IPUD"). The fair value of IP and IPUD as at 31 December 2015 is determined by independent professional valuers.

The fair values of the Group's China properties were determined by an external independent professional valuer, Savills Valuation and Professional Services ("Savills"). However, the Company's auditors were, inter alia, unable to obtain sufficient appropriate audit evidence regarding the appropriateness and reliability of the critical estimates and assumptions of which the carrying values of these China properties are based on. As such, the management sought to validate Savills' conclusion on the fair values of the China properties to ensure that they are reasonable and acceptable for inclusion in the FY2015 financial statements. Further independent valuation reports were obtained from an international and a local renowned independent valuers, and both of these valuations concluded in higher fair values on the China properties of the Group than that of Savills'. Therefore, the Board is of the view that Savills' conclusion, which has been recorded in the FY2015 financial statements, is appropriate.

The Company's auditors were also unable to obtain sufficient appropriate audit evidence regarding (i) the amount of liabilities that should be recorded by the Group and the Company in relation to the borrowings from certain Funds (Note 29 (a) to the financial statements), and (ii) whether the receivership action taken by the Funds as described in Note 29 (a) to the financial statements would have an impact on the ongoing business operations of the Group. However, as per the Company's announcement on 6 June 2016, the Board is of the view that there are no merits to the amount claimed by the Funds and there are no known breaches to any of the Group's loan covenants.

As at 31 December 2015, the Group has net current liabilities of S$212.6 million, mainly due to the Japan TMK bond of S$151.2 million and Australia bank borrowings of S$55.0 million that were due to mature in April 2016 and August 2016 respectively being classified as current liabilities. Subsequent to the balance sheet date, the Group has successfully re-financed its TMK bonds with a new maturity date of April 2019 and obtained additional long-term banking facilities of S$8.2 million. In addition, the Group is currently negotiating an extension of the maturity date of the Australia bank borrowings, which are secured on a mortgage of two investment properties in Australia which have a total fair value of approximately S$89.8 million. The Group is also looking to dispose certain non-core assets to repay the Australia bank borrowings.

On the basis of the Group's business and operating plans for the next 12 months up to June 2017, the Group's efforts to re-position its asset portfolio and considering the aforementioned actual/ potential revised due dates of its current liabilities and the cash flow projection based on these plans, the Board is of the view that there are reasonable grounds to believe that the Group would be able to pay its debts as and when they fall due.

KEY CORPORATE DEVELOPMENTS

During the year under review, progress was made on our assets in China.

In Wuxi, China, our Wuxi Hospital redevelopment plans have made good progress and we recently held our Ground Breaking Ceremony in April 2016. The redeveloped hospital will satisfy the

LETTER TO SHAREHOLDERS

criteria to be a Class 3A hospital, with bed capacity of up to 1300 beds. Approval has been granted from the city health authorities and planning division. This is an important milestone for the Wuxi Hospital expansion project.

In Dujiangyan, China, IHC is developing a 400 bed rehabilitation and wellness hospital. We are in the midst of obtaining approval from the city planning authority. The demand for more specialised rehabilitation services is expected to grow in the coming years, especially with the lack of such facilities in public general hospitals. This would complement our expansion plans into China.

CLEAR STRATEGIES TO CAPITALISE ON ASIA'S HEALTHCARE DEMAND

Healthcare demand in Asia is increasing rapidly, driven by population growth rates that are expected to outstrip those of other geographies, and an epidemiological shift from infectious diseases to a chronic disease pattern matching western markets. Currently most of Asia's spending on healthcare comes from the public sector. Therefore, we believe IHC is well positioned to take advantage of the demand in private healthcare facilities.

In Japan, we own 12 fully operational nursing homes. These assets have been generating stable revenues for the Group. Japan has the world's highest proportion of people aged over 65. As at 2015, the 28 million people in Japan aged over 65 accounted for more than one-fifth of the total population. Given the slowing birth rate, this proportion is predicted to rise to more than one-third by 2030. We are confident that we are well placed to capitalise on the surge in demand for elder care facilities.

Our flagship hospital in Wuxi, China, is the cornerstone of our expansion into China. With our strategic location in close proximity to Shanghai, we are in a good position to capture the middle and upper middle class. In addition, with the completion of our rehabilitation and wellness hospital in Dujiangyan, our medical offerings would become more holistic and our reach in China would be broadened.

LOOKING FORWARD

We will continue to invest in our staff and enable them to increase their knowledge and expertise in healthcare services. By upgrading knowledge and skills, aligned with our clearly defined growth channels, we aim to become Asia's pre-eminent healthcare and medical services provider.

APPRECIATION

On behalf of the Board and management, we would like to take this opportunity to express our sincere gratitude to all our shareholders, healthcare professionals, staff and business partners for their unwavering support throughout the year. We look forward to working closely with you in the coming year.

BOARD

To our directors in the Group, we appreciate all your guidance and contributions to the Group during the year.

Mr Chia Kwok Ping ceased as Chief Executive Officer and Executive Director of the Group in June 2015. Mr Wong Ong Ming, Eric ceased as non-Executive Director in May 2015 and Mr Teo Cheng Hiang , Richard ceased as Independent Director in April 2015. On behalf of the Board and staff, our deep appreciation is extended to Mr Chia, Mr Wong and Mr Teo for their invaluable contributions during their tenure.

The Board welcomes Ms Lim Beng Choo as the Executive Director of the Group with effect from 7 January 2016, as well as Mr Lee Gee Aik and Ms Annie Yap Hui Lian as Independent Directors of the Company with effect from 3 August 2015. The Board also welcomes Mr Chia Chee Hyong Leonard as Independent Director and Mr Lim Thien Su Gerald as Non-Independent and Non-Executive Director of the Company with effect from 27 April 2016.

Dr Jong Hee Sen
Non-Independent and Non-Executive Chairman

Lim Beng Choo
Executive Director

BOARD OF DIRECTORS

Dr Jong Hee Sen
Non-Independent and Non-Executive Chairman

Dr Jong Hee Sen is the co-founder of IHC. He was previously the Executive Chairman and Group President of IHC till 2 March 2015 before he was re-designated to Non-Executive Chairman, and oversaw IHC's growth in investment portfolio across Asia-Pacific. As a Non-Executive Chairman, he continues to provides invaluable advice to IHC.

Dr Jong has over 20 years of industry experience. Prior to co-founding the Group, he had 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 provider of primary and specialists healthcare out-patient services.

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.

Lim Beng Choo
Executive Director (January 2016-Present)

Ms Lim Beng Choo joined IHC as the Executive Director in January 2016, and is responsible for the overall operations and the future strategic development of the Group. She will be providing leadership to the management and oversee the Group's healthcare services thrust into overseas markets, through the development of medical real estate, asset management and business acquisitions.

Ms Lim has extensive knowledge of financial accounting and corporate finance, with almost 30 years of experience in these fields. Subsequent to her initial auditing roles in various public accounting firms, she took on the appointment as Financial Controller for over 22 years in various organisations such as the Unistar Group of Companies, Cityneon Holdings Limited, Mount Faber Leisure Group Pte Ltd, and Healthway Medical Corporation Limited ("HMC"), overseeing the Controller functions of these organisations, both local and overseas, including China, Australia, Mauritius, Middle East, Philippines, and Malaysia. Having brought various organisations through their IPO listings, Ms Lim was the key driver in the setting up of various frameworks in these organisations, including the compliance and reporting frameworks, treasury management systems, business and operational monitoring and improvements, and controls processes. During her term as a financial controller in HMC, Ms Lim was a key contributor to the Group's growth into the largest outpatient services provider in Singapore.

As the Executive Director of IHC, Ms Lim is also serving as director for 32 IHC subsidiaries for its operations in China, Malaysia, Australia, Japan, and Singapore.

Prior to her appointment in IHC, Ms Lim has also served in various directorship appointments for over 34 healthcare companies over the past decade.

Ms Lim is currently a Chartered Accountant with the Institute of Singapore Chartered Accountants.

Lim Thien Su Gerald
Non-Independent and Non-Executive Director

Mr Gerald Lim is the Chief Executive Officer (Trade Credit, Financial & Political Risks – Asia) of Marsh.

Mr Lim previously served as the Chief Executive Officer of AON Taiwan and AON Singapore. Mr Lim has also served on various grassroots and non-government organisations. He currently sits on the Boards of SGX-listed Hi-P International Ltd and Blackgold Natural Resources Ltd.

Mr Lim is currently the Honorary Consul of the Republic of Slovenia and the President of the Singapore Insurance Broker Association. Mr Lim also participates actively in the community. He serves as Chairman of Tampines Central Citizens Consultative Committee and is a member of the Council of Education of the Methodist Church in Singapore.

Mr Lim did his undergraduate studies at the National University of Singapore, obtained a Masters of Arts from George Washington University and attended executive development programmes at Insead (France) and Kellogg (Chicago).

BOARD OF DIRECTORS

Siew Teng Kean
Lead Independent Director

Mr Siew Teng Kean is currently a senior director with UOB Asset Management, and Head of Institutional Business.

Mr Siew has extensive experience in investments and banking, with over 20 years of experience in these two fields. He was previously a senior equity analyst with Peregrine Securities Singapore Pte Ltd before joining Temasek Holdings (Private) Limited as its Managing Director, managing the investments in the Telecom, Media and Technology sectors.

Mr Siew has also held a teaching position at the National University of Singapore.

Mr Siew 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.

Ong Lay Khiam
Independent Director

Mr Ong Lay Khiam is a retired senior corporate executive who worked principally as a commercial banker since 1971.

Mr Ong has extensive experience of about 40 years in the banking industry. He held various positions in local financial institutions during his career, including Vice President of National Banking Group at DBS Bank, Director and Executive Vice President of Tat Lee Bank, Executive Vice President of Hong Leong Finance and Executive Director of UBS AG Wealth Management Singapore.

He was also the inaugural Executive Director of Lien Ying Chow Legacy Fellowship at the Nanyang Technological University where he was attached to the Nanyang Technoprenuership Center in 2007 to 2008. He was appointed an Adjunct Associate Professor of the University from 2007 to 2009.

Mr Ong served 12 years as a Council Member of the Singapore Chinese Chamber of Commerce and Industry (1987-1999) and is since 1999, an Honorary Council Member of the Chamber. From 1991 to 1999, he was a member of the Nanyang Technological University Council. He serves as a member of the Investment Committee of the Chinese Development Assistance Council as well.

He is currently also the Non-Executive Chairman, Audit Committee Chairman of Tiong Seng Holdings Limited as well a director and Audit Committee Chairman of LienAID Limited, a non-profit organisation which aims to enable poor rural communities to gain access to clean water and proper sanitation.

He was conferred the honour of “Friend of Labour” by the National Trade Union Congress (NTUC) on May Day 1990. In October 2011 he was awarded the Alumni Achievement Award by the Nanyang Technological University.
Mr Ong 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.

Yap Hui Lian Annie
Independent Director

Ms Annie Yap is the founder and Group Managing Director of AYP Asia Group (“AYP”).

She was the CEO of GMP Group prior to AYP. She is well-versed in both local & foreign employment & recruitment policies, specialising in CEO & Board Succession, board effectiveness consulting & leadership succession & development. She has also been conferred multiple awards including Entrepreneur of the Year 2006 by The Association of Small and Medium Enterprises.

Ms Annie Yap graduated from Nanyang Technological University with a Bachelor of Business in 1993.

Lee Gee Aik
Independent Director

Mr Lee Gee Aik is currently a practicing director of R Chan & Associates PAC.

Mr Lee has over 30 years of experience in audit, accounting and taxation. He started his career as an auditor with one of the Big Four accounting firms in Singapore in 1979 and between 1986 and 1988, Mr Lee was seconded to their Executive Office in USA. He was the regional controller of Omni Marco Polo Hotels, Singapore from 1993 to 1998.

He is currently the independent director of a few companies listed on the Mainboard and Catalist of the Singapore Stock Exchange. He has been appointed by the Minister of Health to serve as Lay Person member of the Complaints Panel of the Singapore Pharmacy Council.

Mr Lee is a fellow of The Association of Chartered Certified Accountants, United Kingdom, a fellow of The Institute of Singapore Chartered Accountants and an Accredited Tax Advisor accredited by The Singapore Institute of Accredited Tax Professionals. He obtained a Masters of Business Administration from The Henley Management College, United Kingdom.

BOARD OF DIRECTORS

Chia Chee Hyong Leonard
Independent Director

Mr Leonard Chia is the managing director of Asia Ascent Law Corporation, Singapore and has been an Advocate & Solicitor of the Supreme Court of Singapore since 1991.

Having been in practice for over 25 years, he has handled numerous commercial and corporate disputes, both local as well as international, in complex litigation and arbitration involving, for example:-

a. oil and gas disputes;
b. marine insurance and admiralty and shipping disputes;
c. cross border and international sale and supply contracts;
d. building contract and construction disputes;
e. corporate disputes including disputes pertaining to issues under the Companies Act (Chapter 50), parent company and subsidiary arrangements, shareholder disputes and disputes involving directors and directors' duties; and
f. employment disputes.

Mr Chia is also an associate mediator of the Singapore Mediation Centre and a Court appointed volunteer mediator in the State Courts.

Mr Chia graduated from University of Buckingham, United Kingdom with a Bachelor of Science (Honours) in Business Studies, Diploma in Law from City University, United Kingdom. Mr Chia is a Baristar-at-Law of the Inner Temple.

Tay Eng Kiat Jackson
Proposed Independent Director

Mr Jackson Tay is currently Operation Director and Company Secretary of Hafary Holdings Limited. He oversees the operational and corporate functions of Hafary Holdings Limited Group, including business development, investor relations and corporate secretarial duties.

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

He graduated with a Bachelor of Accountancy Degree (Minor in Marketing) from Nanyang Technological University, Singapore in 2002. He is a non-practising Chartered Accountant (Singapore).

Tan Chade Phang Roger
Proposed Independent Director

Mr Roger Tan is the CEO and founder of Voyage Research since 2009 till present. Prior to setting up Voyage Research, he was an Investment Analyst with Standard Chartered Bank Singapore from 2007 to 2008, and was also the lead Investment Analyst in SIAS Research from 2005 to 2006.

He is currently also the President of the Small and Middle Capitalisation Association (SMCCA) where he actively tries to gather small and middle capitalisation companies within a single entity to work closely with the authorities and professionals to improve the visibility and governance standards of its members. Mr Tan also sits on the Board of Dapai International Holdings and Starland Holdings Limited as an independent director.

He graduated with a Bachelor of Business in Accountancy Degree from RMIT University and obtained a Master of Finance from the same university.

Sho Kian Hin Eric
Proposed Independent Director

Mr Eric Sho is currently an executive director of China Farm Equipment Pte Ltd, a company formerly listed on the Main Board of SGX-ST.

Mr Sho has over 20 years of experience in financial reporting and regulatory compliance and was involved in various financial related activities such as equity and pre-IPO fund raising, mergers and acquisitions, restructuring and group tax optimisation. Mr Sho also serves as an independent director and Audit Committee Chairman of QT Vascular Ltd.

Mr Sho is a non-practicing member of The Association of Chartered Certified Accountants.

REPORT OF 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 the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 (the "**Guide**"). The Company has complied with the principles and guidelines as set out in the Code and the Guide where appropriate, and deviations from the Code and the Guide have been explained.

Principle 1 : The Board's Conduct of its Affairs

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

As at the date of this report, the Board comprises the following members:-
Dr Jong Hee Sen (Non-Independent and Non-Executive Chairman)
Lim Beng Choo [1] (Executive Director)
Lim Thien Su Gerald [2] (Non-Independent and Non-Executive Director)
Siew Teng Kean (Lead Independent Director)
Ong Lay Khiam (Independent Director)
Yap Hui Lian Annie [3] (Independent Director)
Lee Gee Aik [3] (Independent Director)
Chia Chee Hyong Leonard [4] (Independent Director)

Notes:

1 Lim Beng Choo was appointed as the Executive Director of the Company with effect from 7 January 2016.

2 Lim Thien Su Gerald was appointed as a Non-Independent Non-Executive Director of the Company with effect from 27 April 2016.

3 Yap Hui Lian Annie and Lee Gee Aik were appointed as an Independent Director of the Company with effect from 3 August 2015.

4 Chia Chee Hyong Leonard was appointed as an Independent Director of the Company with effect from 27 April 2016.

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

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

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

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

REPORT OF CORPORATE GOVERNANCE

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 discussions 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 Constitution (the "**Constitution**") provides 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 2015, and the frequency of these meetings are 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	8	8	4	3	4	4	–	–
Siew Teng Kean	8	8	4	4	–	–	1	1
Ong Lay Khiam	8	8	4	4	4	4	–	–
Yap Hui Lian Annie (1)	8	2	–	–	–	–	–	–
Lee Gee Aik (1)	8	4	–	–	–	–	–	–
Teo Cheng Hiang Richard (2)	8	1	–	–	4	3	1	1
Wong Ong Ming Eric (3)	8	1	4	1	–	–	1	1
Chia Kwok Ping (4)	8	1	–	–	–	–	–	–
Yip Yuen Leong (5)	8	–	–	–	–	–	–	–

Notes:

1 Yap Hui Lian Annie and Lee Gee Aik were appointed as Independent Directors of the Company with effect from 3 August 2015.

2 Teo Cheng Hiang Richard retired as an Independent Director of the Company at the AGM of the Company held on 30 April 2015.

3 Wong Ong Ming Eric resigned as a Non-Executive Director of the Company with effect from 5 May 2015.

4 Chia Kwok Ping was appointed as an Executive Director and Chief Executive Officer of the Company on 2 March 2015 and resigned with effect from 30 June 2015.

5 Yip Yuen Leong resigned as an Executive Director of the Company with effect from 21 January 2015 and ceased to be the President, Integrated Real Estate of the Company with effect from 1 May 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 its 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 2015, 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 that the Group operates in.

REPORT OF CORPORATE GOVERNANCE

Principle 2 : Board Composition and Guidance

The Board currently has eight (8) Directors, comprising five (5) 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 of this Annual Report.

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

The NC is of the view that Mr Siew Teng Kean, Mr Ong Lay Khiam, Mr Lee Gee Aik, Ms Yap Hui Lian Annie and Mr Chia Chee Hyong Leonard are independent. As more than 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 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's policy, in its identification of director nominees, is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender.

The Board and Board Committees comprise Directors who as a group provides 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 provides capabilities required for the Board to be effective.

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

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

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

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-Independent and Non-Executive Chairman, whilst Ms Lim Beng Choo ("**Ms Lim**") holds the position of Executive Director, who assumes the role similar to that of a Chief Executive Officer.

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 Executive Director). 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.

REPORT OF CORPORATE GOVERNANCE

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

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

Principle 4 : Board Membership

The NC comprises four (4) Directors, namely Mr Ong Lay Khiam, Mr Siew Teng Kean, Mr Lee Gee Aik (all 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 the Board shall comprise 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 when 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. Pursuant to his or her appointment to the Board, the candidate will be required to stand for re-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 Constitution, one third (1/3) of the Board is to retire by rotation and subject themselves to re-election by shareholders at every AGM. The NC will assess and evaluate whether Directors retiring at each AGM are properly qualified for re-appointment by virtue of their skills, experience and contributions. The NC has recommended to the Board that Mr Siew Teng Kean be nominated for re-election at the forthcoming AGM. In making the recommendation, the NC had considered his overall contributions and performance.

Under Article 92 of the Company's Constitution, any new Director so appointed by the Directors shall hold office only until the next AGM of the Company, and shall be eligible for re-election. Mr Lee Gee Aik, an Independent Director of the Company and a member of the NC and RC, who would be retiring under Article 92 of the Company's Constitution, has decided not to seek re-election at the forthcoming AGM due to competing time commitments as a result of the time required as the Company's Director. Ms Yap Hui Lian Annie, an Independent Director of the Company and the Chairperson of the RC, who would be retiring under Article 92 of the Company's Constitution, has decided not to seek re-election at the forthcoming AGM due to competing time commitments as a result of the time required as the Company's Director. The

REPORT OF CORPORATE GOVERNANCE

NC has recommended to the Board that Ms Lim Beng Choo, Mr Lim Thien Su Gerald and Mr Chia Chee Hyong Leonard be nominated for re-election at the forthcoming AGM pursuant to Article 92 of the Company's Constitution. In making the recommendation, the NC had considered the Directors' overall contributions and performance.

Pursuant to Mr Lee Gee Aik not seeking re-election at the forthcoming AGM, he will cease to be a member of the NC and RC upon conclusion of the forthcoming AGM. His replacement for each committee will be announced by the Company in due course. Pursuant to Ms Yap Hui Lian Annie not seeking re-election at the forthcoming AGM, she will cease to be the Chairperson of the RC upon conclusion of the forthcoming AGM. Her replacement for the RC will be announced by the Company in due course.

Mr Siew Teng Kean will, upon re-election as a Director of the Company, remain as the Lead Independent Director of the Company and Chairman of the AC and a member of the NC and will be considered to be independent for the purposes of Rule 704(7) of the Catalist Rules. Ms Lim Beng Choo will, upon re-election as a Director of the Company, remain as the Executive Director of the Company. Mr Lim Thien Su Gerald will, upon re-election as a Director of the Company, remain as the Non-Independent and Non-Executive Director of the Company. Mr Chia Chee Hyong Leonard will, upon re-election as a Director of the Company, remain as the Independent Director of the Company and will be considered to be independent for the purposes of Rule 704(7) of the Catalist Rules.

Mr Siew Teng Kean 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.

Under Article 97 of the Company's Constitution, any member of the Company (other than the person to be proposed) duly qualified to attend and vote at the general meeting, may give a notice in writing, not less than eleven clear days and not more than forty-two days (inclusive of the date on which the notice is given) before the date of the general meeting, lodged at the registered office of the Company, with an intention to propose to elect a person as Director of the Company at the general meeting of the Company.

As announced on 15 June 2016 ("Announcement"), the Company received a letter of nomination pursuant to Article 97 of the Company's Constitution from Mr Ching Chiat Kwong ("Mr Ching"), a substantial shareholder of the Company, who holds 317,636,000 ordinary shares, representing approximately 19.14% of the share capital of the Company, nominating Mr Tan Chade Phang, Roger and Mr Sho Kian Hin, Eric to be appointed as Independent Directors of the Company at the forthcoming AGM of the Company. A copy of the letter of nomination from Mr Ching is enclosed to the Announcement. Shareholders should note that neither the NC of the Company nor the Board of the Company has made any recommendation in relation to the proposed appointments of Mr Tan Chade Phang, Roger and Mr Sho Kian Hin, Eric as Independent Directors of the Company. Shareholders are advised to read the letter of nomination from Mr Ching enclosed to the Announcement and page 12 of this Annual Report, which contains information relating to these proposed appointees carefully, before deciding whether to vote for or against these proposed appointments. Mr Tan Chade Phang, Roger and Mr Sho Kian Hin, Eric do not have any relationship including immediate family relationships between himself and the Directors, the Company and its 10% shareholders.

As announced on 15 June 2016, the Company received a letter of nomination pursuant to Article 97 of the Company's Constitution from Mr Low See Ching ("Mr Low"), a substantial shareholder of the Company, who holds 118,100,100 ordinary shares, representing approximately 7.11% of the share capital of the Company, nominating Mr Tay Eng Kiat Jackson to be appointed as Independent Director of the Company at the forthcoming AGM of the Company. A copy of the letter of nomination from Mr Low is enclosed to the Announcement. Shareholders should note that neither the NC of the Company nor the Board of the Company has made any recommendation on this proposed appointment of Mr Tay Eng Kiat Jackson as Independent Director of the Company. Shareholders are advised to read the letter of nomination from Mr Low enclosed to the Announcement and page 12 of this Annual Report, which contains information relating to this proposed appointee carefully, before deciding whether to vote for or against this proposed appointment. Mr Tay Eng Kiat Jackson does not have any relationship including immediate family relationships between himself and the Directors, the Company and its 10% shareholders.

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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 2015	–	Healthway Medical Corporation Limited
Lim Beng Choo	7 January 2016	–	–	–
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	–
Lee Gee Aik	3 August 2015	–	1) Anchun International Holdings Ltd 2) LHN Limited 3) SHS Holdings Limited 4) Astaka Group (Holdings) Limited (formerly known as E2-Capital Holdings Limited)	1) Ley Choon Group Holdings Limited 2) Leader Environmental Technologies Limited
Yap Hui Lian Annie	3 August 2015	–	–	–
Chia Chee Hyong Leonard	27 April 2016	–	–	–
Lim Thien Su Gerald	27 April 2016	–	1) Hi- P International Ltd 2) Blackgold Natural Resources Ltd	–

Further details of the Directors (including principal commitments) can be found on pages 10 to 12 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 or her duties as a director of the Company. As such, the Board does not propose to set the maximum number of listed company board representations which Directors may hold until such need arises. The NC would continue to review from time to time the board representations of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

The considerations in assessing the capacity of Directors include the following:

– Expected and/or competing time commitments of Directors;

– Geographical location of Directors;

– Size and composition of the Board; and

– Nature and scope of the Group's operations and size.

Principle 5 : Board Performance

The NC decides on how the Board's, Board Committees and individual Directors' performance are to be evaluated and proposes objective performance criteria, subject to the Board's approval, 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 or her performance or re-nomination as a Director.

REPORT OF CORPORATE GOVERNANCE

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. Accordingly, the Board has met its performance objectives.

Principle 6 : Access to Information

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

The Directors are furnished regularly with information from the Management about the Group as well as the relevant background information relating to the business to be discussed at the Board meetings. The Directors are also provided with the contact details of the 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 Board procedures are followed and that the requirements of the Companies Act (Chapter 50) of Singapore, and the provisions in the Listing Manual (Section B: Rules of Catalist) of the SGX-ST ("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, *inter alia*, an important bearing on the Directors' disclosure obligations.

REPORT OF CORPORATE GOVERNANCE

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 Ms Yap Hui Lian Annie and Mr Lee Gee Aik and one (1) Non-Executive and Non-Independent Director, Dr Jong Hee Sen. The Chairperson of the RC is Ms Yap Hui Lian Annie. 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 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 Director does 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 and Non-Independent Non-Executive Director. The fees are subject to approval by Shareholders at each AGM. Dr Jong Hee Sen, the Non-Executive Chairman of the Company had entered into an Advisory Service Agreement dated 1 October 2015 with IHC Medical Assets Pte. Ltd., a wholly-owned subsidiary of the Company, further details of which are set out in the section titled "Interested Person Transactions".

The Company had entered into a service agreement with Ms Lim Beng Choo with effect from 7 January 2016 for her appointment as Executive Director of the Company.

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. 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 at the expense of the Company.

The Company adopts a remuneration policy that comprises a fixed as well as variable component. The fixed component is in the form of base salary and benefits while the variable component is in the form of performance bonus determined based on the level of achievement of corporate and individual performance objectives. 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 following performance conditions were chosen for the Group to remain competitive and to motivate the Executive Director and executive officers to work in alignment with the goals of all stakeholders:

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

Notwithstanding the challenging environment in FY2015, the RC has reviewed and is satisfied that the performance conditions were met for FY2015.

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.

REPORT OF CORPORATE GOVERNANCE

The level and mix of the Directors' remuneration for the financial year ended 31 December 2015 ("**FY2015**") are set out below:

Name of Chief Executive Officer	**Fee[6] %**	**Salary %**	**Bonus %**	**Benefits[7] %**	**Total %**
S$250,000 – S$499,999					
Fan Kow Hin[1]	–	97.50	–	2.50	100
Chia Kwok Ping[2]	–	98.33	–	1.67	100

Name of Director	**Fee[6] %**	**Salary %**	**Bonus %**	**Benefits[7] %**	**Total %**
S$250,000 – S$499,999					
Dr Jong Hee Sen	10.82	77.68	7.96	3.54	100
Below S$250,000					
Wong Ong Ming Eric[3]	100	–	–	–	100
Siew Teng Kean	100	–	–	–	100
Ong Lay Khiam	100	–	–	–	100
Teo Cheng Hiang Richard[4]	100	–	–	–	100
Lee Gee Aik[5]	100	–	–	–	100
Yap Hui Lian Annie[5]	100	–	–	–	100

Notes:-

1 Mr Fan Kow Hin was appointed as Chief Executive Officer of the Company on 17 May 2015 and resigned with effect from 31 January 2016.

2 Mr Chia Kwok Ping was appointed as Chief Executive Officer and Executive Director of the Company on 2 March 2015 and resigned with effect from 30 June 2015.

3 Mr Wong Ong Ming Eric resigned as Non-Executive Director of the Company with effect from 5 May 2015.

4 Mr Teo Cheng Hiang Richard retired as Independent Director of the Company at the AGM of the Company held on 30 April 2015.

5 Mr Lee Gee Aik and Ms Yap Hui Lian Annie were appointed as Independent Directors of the Company with effect from 3 August 2015.

6 These fees are subject to the approval of the Shareholders at the forthcoming AGM.

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

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 FY2015.

	Number of employees
S$250,000 to S$499,999	2
Below S$250,000	3

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 given the highly competitive business environment the Company operates in.

REPORT OF CORPORATE GOVERNANCE

Ms Jamie Fan Wei Zhi, daughter of Mr Fan Kow Hin, who was the Chief Executive Officer of the Company from 17 May 2015 to 31 January 2016, was an employee of the Company. Her remuneration for FY2015 was between S$50,000 to S$100,000.

Save as disclosed above, there were no other employees who were immediate family members of any Director or the Chief Executive Officer of the Company, whose remuneration for FY2015 exceeds S$50,000.

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 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 and the AC note that all internal controls contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

The Board is of the opinion that the internal controls maintained by the Management provides reasonable, but not absolute, 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 also notes that all internal control systems contain inherent limitations and no system of internal controls can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, fraud and other irregularities

The Board has received assurance from the Executive Director, Ms Lim Beng Choo and the Finance Manager, Mr Ng Chuan Tee that (a) the financial records have been properly maintained and the financial statements for the financial year ended 31 December 2015 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 as at 31 December 2015. Notwithstanding, the Audit Committee and the Board will continue to review the group's internal controls, risk management processes and corporate governance procedures as part of its ongoing improvement programme.

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

Principle 12 : Audit Committee

The AC, which has written terms of reference clearly setting out its authority and duties, is made up of two (2) Independent Directors, namely Mr Siew Teng Kean and Mr Ong Lay Khiam and one (1) Non-Executive Non-Independent Director namely Dr Jong Hee Sen. 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.

REPORT OF CORPORATE GOVERNANCE

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.

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 AC has met with the external and internal auditors, without the presence of Management during FY2015.

The aggregate amount of fees paid or payable to the external auditors of the Company, broken down into audit and non-audit services during FY2015 are as follows:-

Audit fees	:	S$579,565
Non-audit fees	:	S$62,000
Total	:	S$641,565

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.

However, PwC has indicated to the Company their intention of not seeking re-appointment as auditors of the Company. The resignation of PwC will take effect following the conclusion of the forthcoming AGM. As such, the Company will be sourcing for a new auditor to be appointed at an extraordinary general meeting to be convened by 13 October 2016.

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.

REPORT OF CORPORATE GOVERNANCE

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 Mr Siew Teng Kean, the AC Chairman. The objective for such arrangement is to ensure independent investigations of such matters and for appropriate follow-up actions. Reports of suspected fraud, corruption, dishonest practices or other similar matters can be lodged to the AC Chairman, Mr Siew Teng Kean in writing to the registered address of the Company. The Company did not receive any whistle-blowing report during FY2015.

Principle 13: Internal Audit

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

The size of the operations of the Group does not warrant the Group having an in-house internal audit function. The Group has outsourced its internal audit function to LMS Consulting Pte Ltd ("LMS Consulting") who reports directly to the AC. LMS Consulting has performed an internal audit in the financial year ended 31 December 2015 which covered the operations and financial controls of a subsidiary in China, Jiangsu Chang San Jiao Medical Co. which was acquired by the Group during FY2015. The internal auditors support the AC in its role to access 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 LMS Consulting is adequately qualified (given, *inter alia*, its adherence to standards set by internationally recognised professional bodies), resourced and has the appropriate standing within the Group to discharge its duties effectively.

Principle 14 : Shareholder Rights
Principle 15 : Communication with Shareholders
Principle 16 : Conduct of Shareholder Meetings

The Company is committed to maintaining and improving its level of corporate transparency of financial results and other pertinent information. Other than the routine announcements made in accordance with the requirements of the Rules of Catalist, the Company has issued additional announcements to update Shareholders on the activities of the Company and the Group in FY2015.

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 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 AGM, Shareholders will be given the opportunity and time to air their views and ask the Directors or the Management questions regarding the Company.

REPORT OF CORPORATE GOVERNANCE

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

The Company does not have a dedicated investor relations team. The Company's investment manager, Tan Sheng Hua Adam is responsible for the Company's communication with shareholders.

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

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

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

The Company does not have a fixed dividend policy. The Board has not recommended any dividend for FY2015 as the Board wants to ensure that the Company has adequate resources for its expansion plans 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.

Material Contracts and Loans

Pursuant to Rule 1204(8) of the Rules of Catalist, the Company confirmed that except as disclosed in (i) the Report of Directors and Financial Statements of this Annual Report; (ii) the offer document of the Company dated 1 July 2013; and (iii) an implementation agreement ("**Implementation Agreement**") dated 19 June 2015 entered by the Company with Healthway Medical Corporation Limited ("**HMC**") to acquire the entire paid-up share capital of HMC by way of a scheme of arrangement in accordance with Section 210 of the Companies Act, Chapter 50 of Singapore and the Singapore Code on Take-overs and Mergers (the "**Proposed Acquisition**"), 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 FY2015 or if not then subsisting, which were entered into since the end of the previous financial year.

Mr Fan Kow Hin is a controlling Shareholder of both the Company and HMC. Further details on the Proposed Acquisition can be found in the announcements made by Company on SGXNET dated 19 June 2015, 27 August 2015, 3 September 2015, 16 September 2015, 21 September 2015, 30 December 2015 and 23 February 2016. As at 28 June 2016, no general meeting of shareholders of the Company and/or HMC has been convened or proposed to be convened in relation to the Proposed Acquisition.

Interested Person Transactions

The Group does not have a general mandate from Shareholders for recurrent 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.

REPORT OF CORPORATE GOVERNANCE

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.

The interested person transactions entered into by the Group during FY2015 are set out below:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Dr Jong Hee Sen - Advisory Service Agreement [1]	S$0.36 million	–

Note:

(1) An Advisory Service Agreement (the "**Agreement**") dated 1 October 2015 was entered between IHC Medical Assets Pte Ltd, a wholly-owned subsidiary of the Company, and Dr Jong Hee Sen ("Dr Jong"), a Non-Executive Director of the Company, for a period of one year from the date of the Agreement. Under this Agreement, Dr Jong is entitled to a monthly fee of S$30,000. As such, the value of the interested person transaction in respect of this Agreement is S$360,000. His key duties are:-

(a) establish, foster and continuously improve working and business relationship with all officials of the relevant foreign government agencies, business partners and business associates where the Company has a presence in PRC, Japan and Malaysia;

(b) continue to maintain and ensure that the Company's licence to operate its healthcare services and healthcare related mix-development business remain valid at all times;

(c) on request by the company, assist, guide and mentor members of the Company's designated working teams assigned to the various foreign government officials and business partners; and

(d) be assigned special assignments to sustain proper business functions and issue resolution.

The Proposed Acquisition entails the issuance of 1 new ordinary share issued in the capital of the Company ("**Consideration Shares**") for every 4.3 ordinary shares issued in the capital of HMC ("**HMC Shares**"). The weighted average price of ordinary shares in the capital of the Company ("**IHC Shares**") on the market day preceding the date of the Implementation Agreement for each IHC Share was S$0.29 ("**VWAP**"). In relation thereto, as at the date of the Implementation Agreement and based on the VWAP, (i) Dr Jong Hee Sen who held an aggregate of 137,795,702 HMC Shares was proposed to receive 32,045,512 Consideration Shares and the value of the interested person transaction between the Company and Dr Jong Hee Sen was S$9.29 million; (ii) Mr Fan Kow Hin, a controlling shareholder of the Company, who held an aggregate of 444,142,812 HMC Shares was proposed to receive 103,289,026 Consideration Shares and the value of the interested person transaction between the Company and Mr Fan Kow Hin was S$29.95 million; and (iii) Mr Andrew Ah Kong Aathar, a then-controlling shareholder of the Company, who held an aggregate of 204,929,933 HMC Shares was proposed to receive 47,658,123 Consideration Shares and the value of the interested person transaction between the Company and Mr Andrew Ah Kong Aathar was S$13.82 million. Mr Andrew Ah Kong Aathar has ceased to be a controlling shareholder of the Company and is now a substantial shareholder of the Company.

As at 28 June 2016, no general meeting of shareholders of the Company and/or HMC has been convened or proposed to be convened for the Proposed Acquisition and/or the issuance of the Consideration Shares, and no Consideration Shares have been issued.

Save for the above, there were no other interested person transactions of S$100,000 and above during the financial year under review.

REPORT OF CORPORATE GOVERNANCE

Risk Management

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

Use of Proceeds 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) S$'000	**Amount utilised as at the date of this Annual Report** S$'000	**Balance of net proceeds as at the date of this Annual Report** 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	–
	22,730	22,230	500

Note:

(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

In FY2015, the Company incurred non-sponsor fees of S$280,000 for financial advisory services rendered by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd..

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

The directors present their statement to the members together with the consolidated financial statements of International Healthway Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2015 and the balance sheet of the Company as at 31 December 2015.

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 33 to 103 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Dr Jong Hee Sen	Non-Executive Chairman
Siew Teng Kean	Lead Independent Director
Ong Lay Khiam	Independent Director
Yap Hui Lian Annie	Independent Director (appointed on 3 August 2015)
Lee Gee Aik	Independent Director (appointed on 3 August 2015)
Lim Beng Choo	Executive Director (appointed on 7 January 2016)
Chia Chee Hyong Leonard	Independent Director (appointed on 27 April 2016)
Lim Thien Su Gerald	Non-Independent and Non-Executive Director (appointed on 27 April 2016)

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. 2015	At 31.12. 2014 or date of appointment if later	At 31.12. 2015	At 31.12. 2014 or date of appointment if later
The Company				
(Number of ordinary shares)				
Dr Jong Hee Sen	**6,621,947**	107,539,401	**11,998,154**	1,998,154
Siew Teng Kean	**127,827**	127,827	**–**	–
Ong Lay Khiam	**–**	–	**16,458**	16,458

There was no change in any of the above mentioned interests between the end of the financial year and 21 January 2016.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

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.

Audit Committee

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

Siew Teng Kean (Chairman)
Ong Lay Khiam
Jong Hee Sen

All members of the Audit Committee were non-executive directors.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2015 before their submission to the Board of Directors.

On behalf of the directors,

Lim Beng Choo Executive Director	Dr Jong Hee Sen Non-Executive Chairman

3 June 2016

INDEPENDENT AUDITOR'S REPORT

To the members of International Healthway Corporation Limited

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of International Healthway Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 33 to 103, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2015, 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 financial statements and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Singapore Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion section, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

(a) As disclosed in Note 21 to the financial statements, the Group's investment properties under development at 31 December 2015 includes an amount of S$87,674,000 relating to two properties in China ("China properties"), in respect of which the Group has recorded a fair value gain of S$46,004,000 for the financial year then ended. As stated in Note 3(a) to the financial statements, the carrying value of these China properties is based on certain critical estimates and assumptions. We were unable to obtain sufficient appropriate audit evidence regarding the appropriateness and reliability of all of these estimates and assumptions as the Group was unable to provide satisfactory documentary support for these estimates and assumptions. Consequently, we were unable to determine whether any adjustment to the accompanying financial statements in relation to the two China properties was necessary.

(b) Included in the Group's current borrowings and other payables as at 31 December 2015 is a principal amount of S$4,116,000 and related interest of S$1,147,000 owed by a wholly-owned subsidiary to certain Funds (Note 29(a)).

However, this is significantly lower than the total amount alleged as being owed to the Funds as at 31 December 2015 of approximately S$28,662,000 and S$18,630,000 in relation to the Group and the Company respectively (including the outstanding interest of S$2,579,000 and S$1,281,000 in relation to the Group and Company respectively), as described in Notes 3(b) and 29(a) to the financial statements. As this claim against the Group and the Company is in its early stages of development, we were unable to obtain sufficient appropriate audit evidence regarding (i) the amount of liabilities that should be recorded by the Group and the Company in relation to the borrowings from the Funds, and (ii) whether the receivership action taken by the Funds as described in Note 29(a) to the financial statements would have an impact on the ongoing business operations of the Group.

(c) As stated in Note 2.1 to the financial statements, the appropriateness of the going concern assumption on which the financial statements have been prepared is dependent on certain key assumptions, including the Group's and the Company's compliance with certain externally imposed covenants and the continued financial support from the Group's and the Company's bankers and other lenders. If significant adjustments have to be made to the financial statements of the Group and of the Company for the financial year ended 31 December 2015 as a result of the matters described in paragraphs (a) and (b) above, the Group and the Company would be in breach of certain externally imposed loan covenants. If this happens, non-current borrowings amounting to S$121,687,000 and S$97,808,000 of the Group and the Company respectively will become payable immediately and would have to be reclassified as current liabilities in the respective balance sheets as at 31 December 2015. This indicates the existence of material uncertainties which may cast significant doubt about the ability of the Group and the Company to continue as going concern.

INDEPENDENT AUDITOR'S REPORT
To the members of International Healthway Corporation Limited

Report on the Financial Statements (continued)

If the going concern assumption on which the accompanying financial statements of the Group and Company have been prepared is not appropriate, adjustments would have to be made to reflect a situation where the assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts stated in the balance sheet of the Group and Company. In addition, the Group and the Company may have to provide for further liabilities which may arise, and to classify the non-current assets and non-current liabilities as current assets and current liabilities respectively.

The financial statements do not include the adjustments that would result if the Company and the Group are unable to continue as going concerns.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion section, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Report on other Legal and Regulatory Requirements

In view of the significance of the matters referred to in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 3 June 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

	Note	2015 S$'000	2014 S$'000 (Restated)
Revenue	4	**45,004**	35,438
Cost of sales	5	**(23,974)**	(17,011)
Gross profit		**21,030**	18,427
Other income	7	**13,267**	9,765
Fair value gains/ (losses) on:			
- Investment properties	20	**15,106**	44,134
- Investment properties under development	21	**50,732**	(1,660)
		65,838	42,474
Other (losses)/gains	8	**(22,987)**	398
Administrative expenses	5	**(35,938)**	(12,253)
Finance expenses	9	**(26,183)**	(19,010)
Profit before tax		**15,027**	39,801
Income tax expense	10	**(14,561)**	(8,445)
Profit after tax		**466**	31,356
Other comprehensive income/(loss):			
Item that may be reclassified subsequently to profit and loss:			
Currency translation differences arising from consolidation		**2,050**	(3,996)
Item that will not be reclassified subsequently to profit and loss:			
Revaluation gains on lease prepayments	10(c)	**–**	3,636
Other comprehensive income/(loss), net of tax		**2,050**	(360)
Total comprehensive income		**2,516**	30,996
Profit attributable to:			
Equity holders of the Company		**368**	31,244
Non-controlling interests		**98**	112
		466	31,356
Total comprehensive income attributable to:			
Equity holders of the Company		**2,196**	29,924
Non-controlling interests		**320**	1,072
		2,516	30,996
Earnings per share attributable to equity holders of the Company (expressed in cents per share)			
Basic earnings per share	11	**0.02**	1.92
Diluted earnings per share	11	**0.02**	1.90

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

BALANCE SHEET - GROUP

As at 31 December 2015

	Note	**2015 S$'000**	2014 S$'000 (Restated)	1 January 2014 S$'000 (Restated)
ASSETS				
Current assets				
Cash and bank balances	12	**25,751**	31,025	35,272
Trade and other receivables	13	**13,992**	16,601	16,642
Other current assets	14	**1,839**	39,957	362
Inventories	15	**911**	548	729
Assets held-for-sale	16	**–**	92,993	–
		42,493	181,124	53,005
Non-current assets				
Intangible assets	17	**38,318**	45,924	43,121
Lease prepayments	18	**6,531**	6,679	12,506
Investment properties	20	**397,942**	250,465	216,736
Investment properties under development	21	**146,966**	96,839	78,313
Property, plant and equipment	22	**7,040**	6,313	6,462
Other receivables	13	**551**	–	–
		597,348	406,220	357,138
Total assets		**639,841**	587,344	410,143
LIABILITIES				
Current liabilities				
Trade and other payables	23	**21,878**	48,927	13,441
Borrowings	24	**231,470**	139,026	9,664
Income tax liabilities	10(b)	**1,770**	1,077	916
		255,118	189,030	24,021
Non-current liabilities				
Trade and other payables	23	**7,258**	14,838	7,131
Borrowings	24	**139,720**	169,942	213,696
Deferred tax liabilities	26	**30,122**	15,160	7,067
		177,100	199,940	227,894
Total liabilities		**432,218**	388,970	251,915
NET ASSETS		**207,623**	198,374	158,228
EQUITY				
Share capital	27	**192,707**	185,219	176,429
Currency translation reserve		**(3,794)**	(6,182)	(2,136)
Merger reserve	28	**(65,742)**	(65,742)	(66,102)
Asset revaluation reserve	28	**3,630**	2,726	–
Statutory surplus reserve	28	**327**	327	253
Retained earnings		**81,124**	76,810	45,640
		208,252	193,158	154,084
Non-controlling interests		**(629)**	5,216	4,144
Total equity		**207,623**	198,374	158,228

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

BALANCE SHEET - COMPANY

As at 31 December 2015

	Note	2015 S$'000	2014 S$'000
ASSETS			
Current assets			
Cash and bank balances	12	**247**	5,844
Trade and other receivables	13	**165,400**	165,397
Other current assets	14	**56**	287
		165,703	171,528
Non-current assets			
Investment in subsidiaries	19	**133,279**	83,311
Property, plant and equipment	22	**63**	83
		133,342	83,394
Total assets		**299,045**	254,922
LIABILITIES			
Current liabilities			
Trade and other payables	23	**20,624**	30,389
Borrowings	24	**9,031**	32,008
Other liabilities	25	**703**	776
		30,358	63,173
Non-current liabilities			
Trade and other payables	23	**–**	8,000
Borrowings	24	**97,824**	–
Other liabilities	25	**1,396**	1,665
		99,220	9,665
Total liabilities		**129,578**	72,838
NET ASSETS		**169,467**	182,084
EQUITY			
Share capital	27	**192,707**	185,219
Accumulated losses		**(23,240)**	(3,135)
Total equity		**169,467**	182,084

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

	Note	Share capital S$'000	Currency translation reserve S$'000	Merger reserve S$'000	Asset revaluation reserve S$'000	Statutory surplus reserve S$'000	Retained earnings S$'000	Total S$'000	Non-controlling interests S$'000	Total equity S$'000
		Attributable to equity holders of the Company								
2015										
Beginning of financial year		185,219	(6,182)	(65,742)	2,726	327	76,810	193,158	5,216	198,374
Issue of new shares	27	7,488	–	–	–	–	–	7,488	–	7,488
Acquisition of equity interest in subsidiaries without change in control	19	–	560	–	904	–	3,946	5,410	(5,410)	–
Acquisition of additional interest in subsidiaries	34(b)	–	–	–	–	–	–	–	(755)	(755)
Profit for the year		–	–	–	–	–	368	368	98	466
Other comprehensive income										
Currency translation differences		–	1,828	–	–	–	–	1,828	222	2,050
End of financial year		192,707	(3,794)	(65,742)	3,630	327	81,124	208,252	(629)	207,623

	Note	Share capital S$'000	Currency translation reserve S$'000	Merger reserve S$'000	Asset revaluation reserve S$'000	Statutory surplus reserve S$'000	Retained earnings S$'000	Total S$'000	Non-controlling interests S$'000	Total equity S$'000
		Attributable to equity holders of the Company								
2014										
Beginning of financial year (previously reported)		176,429	(2,147)	(66,102)	–	253	50,396	158,829	4,144	162,973
Effect of prior year adjustment	37	–	11	–	–	–	(4,756)	(4,745)	–	(4,745)
Beginning of financial year, as restated		176,429	(2,136)	(66,102)	–	253	45,640	154,084	4,144	158,228
Issue of shares and effect of adjustments pursuant to acquisition under common control	27	8,790	–	360	–	–	–	9,150	–	9,150
Profit for the year		–	–	–	–	–	31,244	31,244	112	31,356
Other comprehensive (loss)/income										
Currency translation differences		–	(4,046)	–	–	–	–	(4,046)	50	(3,996)
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	(6,182)	(65,742)	2,726	327	76,810	193,158	5,216	198,374

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2015

	Note	**2015** **S$'000**	2014 S$'000 (Restated)
Cash flows from operating activities			
Profit after tax		**466**	31,356
Adjustments for:			
- Income tax expense		**14,561**	8,445
- Depreciation of property, plant and equipment		**1,185**	887
- Amortisation of lease prepayments		**294**	293
- Loss on disposal of property, plant and equipment		**4**	4
- Allowance for impairment on trade receivables		**19**	51
- Allowance for impairment on other receivables and deposit		**19,642**	–
- Amortisation of intangible assets		**251**	–
- Allowance for impairment of other asset		**4,171**	–
- Allowance for impairment of goodwill		**10,000**	–
- Gain on disposal of a subsidiary		**(3)**	–
- Interest income		**(43)**	(193)
- Interest expense		**25,150**	19,010
- Fair value gain on investment properties		**(15,106)**	(44,134)
- Fair value gain on investment properties under development		**(50,732)**	1,660
- Foreign currency translation differences		**1,075**	720
		10,934	18,099
Changes in working capital:			
- Inventories		**(265)**	181
- Trade and other receivables		**(2,570)**	4,037
- Other current assets		**564**	(2,072)
- Trade and other payables		**(1,927)**	3,698
Cash generated from operations		**6,736**	23,943
Interest paid		**(25,352)**	(17,788)
Income tax paid		**(196)**	(199)
Net cash (used in)/ provided by operating activities		**(18,812)**	5,956
Cash flows from investing activities			
Additions to investment properties		**(27,271)**	(103,655)
Additions to investment properties under development		**(6,449)**	(11,086)
Deposit refunded/(placed) for purchase of assets		**9,164**	(4,764)
Purchase of property, plant and equipment		**(289)**	(651)
Net cash (outflow)/inflow from acquisition of subsidiaries	34	**(1,980)**	58
Net cash outflow from disposal of a subsidiary	12	**(11)**	–
Interest received		**43**	193
Net cash used in investing activities		**(26,793)**	(119,905)
Cash flows from financing activities			
(Repayment to) / Advances from related parties		**(22,409)**	17,322
Proceeds from borrowings		**140,259**	120,758
Repayment of borrowings		**(78,868)**	(27,036)
Decrease in bank deposits pledged		**3,750**	–
Net cash provided by financing activities		**42,732**	111,044
Net decrease in cash and cash equivalents		**(2,873)**	(2,905)
Cash and cash equivalents at beginning of financial year		**27,275**	31,522
Effects of currency translation on cash and cash equivalents		**1,349**	(1,342)
Cash and cash equivalents at end of financial year	12	**25,751**	27,275

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

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 19 to the financial statements.

2. Significant accounting policies

2.1 Basis of preparation

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

The preparation of financial statements in conformity with FRS requires management to exercise its judgment 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 judgment or complexity, or areas where estimates and assumptions are significant to the financial statements are disclosed in Note 3.

Going Concern

(a) As at 31 December 2015, the Group's current liabilities exceeded its current assets by approximately S$212,625,000. Notwithstanding this, the financial statements have been prepared on a going concern basis in view of the following:

(i) Subsequent to the balance sheet date, the Group has successfully:

a. re-financed its TMK bonds (Note 24(c)) amounting to S$151,223,000, extending the maturity date from April 2016 to April 2019; and

b. obtained additional long-term banking facilities of S$8,200,000 maturing in April 2019.

(ii) The Group is in the midst of negotiating an extension of the maturity of S$54,996,000 bank borrowings from August 2016. These bank borrowings are secured on a mortgage of two investment properties in Australia which have a total fair value of approximately S$89,810,000 as at 31 December 2015. The management is of the view that in the event that the Group is not able to extend the maturity of the bank borrowings of S$54,996,000 to a later date, the proceeds from the forced sale of these investment properties will be in excess of the amount required to settle all of the charges placed over these assets based on the information provided by an independent professional valuer.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Going concern (continued)

(b) The appropriateness of the going concern assumption is also dependent on:

(i) The Group's compliance with certain externally imposed loan covenants, which includes covenants over the value of the consolidated shareholder's equity, consolidated net debt to consolidated shareholder's equity ratio, gearing ratio and interest coverage ratio. The Group's compliance with these loan covenants is dependent on:

a. The validity of the fair value gains arising from the Group's China properties (Note 3(a)) amounting to S$46,004,000 for the financial year ended 31 December 2015, which are subject to certain critical estimates and assumptions as disclosed in Note 3(a) to the financial statements; and

b. The validity of the management's assumption that no material adjustments are required to be made to the financial statements for the financial year ended 31 December 2015 arising from the receivership action taken by the certain funds (Note 29(a)).

If either b(ia) or b(ib) is invalid, the Group would have breached the following covenants:

- Interest cover ratio (Earnings before interest, tax, depreciation and amortisation ("EBITDA") to interest expense) to be above 1.50
- The ratio of consolidated net debt to consolidated shareholders' equity to be below 1.75
- Gearing ratio (Total Debt to Tangible Networth) to be below 2.50
- Leverage ratio (Total Liabilities to Tangible Networth) to be below 2.50

If the Group and Company were to be in breach of these loan covenants, non-current borrowings of the Group and Company amounting to S$121,687,000 and S$97,808,000 will become payable immediately and be reclassified as current liabilities in the balance sheet of the Group and Company respectively.

(ii) The validity of the management's assumption that the receivership action taken by the Funds (Note 29(a)) will not have a significant impact on the ongoing business operations of the Group.

Should the going concern assumption not be appropriate, adjustments will be made to reflect a situation where the assets may need to be realised other than in the normal course of business and at amounts which could be significantly different from the amounts stated in the balance sheet of the Group and Company. As a result, the Group and the Company may have to provide for further liabilities which may arise, and to classify the non-current assets and non-current liabilities to current assets and current liabilities respectively. The financial statements do not include the above potential adjustments that would result if the Company and the Group are unable to continue as going concerns.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2015

On 1 January 2015, 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.

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, except for the following:

FRS 108 Operating Segments

The Group has adopted the above amendment to FRS 108 on 1 January 2015. The amendment is applicable for annual period beginning on or after 1 July 2014. It sets out the required disclosures on the judgments made by management in aggregating operating segment. This includes 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 entity's assets when segment assets are reported. The Group has included the additional required disclosures in Note 33 of the financial statement.

2.2 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) *Sale of medicine and medical equipment*

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

(c) *Rental income*

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

(d) *Interest income*

Interest income is recognised using the effective interest method.

(e) *Guarantee fee income*

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

2. Significant accounting policies (continued)

2.3 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.

2.4 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.

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 entered into by the Group.

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

Acquisition-related costs are expensed as incurred.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.4 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.

2.5 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 – 40 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.

2. Significant accounting policies (continued)

2.5 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 entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) *Disposal*

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

2.6 Intangible assets

(a) *Goodwill on acquisitions*

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

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

(b) *Acquired licenses*

Licenses acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to the profit or loss using the straight- line method over 5 years.

2.7 Lease prepayments

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

2.8 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.9 Investment properties and investment properties under development

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

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.

2.10 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.

2.11 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.11 Impairment of non-financial assets (continued)

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

Acquired licenses, 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.

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.

2.12 Loans and receivables

Cash and bank balances
Trade and other receivables
Deposits

Cash and bank balances, trade and other receivables and deposits 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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.13 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.

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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2. Significant accounting policies (continued)

2.17 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.

2.18 Inventories

Inventories 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 bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated applicable variable selling expenses.

2.19 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

(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 and investment properties under construction. Investment properties and investment properties under construction 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.20 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.

2.21 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.

2.22 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.

(b) Transactions and balances

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.22 Currency translation (continued)

(c) Translation of Group entities' financial statements

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

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

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

2.23 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.

2.24 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.

2.25 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.

2.26 Dividends to Company's shareholders

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

3. Critical accounting estimates, assumptions and judgments

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

(a) 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 external professional valuers.

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

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

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

The fair value of investment properties and investment properties under development amounts to S$397,942,000 (2014: S$250,465,000) and S$146,966,000 (2014: S$96,839,000) respectively.

Investment properties under development include certain properties located in China that have been recorded at a value of S$87,684,000 ("China properties") as at 31 December 2015 and a corresponding fair value gain amounting to S$46,004,000 was recognised for the financial year ended 31 December 2015 in respect of these China properties. The valuation of these China properties was performed by an external international professional valuer and included certain critical assumptions made by the management as follows:

(1) Plot ratio

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

The valuation of the land in Wuxi, China as at 31 December 2015 was based on management's assessment that approval will be granted to increase the plot ratio from 2.0 to 4.5 following discussions held between management and the Wuxi City Planning Bureau.

If formal approval to increase in the plot ratio from 2.0 to 4.5 does not materialise, the value of the land in Wuxi, China as at 31 December 2015 and the fair value gains recognized in the income statement for the financial year ended 31 December 2015 may be significantly lower.

(2) Land premium and conversion costs

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

The valuation of the land in Wuxi, China as at 31 December 2015 was based on the assumption that the additional land premium payable for the increase in the plot ratio from 2.0 to 4.5 amounted to S$4,136,000 following discussions held between management and the Wuxi city planning bureau. In addition, management has assumed that there would be no conversion costs payable to change the land usage from hospital to commercial use on the premise that the anticipated tenants for the commercial space will be in the pharmaceutical industry which management considers to be in line with hospital use.

If the additional land premium eventually levied by the Wuxi City Planning Bureau is higher or lower than S$4,136,000, the value of the land in Wuxi, China as at 31 December 2015 and the fair value gains recognised in the income statement for the financial year ended 31 December 2015 would have been lower or higher by the same amount.

In addition, any conversion costs eventually levied by the Wuxi City Planning Bureau would have the impact of lowering the value of the land in Wuxi, China as at 31 December 2015 and the fair value gains recognised in the income statement for the financial year ended 31 December 2015 by the same amount.

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

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

(3) Gross development value

Gross development value is the estimated value that a property or new development would fetch on the open market if it were to be sold in the current economic climate. The 2 key assumptions in arriving gross development value of the China properties are rental rate and rental yield.

The valuations of the China properties as at 31 December 2015 were based on the assumption that the future rental income to be earned by these properties will approximate room rates of service apartments that are on a daily and strata-titled basis whilst the rental yields have been assumed to approximate a business model with longer than daily rental terms which management regards as an appropriate proxy to the future rental income that it will earn when the properties are completed.

If the rental yields were to increase or decrease by 10%, the value of the China properties as at 31 December 2015 and the fair value gains recognised in the income statement for the financial year ended 31 December 2015 will decrease by S$8,039,000 or increase by S$8,898,000 respectively.

(4) Entrepreneur profit and risk

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

The value of the China properties is arrived by taking the total gross development value subtracting the entrepreneur profit and other costs to be incurred to complete the China properties (including construction cost).

The valuations of the China properties as at 31 December 2015 were based on an assumption of an entrepreneur profit of 8.5% of the gross development value.

If the entrepreneur profit used in the valuation had been higher by 10% (absolute percentage) from management's estimates, the value of the China properties as at 31 December 2015 and the fair value gains recognized in the income statement for the financial year ended 31 December 2015 will be lower by S$23,449,000.

(5) Construction cost

Construction cost is an estimate by the management.

The valuation of the properties includes an assumption that the average construction cost for Wuxi (China) and Dujiangyan (Chengdu, China) will approximate S$900 and S$500 per square meter, respectively.

In arriving at the average construction cost for Dujiangyan (Chengdu, China) management has relied on quotes from a government approved quantity surveyor.

If the assumed average construction cost of the property in Dujiangyan (Chengdu, China) was similar to that of the property in Wuxi (China) the value of this property as at 31 December 2015 and the fair value gains recognised in the income statement for the financial year ended 31 December 2015 will be lower by S$26,580,000.

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

(b) *Litigation with certain funds*

As disclosed in Note 29(a) to the financial statements, the management has not recorded the additional amounts claimed by the Funds as at 31 December 2015 of approximately S$23,399,000 and S$18,630,000 in relation to the Group and the Company respectively (including the outstanding interest of S$1,432,000 and S$1,281,000 in relation to the Group and Company respectively) in the financial statements of the Group and the Company for the financial year ended 31 December 2015 as the management is of the view that an outflow of economic benefit is less than probable based on legal advice obtained.

If management had recorded the additional amounts claimed by the Funds as at 31 December 2015 of approximately S$23,399,000 and S$18,630,000 in relation to the Group and the Company respectively (including the outstanding interest of S$1,432,000 and S$1,281,000 in relation to the Group and Company respectively), the impact to the financial statements of the Group and Company would include the following:

	31 December 2015 Increase by/(decrease by) S$'000
Group	
Profit before tax	(23,399,000)
Retained earnings	(23,399,000)
Total liabilities	23,399,000
Company	
Profit before tax	(18,630,000)
Retained earnings	(18,630,000)
Total liabilities	18,630,000

In addition, if the adjustments described above were made to the financial statements, the Group and the Company will be in breach of certain loan covenants and accordingly, non-current borrowings of the Group and Company amounting to S$121,687,000 and S$97,808,000 will become payable immediately and be reclassified to current liabilities in the balance sheet of the Group and Company respectively as at 31 December 2015.

Please refer to Note 2.1 to the financial statements on preparation of the financial statements on a going concern basis.

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

Goodwill is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Acquired licenses, 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 17). An impairment charge of S$10,000,000 was recorded against the Wuxi Hospital CGU during the financial year ended 31 December 2015, which reduced the carrying amount of goodwill allocated to the Wuxi hospital CGU from S$45,924,000 to S$35,924,000.

If the estimated revenue growth rate used in the value-in-use calculation for this CGU had been 10% lower than management's estimates at 31 December 2015, the Group would have recognised a further impairment charge on goodwill amounting to S$2,795,000.

NOTES TO THE FINANCIAL STATEMENTS
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4. Revenue

	Group	
	2015	2014
	S$'000	S$'000
Medical services	**21,404**	19,667
Rental income	**18,420**	15,771
Sale of medicine and medical equipment	**5,180**	–
	45,004	35,438

5. Expenses by nature

	Group	
	2015	2014
	S$'000	S$'000
Purchases of inventories	**13,051**	7,399
Changes in inventories	**264**	188
Amortisation of lease prepayments	**294**	293
Amortisation of intangible assets	**251**	–
Depreciation of property, plant and equipment	**1,185**	887
Allowance for impairment of goodwill	**10,000**	–
Total amortisation, depreciation and impairment	**11,730**	1,180
Directors and employee compensation (Note 6)	**11,360**	8,053
Allowance for impairment on trade receivables	**19**	51
Advertising expense	**68**	61
Rental expense on operating leases	**455**	367
Medical consultancy fee	**2,361**	2,193
Legal and professional fee	**8,487**	2,972
Travelling expense	**298**	410
Utility expense	**811**	395
Repair and maintenance	**1,390**	773
Property tax	**4,149**	1,651
Insurance	**138**	119
Other expenses	**4,289**	2,595
Asset management fee	**1,042**	857
Total cost of sales and administrative expenses	**59,912**	29,264

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

6. Directors and employee compensation

	Group	
	2015	2014
	S$'000	S$'000
Wages and salaries	**9,409**	6,130
Employer's contribution to pension funds	**1,272**	921
Other benefits	**368**	740
Directors' fee of the Company	**311**	262
	11,360	8,053

7. Other income

	Group	
	2015	2014
	S$'000	S$'000
Interest income		
- Loan to a third party	**–**	135
- Bank deposits	**43**	58
Guarantee fee income	**3,348**	3,625
Rental income from assets previously classified as held-for-sale (Note 16)	**7,829**	4,384
Others	**2,047**	1,563
	13,267	9,765

8. Other (losses)/gains

	Group	
	2015	2014
	S$'000	S$'000
Currency translation gains	**1,190**	389
Loss on disposal of property, plant and equipment	**(4)**	(4)
Allowance for impairment on other receivables (Note 13)	**(8,970)**	–
Deposits written off (Note 14(a))	**(14,843)**	–
Gains on disposal of a subsidiary	**3**	–
Other (losses)/gains	**(363)**	13
Total	**(22,987)**	398

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

9. Finance expenses

	Group	
	2015	2014
	S$'000	S$'000
Amortisation of borrowing arrangement fee	**1,033**	–
Interest expense		
- Borrowings	**26,947**	22,259
Less: Amount capitalised in investment properties under development	**(1,797)**	(3,249)
Finance expense recognised in profit or loss	**26,183**	19,010

10. Income tax expense

(a) Income tax expense

	Group	
	2015	2014
	S$'000	S$'000
		(Restated)
Tax expense attributable to profit is made up of:		
- Profit for the financial year:		
Current income tax - Foreign	**392**	337
Deferred income tax	**13,676**	8,108
	14,068	8,445
- Under provision of current income tax in prior financial year	**493**	–
	14,561	8,445

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	
	2015	2014
	S$'000	S$'000
		(Restated)
Profit before tax	**15,027**	39,801
Tax calculated at a tax rate of 17% (2014:17%)	**2,555**	6,766
Effects of:		
- different tax rates in other countries	**774**	1,937
- income not subject to tax	**(1,804)**	(2,045)
- expenses not deductible for tax purposes	**9,694**	1,617
- unrecognised tax losses	**2,849**	170
- under provision of tax in prior financial year	**493**	–
Income tax expense	**14,561**	8,445

The Group has unrecognised tax losses of S$3,294,000 (2014: S$851,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

10. Income tax expense (continued)

(b) Movement in income tax liabilities

	Group	
	2015	2014
	S$'000	S$'000
Beginning of financial year	**1,077**	916
Income tax paid	**(196)**	(199)
Tax expense	**392**	337
Under provision in prior financial years	**493**	–
Currency translation differences	**4**	23
End of financial year	**1,770**	1,077

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

Group		**2015**			2014	
	Before tax	**Tax charge**	**After tax**	Before tax	Tax charge	After tax
	S$'000	**S$'000**	**S$'000**	S$'000 (Restated)	S$'000	S$'000 (Restated)
Currency translation differences arising from consolidation	**2,050**	–	**2,050**	(3,996)	–	(3,996)
Revaluation gains on lease prepayments	–	–	–	4,040	(404)	3,636
Other comprehensive income/ (losses)	**2,050**	–	**2,050**	44	(404)	(360)

11. 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.

	2015	2014 (Restated)
Net profit attributable to equity holders of the Company (S$'000)	**368**	31,244
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**1,651,296**	1,631,185
Basic earnings per share (cents)	**0.02**	1.92*

* Refer to Note 37.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

11. Earnings per share (continued)

(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.

In 2014, the Company had a payable balance of S$7,562,000 (Note 23(a)). In accordance with the terms of the agreement, the payable balance was 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 share as at the maturity date. For the purpose of diluted earnings per shares computation, this amount was assumed to have been converted into ordinary shares at issuance.

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

	2015	2014 (Restated)
Net profit used to determine diluted earnings per share (S$'000)	**368**	31,244
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**1,651,296**	1,631,185
Adjustments for ('000)		
- Other payables to be settled in Shares (note (a))	**–**	13,779
	1,651,296	1,644,964
Diluted earnings per share (cents)	**0.02**	1.90*

* Refer to Note 37.

(a) The number of shares was estimated based on the 2014 year-end stock price of the Company.

12. Cash and cash equivalents

	Group		**Company**	
	2015 S$'000	2014 S$'000	**2015 S$'000**	2014 S$'000
Cash on hand and at bank	**25,751**	27,236	**247**	2,066
Short-term bank deposits	**–**	3,789	**–**	3,778
	25,751	31,025	**247**	5,844

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

12. Cash and cash equivalents (continued)

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

	Group	
	2015	2014
	S$'000	S$'000
Cash and bank balances (as above)	**25,751**	31,025
Less: Bank deposits pledged	**–**	(3,750)
	25,751	27,275

Bank deposits of Nil (2014: S$3,750,000) are pledged in relation to the security granted for certain borrowings (Note 24(b)).

Bank balances of S$17,651,000 (2014: S$16,575,000) are included as part of the floating charge to third parties for borrowings of the Group (Note 24(a), (c) and (d)). This amount is included as part of cash and cash equivalents as the utilisation of these bank balances is not restricted.

Significant restrictions

Cash and short term deposits of S$7,292,000 (2014: S$8,373,000) 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.

Acquisition of subsidiaries

The effects of acquisition of subsidiaries on the cash flows of the Group are disclosed in Note 34 of the financial statements.

Disposal of a subsidiary

On 1 October 2015, the Company disposed of its entire interest in IHC Shanghai Medical Village Pte. Ltd. ("HSMV") for a cash consideration of S$1 to a non-related party. The effects of the disposal on the cash flows of the Group were:

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

12. Cash and cash equivalents (continued)

Disposal of a subsidiary (continued)

The aggregate cash outflows arising from the disposal of HSMV were:

	Group 2015 S$'000
Net liabilities disposed of (as above)	3
Gain on disposal	(3)
Cash proceeds from disposal	–*
Less: Cash and cash equivalents in subsidiary disposed of	(11)
Net cash outflow on disposal	(11)

* Amount less than S$1,000.

Prior to the date of disposal, a third party supplier alleged that it had a claim amounting to approximately S$11,068,000 on HSMV arising from a medical equipment procurement contract. Based on a sales and purchase agreement signed with a non-related buyer of HSMV and a legal opinion obtained, management is of the opinion that the Group is not liable in respect of any monies owing between the third party supplier and HSMV. No adjustments were made to the financial statements in respect of this alleged claim by the supplier.

13. Trade and other receivables

	Group		Company	
	2015 S$'000	2014 S$'000	**2015 S$'000**	2014 S$'000
Current				
Trade receivables	**4,910**	2,565	**–**	–
Less: Allowance for impairment on receivables - non-related parties	**(19)**	(51)	**–**	–
Trade receivables - net	**4,891**	2,514	**–**	–
Other receivables (Note (a))	**9,101**	5,883	**5,942**	3,230
Amount due from a related party (Note 32(a))	**8,970**	8,204	**4,568**	5,360
Less: Allowance for impairment on amount due from a related party	**(8,970)**	–	**(4,568)**	–
Amount due from subsidiaries	–	–	**159,458**	156,807
	13,992	16,601	**165,400**	165,397
Non-current				
Other receivables	**551**	–	**–**	–
Total trade and other receivables	**14,543**	16,601	**165,400**	165,397

Amounts due from a related party and subsidiaries are unsecured, interest-free and repayable on demand, except for a loan by the Company due to a subsidiary of Nil (2014: S$18,732,000) for which an interest rate of Nil (2014: 14%) per annum was charged, which is also unsecured and repayable upon demand.

(a) An amount of S$7,395,000 (2014: S$5,073,000) 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.

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For the financial year ended 31 December 2015

14. Other current assets

	Group		Company	
	2015	2014	**2015**	2014
	S$'000	S$'000	**S$'000**	S$'000
Deposits (Note (a))	**557**	37,840	**56**	56
Prepayments	**1,282**	2,117	**–**	231
	1,839	39,957	**56**	287

(a) Included within the deposits balance of the Group in 2014 was an amount of S$34,144,000 which related to the deposits paid for the Group's ongoing development project for an intended mixed-use maternity home development in Shanghai, China. During the year ended 31 December 2015, the project was terminated and S$14,843,000 of the deposit amount was written off as it was no longer deemed to be recoverable following the termination of the project. The remaining S$19,301,000 was refunded to the Group.

15. Inventories

	Group	
	2015	2014
	S$'000	S$'000
Pharmacy supplies	**861**	501
Medical and surgical supplies	**50**	47
	911	548

The cost of inventories recognised as an expense and included in "cost of sales" amounted to S$13,315,000 (2014: S$7,587,000).

16. Assets held-for-sale

Assets held-for-sale in 2014 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. Efforts to sell these properties had commenced, and a letter of intent had been entered into with a non-related buyer for this sale which was expected to complete in June 2015. Accordingly, these properties were transferred from investment properties (Note 20) to assets held-for-sale as at the previous year ended 31 December 2014.

In September 2015, the Sale and Purchase Agreement was unilaterally terminated by the buyer. The Group deliberated on its options to sue the buyer and had decided to retain these properties further to the external legal advice obtained. Accordingly, these properties were transferred back to investment properties subsequent to 15 September 2015.

In 2014, these properties were stated at the lower of its carrying amount and its fair value less costs to sell.

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16. Assets held-for-sale (continued)

(a) Details of the assets classified as held-for-sale in 2014 were as follows:

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 in 2014 were recognised in profit and loss:

	Group 2014 S$'000
Rental income (Note 7)	4,384
Direct operating expenses arising from:	
- Investment properties that generated rental income	(1,619)

(c) Expenses recognised in other comprehensive income relating to assets held-for-sale in 2014 were as follows:

	Group 2014 S$'000
- Currency translation differences	2,998

(d) These properties were mortgaged to secure certain borrowings (Note 24(a) and (d)).

17. Intangible assets

	Group	
	2015	2014
	S$'000	S$'000
Goodwill arising on consolidation (Note (a))	**37,321**	45,924
Medicine distribution licenses (Note (b))	**997**	–
	38,318	45,924

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

17. Intangible assets (continued)

(a) Goodwill arising on consolidation

	Group	
	2015	2014
	S$'000	S$'000
Cost		
Beginning of financial year	**45,924**	43,121
Acquisition of a subsidiary (Note 34)	**398**	–
Impairment charge (Note 5)	**(10,000)**	–
Currency translation differences	**999**	2,803
End of financial year	**37,321**	45,924

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 the 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 long-term 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:

	People's Republic of China
2015	%
Gross margin[1]	25 – 29
Growth rate[2]	
- Revenue growth rate from 2016 to 2020	9
- Terminal growth rate from 2021	3.5
Discount rate[3]	11
2014	
Gross margin[1]	32
Growth rate[2]	
- Revenue growth rate from 2015 to 2019	11 - 13
- Revenue growth rate from 2020 to 2031	5
- Terminal growth rate from 2032	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

17. Intangible assets (continued)

(a) Goodwill arising on consolidation (continued)

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 rates used were consistent with forecasts included in industry reports. The discount rate used was pre-tax and reflected specific risks relating to the relevant segment.

As a result of the value-in-use calculations prepared by management, an impairment charge amounting to S$10,000,000 (2014: Nil) was recorded against the Wuxi Hospital CGU and included within "administrative expenses" in the statement of comprehensive income. The impairment charge arose as a result of the current economic environment in China.

If the estimated growth rates of revenue used in the value-in-use calculation for this CGU had been 10% lower than management's estimates at 31 December 2015, the Group would have recognised a further impairment charge on goodwill amounting to S$2,795,000.

(b) Medicine distribution licenses

	Group 2015 S$'000
Cost	
Beginning of financial year	–
Acquisition of subsidiary (Note 34)	**1,220**
Currency translation differences	**27**
End of financial year	**1,247**
Accumulated amortisation	
Beginning of financial year	–
Amortisation charge (Note 5)	**251**
Currency translation differences	**(1)**
End of financial year	**250**
Net book value	**997**

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18. Lease prepayments

	Note	Group 2015 S$'000	Group 2014 S$'000
Cost			
Beginning of financial year		**8,173**	14,888
Transferred to investment properties under development (Note (b))	21	**–**	(11,040)
Revaluation surplus		**–**	4,040
Currency translation differences		**176**	285
End of financial year		**8,349**	8,173
Accumulated amortisation			
Beginning of financial year		**1,494**	2,382
Transferred to investment properties under development (Note (b))	21	**–**	(1,237)
Amortisation charge	5	**294**	293
Currency translation differences		**30**	56
End of financial year		**1,818**	1,494
Net book value		**6,531**	6,679

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

(b) In 2014, the Group's Board of Directors had committed to a development plan relating to this land. A portion of this land was 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 21).

19. Investment in subsidiaries

	Company 2015 S$'000	Company 2014 S$'000
Equity investments at cost		
Beginning of financial year	**83,311**	71,754
Additions	**100**	8,790
Disposal	**(8,790)**	–
Corporate guarantees issued for subsidiaries' borrowings	**878**	2,767
Loans to subsidiaries	**57,780**	–
End of financial year	**133,279**	83,311

The loans to subsidiaries are unsecured and interest-free. The settlement of these loans is neither planned nor likely to occur in the foreseeable future. As these amounts are, in substance, a part of the Company's net investment in this subsidiary, it is stated at cost less accumulated impairment loss.

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19. Investment in subsidiaries (continued)

The Group had the following subsidiaries as at 31 December 2015 and 2014:

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	
			2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
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 Medical Development Pte. Ltd. (formerly known as IHC Japan Medical Resources Pte. Ltd.) [a]	Investment holding	Singapore	**100**	100	**100**	100	**–**	–	**–**	–
IHC Japan Medical Assets Pte. Ltd.[a]	Investment holding	Singapore	**100**	100	**100**	100	**–**	–	**–**	–
IHC Management Pte. Ltd. [a]	Investment holding	Singapore	**100**	100	**100**	100	**–**	–	**–**	–
IHC Medical RE Pte. Ltd.[a]	Investment holding	Singapore	**100**	100	**100**	100	**–**	–	**–**	–
IHC Management (Australia) Pty. Ltd [l]	Investment holding	Australia	**100**	100	**100**	100	**–**	–	**–**	–
IHC Shanghai Medical Village Pte. Ltd.	Investment holding	Singapore	**–**	100	**–**	100	**–**	–	**–**	–
MA Investment Holding Pte. Ltd [a]	Investment holding	Singapore	**100**	–	**100**	–	**–**	–	**–**	–
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	**100**	100	**–**	–	**–**	–
IHC Medical Facilities (HK) Limited [d]	Investment holding	Hong Kong	**100**	100	**100**	100	**–**	–	**–**	–

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19. 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	
			2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Held by the subsidiaries										
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	**100**	100	**–**	–	**–**	–
IHC Senior Housing (HK) Limited [d]	Investment holding	Hong Kong	**100**	100	**100**	100	**–**	–	**–**	–
IHC Management (HK) Limited [d]	Investment holding	Hong Kong	**100**	100	**100**	100	**–**	–	**–**	–
IHC IVF Specialist Clinic (HK) Limited[d]	Investment holding	Hong Kong	**100**	100	**100**	100	**–**	–	**–**	–
IHC Medical Clinic Management (HK) Limited[d]	Investment holding	Hong Kong	**100**	100	**100**	100	**–**	–	**–**	–
IHC Hospital Investment Holding (HK) Limited[d]	Investment holding	Hong Kong	**100**	100	**100**	100	**–**	–	**–**	–
IHC Hospital Management (HK) Limited[d]	Investment holding	Hong Kong	**100**	100	**100**	100	**–**	–	**–**	–
IHC Healthcare REIT[a]	Investment holding	Singapore	**100**	100	**100**	100	**–**	–	**–**	–
IHC Australia First Trust[k]	Investment in properties	Australia	**100**	100	**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	**100**	100	**–**	–	**–**	–
Kang Mai Investment Management (Shanghai) Co., Ltd. [c]	Investment holding	People's Republic of China	**100**	100	**100**	100	**–**	–	**–**	–
Hao Lin Medical Investment Management (Shanghai) Co., Ltd. [c]	Investment holding	People's Republic of China	**100**	100	**100**	100	**–**	–	**–**	–
Kang Yi Hospital Investment Holding (Shanghai) Co., Ltd. [c]	Investment holding	People's Republic of China	**100**	100	**100**	100	**–**	–	**–**	–
Kang Shi Hospital Management (Shanghai) Co., Ltd. [c]	Investment holding	People's Republic of China	**100**	100	**100**	100	**–**	–	**–**	–
Kang Hui (Wuxi) Investment Management Co., Ltd. [c]	Investment holding	People's Republic of China	**100**	100	**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	**–**	–	**–**	–
IHC Japan 2 GK [c]	Investment holding	Japan	**100**	100	**100**	100	**–**	–	**–**	–

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19. Investment in subsidiaries (continued)

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent 2015	2014	Proportion of ordinary shares held by the Group 2015	2014	Proportion of ordinary shares held by non-controlling interests 2015	2014	Proportion of preference shares held by the Group 2015	2014
Held by the subsidiaries										
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	**99.99**	76.50	**99.99**	76.50	**0.01**	23.50	**–**	–
Health Kind International (Shanghai) Co., Ltd. [c]	Investment holding	People's Republic of China	**98**	98	**99.4**	74.97	**0.60**	25.03	**–**	–
Wuxi New District Phoenix Hospital Co., Ltd. [j]	Operation of a general hospital	People's Republic of China	**100**	100	**99.4**	74.97	**0.60**	25.03	**–**	–
Healthkind Medical Holding Co., Ltd. [c]	Development of and investment in properties	People's Republic of China	**100**	100	**100**	76.50	**–**	23.50	**–**	–
Wuxi Yilin Health Management Co. Ltd [i]	Investment holding	People's Republic of China	**100**	–	**100**	–	**–**	–	**–**	–
Jiangsu Chang San Jiao Biomedical Co., Ltd [f]	Distribution Drug	People's Republic of China	**100**	–	**100**	–	**–**	–	**–**	–
MA China Facilities Pte. Ltd. [a]	Investment holding	Singapore	**100**	–	**100**	–	**–**	–	**–**	–
IHC Australia Second trust [k]	Investment holding	Australia	**100**	–	**100**	–	**–**	–	**–**	–
IHC Japan Management K K [m]	Assets Manager	Japan	**100**	–	**100**	–	**–**	–	**–**	–

(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) Audited by Wuxi Baoguang Certified Public Accountants, People's Republic of China
(g) Audited by PricewaterhouseCoopers, Japan
(h) Audited by Acutus CPA Limited, Hong Kong
(i) Audited by Gong Quan 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 HLB Mann Judd (VIC) Pty Ltd, Australia
(l) Exempt from audit
(m) Incorporated during the financial year and auditor had yet to be appointed

* 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.

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

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20. Investment properties

	Group	
	2015	2014
	S$'000	S$'000
Beginning of financial year	**250,465**	216,736
Additions	**27,951**	103,655
Transferred from/(to) assets held-for-sale (Note 16)	**92,993**	(95,991)
Fair value gain recognised in profit or loss	**15,106**	44,134
Currency translation differences	**11,427**	(18,069)
	397,942	250,465

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
541 St. Klida Road	6-storey office building	Melbourne, Australia
553 St. Kilda Road	7-storey office building	Melbourne, Australia
73-79 Little Ryrie Street	4-level medical centre	Geelong, Australia

Investment properties are leased to non-related parties under operating leases (Note 30(c)), and have lease tenures ending between 2017 to 2043.

The following amounts are recognised in profit and loss:

	Group	
	2015	2014
	S$'000	S$'000
Rental income (Note 4)	**18,420**	15,771
Direct operating expenses arising from:		
- Investment properties that generated rental income	**(2,389)**	(1,531)

All the investment properties are mortgaged to secure the related borrowings (Note 24).

20. 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) S$'000	Significant other observable inputs (Level 2) S$'000	Significant unobservable inputs (Level 3) S$'000
31 December 2015			
- Skilled nursing facilities - Japan	–	–	280,797
- Office building - Australia	–	–	89,810
- Medical centre - Australia	–	–	27,335
31 December 2014			
- Skilled nursing facilities - Japan	–	–	250,465

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	280,797 (2014: 250,465)	Income Approach	Discount rate	4.4% - 4.9% (2014: 4.7% - 5.1%)	The higher the discount rate/ terminal capitalisation rate, the lower the fair value
			Terminal Capitalisation rate	4.7% - 5.2% (2014: 5% - 5.4%)	
Office building - Australia	89,810 (2014:92,993)	Income Approach	Discount rate	8.0% - 8.25% (2014: 8.5%)	The higher the discount rate, the lower the fair value
Medical centre - Australia	27,335 (2014: Nil)	Income Approach	Discount rate	8.5% (2014: Nil)	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.

At each financial year end, the finance department reviews all major inputs to the independent valuation report, assesses property valuation movements when compared to the prior year valuation report and holds discussions with the independent valuer.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

21. Investment properties under development

	Group		
	2015	31 December 2014	1 January 2014
	S$'000	S$'000	S$'000
		(Restated)	(Restated)
Beginning of financial year	**96,839**	78,313	46,000
Additions	**6,449**	11,086	15,061
Fair value gain/ (loss) recognised in profit or loss	**50,732**	(1,660)	18,365
Transferred from lease prepayments (Note 18)	**–**	9,803	–
Currency translation differences	**(7,054)**	(703)	(1,113)
End of financial year	**146,966**	96,839	78,313

An investment property under development amounting to S$59,292,000 (2014: S$58,227,000) is mortgaged to secure bank borrowings (Note 24(d)).

Fair value hierarchy - Recurring fair value measurements

	Fair value measurements using		
Description	**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 2015			
- Land – Dujiangyan, Chengdu, China	–	–	31,211
- Land – Wuxi, China	–	–	56,463
- Land – Kuala Lumpur, Malaysia	–	–	59,292
31 December 2014 (restated)			
- Land – Dujiangyan, Chengdu, China	–	–	27,791
- Land – Wuxi, China	–	–	10,821
- Land – Kuala Lumpur, Malaysia	–	–	58,227
1 January 2014 (restated)			
- Land – Dujiangyan, Chengdu, China	–	–	21,244
- Land – Kuala Lumpur, Malaysia	–	–	57,069

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For the financial year ended 31 December 2015

21. Investment properties under development (continued)

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 under development categorised under Level 3 of the fair value hierarchy:

Description	Unexpired term of the leasehold land	Fair value S$'000	Valuation techniques
- Land – Dujiangyan, Chengdu, China	47 years	31,211 (2014: 27,791)	Income Approach
- Land – Wuxi, China	39 years	56,463 (2014: 10,821)	Income Approach
- Land – Kuala Lumpur, Malaysia	92 years	59,292 (2014: 58,227)	Direct Comparison

The key unobservable input used for Land – Kuala Lumpur, Malaysia is the price per square metre, ranging from S$7,800 – S$16,666 (2014: S$8,138 - S$13,511). The relationship between unobservable input and fair value is as follows: the higher the price per square metre of the land, the higher the fair value of the land.

The key unobservable inputs and the relationship of the inputs to fair value for Land – Dujiangyan, Chengdu, China and Land – Wuxi, China are set out in Note 3(a).

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.

At each financial year end, the finance department reviews all major inputs to the independent valuation report, assesses property valuation movements when compared to the prior year valuation report and holds discussions with the independent valuer.

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22. Property, plant and equipment

	Note	Buildings S$'000	Office renovation, furniture, fixtures and equipment S$'000	Medical equipment S$'000	Motor vehicles S$'000	Total S$'000
Group						
2015						
Cost						
Beginning of financial year		4,913	951	4,992	428	11,284
Additions		39	138	112	–	289
Acquisition of subsidiary		1,253	232	13	10	1,508
Write off		–	(91)	(571)	(1)	(663)
Currency translation differences		133	18	105	9	265
End of financial year		6,338	1,248	4,651	446	12,683
Accumulated depreciation						
Beginning of financial year		1,195	557	3,032	187	4,971
Depreciation charge	5	178	277	662	68	1,185
Acquisition of subsidiary		–	50	5	–	55
Write off		–	(90)	(568)	(1)	(659)
Currency translation differences		25	9	54	3	91
End of financial year		1,398	803	3,185	257	5,643
Net book value						
End of financial year		**4,940**	**445**	**1,466**	**189**	**7,040**
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	5	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**

NOTES TO THE FINANCIAL STATEMENTS
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22. Property, plant and equipment (continued)

	Office renovation, furniture, fixtures and equipment S$'000	Total S$'000
Company		
2015		
Cost		
Beginning of financial year	103	103
Additions	2	2
End of financial year	105	105
Accumulated depreciation		
Beginning of financial year	20	20
Depreciation charge	22	22
End of financial year	42	42
Net book value		
End of financial year	**63**	**63**
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**

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23. Trade and other payables

	Group		Company	
	2015	2014	**2015**	2014
	S$'000	S$'000	**S$'000**	S$'000
Current				
Trade payables	**5,904**	4,898	**–**	–
Other payables (Note (a))	**6,278**	23,780	**2,437**	9,303
Amount due to related parties (Note (b))	**1,632**	12,733	**1,583**	11,138
Amount due to subsidiaries (Note (b))	**–**	–	**14,390**	7,751
Accrued expenses	**6,688**	6,223	**2,214**	2,197
Deferred revenue	**1,366**	1,287	**–**	–
Advances received from patients	**10**	6	**–**	–
	21,878	48,927	**20,624**	30,389
Non-current				
Rental deposit received (Note (c))	**7,258**	6,838	**–**	–
Amount due to a related party (Note (b))	**–**	8,000	**–**	8,000
	7,258	14,838	**–**	8,000
Total trade and other payables	**29,136**	63,765	**20,624**	38,389

(a) Included within the other payables balance as at 31 December 2014 was a payable of S$7,562,000 to a non-related party. In accordance with the terms of the agreement, the payable balance was 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 did not have an unconditional right to avoid delivering cash to settle this contractual obligation, this payable was classified as a financial liability. In April 2015, this payable was fully settled via issuance of the Company's shares. Please refer to Note 27(a) for details of this settlement.

(b) The current amounts due to related parties and subsidiaries are unsecured, interest-free and repayable on demand. The non-current amount due to a related party in 2014 was unsecured, interest-free and repayable after 1 year from balance sheet date.

(c) The fair value of rental deposit received is estimated to approximate its carrying value, which is determined from the cumulative deposit received and discounted at 2.54% (2014: 2.54%). The fair value had been determined from the cash flow analysis, discounted at market borrowing rates.

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24. Borrowings

	Group		Company	
	2015	31 December 2014 (Restated)	**2015**	2014
	S$'000	S$'000	**S$'000**	S$'000
Current				
Loans from third parties (Note (a))	**21,158**	70,092	**–**	18,499
Loans from financial institutions (Note (b))	**3,257**	8,226	**3,000**	7,509
TMK Bonds (Note (c))	**150,884**	1,224	**–**	–
Bank Borrowings (Note (d))	**56,120**	59,484	**6,000**	6,000
Finance lease (Note (e))	**51**	–	**31**	–
	231,470	139,026	**9,031**	32,008
Non-current				
Loans from third parties (Note (a))	**–**	–*	**–**	–
Loans from financial institutions (Note (b))	**–**	252	**–**	–
TMK Bonds (Note (c))	**–**	142,357	**–**	–
Bank Borrowings (Note (d))	**41,883**	27,333	**–**	–
Medium term-notes (Note (f))	**97,808**	–	**97,808**	–
Finance lease (Note (e))	**29**	–	**16**	–
	139,720	169,942	**97,824**	–
Total borrowings	**371,190**	308,968	**106,855**	32,008

Total borrowings include secured liabilities of S$368,186,000 (2014: S$306,623,000) and S$106,855,000 (2014: S$32,008,000) of the Group and the Company respectively.

* As a consequence of the adjustments as disclosed in Note 37, certain loan covenants were not complied with as at 31 December 2014 and accordingly certain non-current borrowings of the Group was reclassified as current.

(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 (Note 25) and a subsidiary;

(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 12);

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

(vi) mortgage over certain investment properties in Australia (Note 16 and Note 20);

(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 of the Company.

NOTES TO THE FINANCIAL STATEMENTS
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24. 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, which was discharged in 2015 upon settlement of the related loan (Note 12); and

(ii) bank deposit of a non-controlling shareholder of a subsidiary of the Company.

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

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

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

The TMK Bonds are secured against the total assets of a subsidiary of the Group which mainly comprise investment properties in Japan (Note 20) and cash and cash equivalents (Note 12).

(d) Bank borrowings

The bank borrowings are secured against:

(i) a charge created over an investment property under development of the Group (Note 21);

(ii) a deed of debenture over the assets and rights of the subsidiary pertaining to a development project of the Group (Note 21);

(iii) a deed of assignment of the subsidiary full and entire rights and entitlements pertaining to a Development Project of the Group;

(iv) joint and several guarantee by a director of the Company and two related parties;

(v) a second legal mortgage over certain assets of a related party of the Company;

(vi) mortgage over certain investment properties in Australia (Note 16 and Note 20);

(vii) a corporate guarantee from the Company (Note 25);

(viii) a floating charge over the fixed deposit of a certain subsidiary of the Company (Note 12); and

(ix) mortgage over property owned by a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

24. Borrowings (continued)

(e) Finance lease

The finance lease of a subsidiary is secured against:

(i) a corporate guarantee from the Company (Note 25)

(f) Medium-term notes ("MTN")

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

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

(g) Fair value of non-current borrowings

	Group		**Company**	
	2015	31 December 2014 (Restated)	**2015**	2014
	S$'000	S$'000	**S$'000**	S$'000
Loans from third parties	**–**	–*	**–**	–
Loans from financial institutions	**–**	252	**–**	–
TMK Bonds	**–**	142,357	**–**	–
Bank Borrowings	**41,883**	27,333	**–**	–
MTN	**100,744**	–	**–**	–

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

	Group		**Company**	
	2015	31 December 2014 (Restated)	**2015**	2014
Loans from third parties	**–**	–*	**–**	–
Loans from financial institutions	**–**	7.81%	**–**	–
TMK Bonds	**–**	5.94%	**–**	–
Bank Borrowings	**4.89%**	5.79%	**–**	–
MTN	**6.50%**	–	**–**	–

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

* As a consequence of the adjustments as disclosed in Note 37, certain loan covenants were not complied with as at 31 December 2014 and accordingly certain non-current borrowings of the Group was reclassified as current.

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24. Borrowings (continued)

(h) Undrawn borrowing facilities

	Group		Company	
	2015	2014	**2015**	2014
	S$'000	S$'000	**S$'000**	S$'000
Expiring beyond one year	**38,708**	45,785	**–**	–

25. Other liabilities

	Company	
	2015	2014
	S$'000	S$'000
Current		
Corporate guarantee	**703**	776
Non-current		
Corporate guarantee	**1,396**	1,665
	2,099	2,441

Other liabilities of the Company are in relation to the corporate guarantees that the Company provided to its subsidiaries (Note 24).

26. Deferred tax liabilities

Movement in deferred income tax account is as follows:

	Group		
	2015	31 December 2014	1 January 2014
	S$'000	S$'000	S$'000
		(Restated)	(Restated)
Beginning of financial year	**15,160**	7,067	326
Tax charge to			
- profit or loss (Note 10(a))	**13,676**	8,108	7,043
- equity (Note 10(c))		404	–
Acquisition of subsidiaries (Note 34)	**444**	–	–
Currency translation differences	**842**	(419)	(302)
End of financial year	**30,122**	15,160	7,067

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26. Deferred tax liabilities (continued)

	Group		
	2015	31 December 2014	1 January 2014
	S$'000	S$'000	S$'000
		(Restated)	(Restated)
Deferred income tax liabilities			
- Fair value gains in respect of investment properties and investment properties under development	**30,122**	15,160	7,067

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$42,743,000 (2014: S$44,559,000).

27. Share capital

	No. of ordinary shares	**Amount**
	Issued share capital	**Share capital**
Group and Company	'000	S$'000
2015		
Beginning of financial year	1,632,314	185,219
Issue of shares pursuant to settlement of financing agreement (Note (a))	26,751	7,488
End of financial year	1,659,065	192,707
2014		
Beginning of financial year	1,604,845	176,429
Issue of shares pursuant to acquisition of subsidiaries (Note (b))	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.

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

(a) On 17 April 2015, the Company issued 26,751,000 ordinary shares at S$0.28 per share to Bank Muamalat Malaysia Berhad towards the settlement of a financing agreement (Note 23(a)).

(b) On 15 January 2014, the Company issued 27,469,000 ordinary shares at S$0.32 per share as consideration for the acquisition of IHC Shanghai Medical Village Pte. Ltd and its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

28. 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. Merger reserves are non-distributable.

(b) Asset revaluation reserve

Asset revaluation reserve represents the revaluation surplus recognised in 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".

29. Contingencies

Group

(a) Litigation with certain funds

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

The Group has been legally advised that the notices of default are invalid and consequently, disputes the legitimacy of the appointment of the receivers. The Group has applied to the Supreme Court of Singapore to rescind and/or suspend the appointment of the receivers and/or to enjoin the receivers from selling, transferring and/or disposing any of the shares in the share capital of the relevant subsidiaries of the Group.

As at 31 December 2015, the outstanding amount due to the Funds as recorded in the balance sheet of the Group and Company was S$5,263,000 and Nil respectively. The additional amounts claimed by the Funds as at 31 December 2015 of approximately S$23,399,000 and S$18,630,000 in relation to the Group and the Company respectively (including the additional outstanding interest of S$1,432,000 and S$1,281,000 in relation to the Group and Company respectively) have not been recognised in the financial statements of the Group and the Company for the financial year ended 31 December 2015 as the management, based on legal advice, is of the view that there are no basis and/or merits to the claims and hence an outflow of economic benefit is less than probable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

29. Contingencies (continued)

Group (continued)

(b) 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 controlling shareholder of the IHC Wuxi Group is a non-related individual who is now a non-controlling shareholder of HKIL and Health Kind (Shanghai) Investment Management Co., Ltd ("HKIM") ("Individual A"). At 31 December 2015, Individual A held a 0.01% direct interest in HKIL in his personal capacity and 0.6% indirect interest in HKIS through an investment holding company, HKIM.

In 2014, HKIM commenced legal proceedings against HKIL and HKIS, claiming that several shareholding transfers which occurred in 2010 between HKIM, HKIL and HKIS were invalid. It is noted that all three entities were controlled by Individual A in 2010.

In 2015, the Group through a subsidiary, Kang Hui (Wuxi) Investment Management Co. Ltd ("KHWI") acquired 70% effective interest and control over HKIM.

Based on independent legal advice obtained, it is unlikely that any significant liability will arise and as such, the management is of the view that no material losses will arise in respect of the legal claim and no provision has been made as at 31 December 2015.

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$9,329,000 (2014: S$29,000,000) at the balance sheet date.

30. Commitments

(a) Capital commitments

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

	Group	
	2015	2014
	S$'000	S$'000
Acquisition of properties	**–**	57,483
Development of projects	**71,403**	67,321
	71,403	124,804

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

30. 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**	
	2015	2014	**2015**	2014
	S$'000	S$'000	**S$'000**	S$'000
Not later than one year	**444**	300	**148**	185
Later than one year but not later than five years	**164**	148	**–**	148
	608	448	**148**	333

(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	
	2015	2014
	S$'000	S$'000
Not later than one year	**22,834**	19,079
Between one and five years	**91,336**	60,106
Later than five years	**27,393**	38,907
	141,563	118,092

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For the financial year ended 31 December 2015

31. 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 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 2015								
Financial assets								
Cash and cash equivalents	393	234	17,432	–	3,581	3,854	257	25,751
Trade and other receivables	1,109	602	1	–	5,951	5,661	1,219	14,543
Other current assets	90	7	218	9	–	226	7	557
	1,592	843	17,651	9	9,532	9,741	1,483	40,851
Financial liabilities								
Borrowings	(111,003)	(33,175)	(150,884)	–	–	(4,589)	(71,539)	(371,190)
Trade and other payables	(8,510)	(572)	(10,081)	(177)	(561)	(6,447)	(1,412)	(27,760)
	(119,513)	(33,747)	(160,965)	(177)	(561)	(11,036)	(72,951)	(398,950)
Net financial (liabilities)/ assets	(117,921)	(32,904)	(143,314)	(168)	8,971	(1,295)	(71,468)	(358,099)
Financial liabilities/ (assets) denominated in the respective entities' functional currencies	83,302	32,904	158,784	13	(430)	(17,767)	72,172	328,978
Currency exposure of financial liabilities net of those denominated in the respective entities' functional currencies	(34,619)	–	15,470	(155)	8,541	(19,062)	704	(29,121)

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

31. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

	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
Other current assets	7,065	8	–	8	20	29,134	1,605	37,840
	25,236	932	15,644	8	6,902	34,833	1,911	85,466
Financial liabilities								
Borrowings	(42,510)	(40,656)	(143,581)	–	(18,498)	(3,313)	(60,410)	(308,968)
Trade and other payables	(35,832)	(9,441)	(9,551)	(162)	(773)	(5,635)	(1,078)	(62,472)
	(78,342)	(50,097)	(153,132)	(162)	(19,271)	(8,948)	(61,488)	(371,440)
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)

31. 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, RMB 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 2015		**31 December 2014**	
	Increase/(decrease)			
	Change	**Profit after tax**	**Change**	**Profit after tax**
	%	**S$'000**	**%**	**S$'000**
<u>Group</u>				
SGD against MYR				
- Strengthened	13	**(1,776)**	2	(40)
- Weakened	13	**1,776**	2	40
SGD against HKD				
- Strengthened	7	**(696)**	4	(633)
- Weakened	7	**696**	4	633
USD against SGD				
- Strengthened	7	**265**	4	(635)
- Weakened	7	**(265)**	4	635
JPY against SGD				
- Strengthened	6	**770**	–	–
- Weakened	6	**(770)**	–	–
RMB against HKD				
- Strengthened	6	**(901)**	–	–
- Weakened	6	**901**	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

31. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

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

	SGD S$'000	MYR S$'000	USD S$'000	RMB S$'000	Other S$'000	Total S$'000
At 31 December 2015						
Financial assets						
Cash and cash equivalents	247	–	–	–	–	247
Trade and other receivables	155,744	–	5,526	3,200	1,630	166,100
Other current assets	56	–	–	–	–	56
	156,047	–	5,526	3,200	1,630	166,403
Financial liabilities						
Borrowings	(106,855)	–	–	–	–	(106,855)
Trade and other payables	(20,118)	(45)	(239)	(22)	(900)	(21,324)
	(126,973)	(45)	(239)	(22)	(900)	(128,179)
Net financial assets/(liabilities)	29,074	(45)	5,287	3,178	730	38,224
Financial assets/(liabilities) denominated in the Company's functional currency	(29,074)	–	–	–	–	(29,074)
Currency exposure of financial liabilities net of those denominated in the respective entities' functional currencies	–	(45)	5,287	3,178	730	9,150

	SGD S$'000	MYR S$'000	USD S$'000	RMB S$'000	Other 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	287	–	–	–	–	287
	171,528	–	–	–	–	171,528
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)	128,624	(8,365)	(19,128)	–	–	101,131
Financial assets/(liabilities) denominated in the Company's functional currency	(128,624)	–	–	–	–	(128,624)
Currency exposure of financial liabilities net of those denominated in the respective entities' functional currencies	–	(8,365)	(19,128)	–	–	(27,493)

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

31. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

In 2015, if the MYR, USD and RMB change against the SGD 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 2015		31 December 2014	
	Increase/(decrease)		Increase/(decrease)	
	Change %	Profit after tax S$'000	Change %	Profit after tax S$'000
Company				
MYR against SGD				
- Strengthened	**13**	**(5)**	2	(139)
- Weakened	**13**	**5**	2	139
USD against SGD				
- Strengthened	**7**	**307**	4	(635)
- Weakened	**7**	**(307)**	4	635
RMB against SGD				
- Strengthened	**2**	**53**	–	–
- Weakened	**2**	**(53)**	–	–

(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 Group and 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% (2014: 0.50%) with all other variables including tax rate being held constant, the profit after tax would have been lower/higher by S$476,000 (2014: S$453,000) for the Group and S$37,000 (2014: S$56,000) for the Company as a result of higher/lower interest expense on these borrowings.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

31. 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 and amount due from a related party.

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

	Group	
	2015	2014
	S$'000	S$'000
Past due < 3 months	**122**	86
Past due 3 to 6 months	**21**	63
Past due > 6 months	**3,646**	1,819
	3,789	1,968

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

	Group	
	2015	2014
	S$'000	S$'000
Past due < 3 months	**4**	15
Past due 3 to 6 months	**6**	6
Past due over 6 months	**9**	30
	19	51
Allowance for impairment	**(19)**	(51)
	–	–
Beginning of financial year	**51**	–
Currency translation difference	**3**	–
Allowance made	**19**	51
Allowance utilised	**(54)**	–
End of financial year	**19**	51

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

31. Financial risk management (continued)

(b) Credit risk (continued)

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

Amount due from a related party is past due over 6 months in year 2015 and 2014.

The carrying amount of amount due from a related party individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group	
	2015	2014
	S$'000	S$'000
Past due < 3 months	**–**	–
Past due 3 to 6 months	**–**	–
Past due over 6 months	**8,970**	–
	8,970	–
Allowance for impairment	**(8,970)**	–
	–	–
Beginning of financial year	**–**	–
Allowance made	**8,970**	–
End of financial year	**8,970**	–

(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.

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For the financial year ended 31 December 2015

31. Financial risk management (continued)

(c) Liquidity risk (continued)

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

	Within 1 year S$'000	Between 1 to 5 Years S$'000	After 5 years S$'000
Group			
At 31 December 2015			
Trade and other payables	21,878	7,258	–
Borrowings	248,763	136,418	17,514
At 31 December 2014			
Trade and other payables	47,634	14,838	–
Borrowings (restated)	159,892	156,739	25,311
Company			
At 31 December 2015			
Trade and other payables	20,624	–	–
Borrowings	16,202	105,099	–
Financial guarantee contracts	68,798	12,204	–
At 31 December 2014			
Trade and other payables	30,389	8,000	–
Borrowings	33,917	–	–
Financial guarantee contracts	129,698	–	–

(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 2015. The Group and the Company are in compliance with all externally imposed capital requirements for the financial year ended 31 December 2015. Please refer to Note 2.1 for potential breach of certain loan covenants.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

31. 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 non-current trade and other payables and borrowings are disclosed in Note 23 and Note 24(g) 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**	
	2015	2014	**2015**	2014
	S$'000	S$'000	**S$'000**	S$'000
Loans and receivables	**40,851**	85,466	**165,703**	171,297
Financial liabilities at amortised cost	**398,950**	371,440	**127,479**	70,397

(g) Offsetting financial assets and financial liabilities

(i) *Financial assets*

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

	Related amounts set off in the balance sheet		
	Gross amounts – financial assets S$'000	**Gross amounts – financial liabilities S$'000**	**Net amounts – financial liabilities presented in the balance sheet S$'000**
Group			
At 31 December 2015			
Other receivables	**4,722**	**–***	**4,722**
Amount due from related party	**7,465**	**(3,217)**	**4,248**
At 31 December 2014			
Amount due from related party	1,400	(1,680)	(280)
Company			
At 31 December 2015			
Amount due from related party	**5,987**	**(1,419)**	**4,568**
At 31 December 2014			
Amount due from related party	1,400	(1,680)	(280)

* Amount less than S$1,000.

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32. 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	
	2015	2014
	S$'000	S$'000
Guarantee income paid/payable by a non- controlling interest	**3,348**	3,625
Consultancy fee paid to a director of the Company	**90**	60

Balances with related parties at the balance sheet date are set out in Note 13 and Note 23.

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	
	2015	2014
	S$'000	S$'000
Wages and salaries	**1,766**	1,309
Directors' fees of the Company	**316**	300
Post-employment benefits - contribution to Central Provident Fund	**81**	61
	2,163	1,670

Included in the above is total compensation to directors of the Company amounting to S$644,000 (2014: S$1,079,000).

33. 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.

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,
- trading and supplying of pharmaceutical supplies and drug, 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.

33. Segment information (continued)

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

	Healthcare Services S$'000	Integrated Medical Real Estate S$'000	Unallocated S$'000	Total S$'000
31 December 2015				
Revenue				
External revenue				
- Medical services	21,357	–	–	21,357
- Rental income	16,499	1,921	–	18,420
- Sale of medicine and medical equipment	5,227	–	–	5,227
Total segment revenue	43,083	1,921	–	45,004
Other income				
- Rental income from assets held-for-sale	–	7,829	–	7,829
- Guarantee fee income	–	–	3,348	3,348
Adjusted EBITDA	70,483	(14,326)	(3,260)	52,897
Depreciation of property, plant and equipment	(1,117)	(3)	(65)	(1,185)
Amortisation of lease prepayments	(294)	–	–	(294)
Amortisation of intangible assets	(251)	–	–	(251)
Allowance for impairment of goodwill	(10,000)	–	–	(10,000)
Finance expenses	(16,541)	(5,665)	(3,977)	(26,183)
Interest income	2	14	27	43
Profit/(loss) before tax	42,282	(19,980)	(7,275)	15,027
Segment assets and consolidated total assets	445,132	182,469	12,240	639,841
Segment assets includes:				
Additions to:				
- Property, plant and equipment	234	–	55	289
- Investment properties	100	27,851	–	27,951
- Investment properties under development	2,023	5,611	–	7,634
Segment liabilities	23,453	3,971	1,712	29,136

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33. Segment information (continued)

	Healthcare Services S$'000	Integrated Medical Real Estate S$'000	Unallocated S$'000	Total S$'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 (as previously reported)	66,922	6,498	(7,214)	66,206
Effect of prior year adjustment	–	(6,408)	–	(6,408)
Adjusted EBITDA (as restated)	66,922	90	(7,214)	59,798
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 (as restated)	53,790	(5,396)	(8,593)	39,801
Segment assets and consolidated total assets (as previously reported)	339,689	233,975	23,991	597,655
Effect of prior year adjustment	–	(10,311)	–	(10,311)
Segment assets and consolidated total assets (as restated)	339,689	223,664	23,991	587,344
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	13,327	15,166	35,272	63,765

The key management assesses the performance of the operating segments based on a measure of earnings before interest, tax, depreciation, amortisation and allowance for impairment of goodwill ("adjusted EBITDA"). This measurement basis excludes the effects of allowance for impairment of goodwill that is not expected to recur regularly in every period.

33. Segment information (continued)

(a) Reconciliations

(i) *Segment profits*

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

	2015 **S$'000**	2014 S$'000 (Restated)
Adjusted EBITDA for reportable segments	**56,157**	67,012
Adjusted EBITDA for all other segments	**(3,260)**	(7,214)
Depreciation of property, plant and equipment	**(1,185)**	(887)
Allowance for impairment of goodwill	**(10,000)**	–
Amortisation of lease prepayments	**(294)**	(293)
Amortisation of intangible assets	**(251)**	–
Finance expense	**(26,183)**	(19,010)
Interest income	**43**	193
Profit before tax	**15,027**	39,801

(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:

	2015 **S$'000**	2014 S$'000 (Restated)
Segment assets for reportable segments	**627,601**	563,353
Unallocated assets	**12,240**	23,991
	639,841	587,344

(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 2015

33. Segment information (continued)

(a) Reconciliations (continued)

(iii) Segment liabilities (continued)

Segment liabilities are reconciled to total liabilities as follows:

	2015	2014
	S$'000	S$'000
		(Restated)
Segment liabilities for reportable segments	**27,424**	28,493
Unallocated:		
Trade and other payable	**1,712**	35,272
Income tax liabilities	**1,770**	1,077
Deferred tax liabilities	**30,122**	15,160
Borrowings	**371,190**	308,968
	432,218	388,970

(b) Revenue from major products and services

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

(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, trading and supplying of pharmaceutical supplies and drug, 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 and medical centre.

33. Segment information (continued)

(c) Geographical information (continued)

	Singapore		China		Japan		Malaysia				Australia		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	Prior year adjustment	2014	**2015**	2014	**2015**	2014
	S$'000	S$'000	**S$'000**	S$'000	**S$'000**	S$'000	**S$'000**	S$'000 (Previously reported)	S$'000	S$'000 (Restated)	**S$'000**	S$'000	**S$'000**	S$'000 (Restated)
Group														
Revenue														
External customers	**–**	–	**26,585**	19,667	**15,488**	15,771	**–**	–	–	–	**2,931**	–	**45,004**	35,438
Fair value gain/(loss)	**–**	–	**46,004**	5,114	**14,404**	44,134	**4,728**	(366)	(6,408)	(6,774)	**702**	–	**65,838**	42,474
Other (loss)/ income, net	**(439)**	(304)	**(20,006)**	2,750	**3,348**	3,654	**(464)**	(324)	–	(324)	**7,841**	4,387	**(9,720)**	10,163
	(439)	(304)	**52,583**	27,531	**33,240**	63,559	**4,264**	(690)	(6,408)	(7,098)	**11,474**	4,387	**101,122**	88,075
Other geographical information:														
Segment assets	**8,068**	17,463	**155,123**	151,090	**298,714**	266,130	**58,901**	69,472	(10,311)	59,161	**119,035**	93,500	**639,841**	587,344
Segment liabilities	**(119,333)**	(106,686)	**(27,177)**	(10,841)	**(176,877)**	(166,465)	**(34,899)**	(43,412)	(416)	(43,828)	**(73,932)**	(61,150)	**(432,218)**	(388,970)
Net (liabilities)/ assets	**(111,265)**	(89,223)	**127,946**	140,249	**121,837**	99,665	**24,002**	26,060	(10,727)	15,333	**45,103**	32,350	**207,623**	198,374
Non-current assets	**134**	190	**139,392**	97,338	**280,842**	250,465	**59,282**	68,538	(10,311)	58,227	**117,698**	–	**597,348**	406,220

34. Business combinations

(a) Acquisition of Jiangsu Chang San Jiao Medical Co. ("JCSJ")

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

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

	2015
	S$'000
Inventories	**95**
Intangible assets	**1,220**
Property, plant and equipment	**1,401**
Deferred tax liabilities	**(444)**
Borrowings	**(980)**
Total identifiable net assets	**1,292**
Add: Goodwill	**398**
Cash consideration paid	**1,690**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

34. Business combinations (continued)

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

On 28 January 2015, the Group acquired 100% equity interest in WXYL, which holds 70% 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.

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

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

The acquired business contributed to the Group revenue of S$5,135,000 and net profit of S$133,000 from 1 January 2015 (date of acquisition) to 31 December 2015.

Effect of (a) and (b) on cash flows of the Group

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

(c) Acquisition of Medical Centre in Geelong, Australia

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

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

	2015
	S$'000
Investment properties	**28,904,400**
Total identifiable net assets	**28,904,400**
Cash consideration paid	**28,904,400**

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

34. Business combinations (continued)

(d) 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.

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	9,150
Purchase consideration satisfied by issuance of shares	(8,790)
Merger reserve (Note 28)	360

Effect of (d) on cash flows of the Group

	Group 2014 S$'000
Cash and bank balances in subsidiary acquired	58

35. Events occurring after balance sheet date

(a) On 12 April 2016, the Group completed the refinancing of the TMK Bonds (refer Note 24(c)) amounting to S$151,223,000 issued by an indirect wholly owned subsidiary of the Company, extending its maturity date from April 2016 to April 2019. At the time of refinancing, the TMK Bonds outstanding was JPY12.83 billion. In this refinancing, Shinsei Bank has subscribed for JPY12.0 billion of new TMK Bonds. The balance of JPY0.83 billion was settled from new term loan of JPY1.6 billion obtained by the Group from other financial institution.

The new TMK Bonds carries a floating interest rate of three-month Japanese Yen LIBOR plus 3.20% per annum for first two years and 3.60% per annum for the third year, payable quarterly in arrears.

(b) On 7 April 2016, Enterprise Fund III Ltd, Value Monetization III Ltd and VMF3 (collectively, the "Funds") have appointed receivers ("Receivers") over the entire issued share capital of its wholly-owned investment holding subsidiaries (i) IHC Medical RE Pte Ltd ("IHC Medical"), (ii) IHC Management Pte Ltd ("IHC Management") and (iii) IHC Management (Australia) Pty Ltd ("IHC Australia") (collectively referred as "Affected Subsidiaries"). The Funds had previously extended certain loan facility arrangements to the Company and IHC Medical in FY2015. Refer to Note 29(a) for details of litigation with the Funds.

(c) On 1 June 2016, an application was made by the Company to the High Court of Singapore to wind up HMRE (Note 29(a)) under section 254 of the Companies Act (Chapter 50) of Singapore.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

36. New or revised accounting standards and interpretations

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

- *FRS 16 Property, plant and equipment and FRS 38 Intangible assets* (effective for annual periods beginning on or after 1 January 2016)

  The standard is amended to clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the assets. This has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption may only be rebutted in certain limited circumstances. These are where the intangible asset is expressed as a measure of revenue; or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

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

- *FRS 111 Joint Arrangements* (effective for annual periods beginning on or after 1 January 2016)

  The standard is amended to provide new guidance on how to account for the acquisition of an interest in a joint venture operation that constitutes a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.

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

- *FRS 110 Consolidated financial statements and FRS 28 Investments in associates and joint ventures* (effective for annual periods beginning on or after 1 January 2016)

  The standard is amended to address an inconsistency between FRS 110 and FRS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

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

- *FRS 1 Presentation of financial statements* (effective for annual periods beginning on or after 1 January 2016)

  The standard is amended to clarify the guidance in FRS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

37. Prior year's adjustments and comparative figures

In the previous financial years, the management had capitalised certain costs incurred in connection with an investment property under development in Kuala Lumpur, Malaysia in addition to recognising the fair value of the land. This resulted in an overstatement of the fair value of this investment property under development as at 31 December 2014 and 1 January 2014. This overstatement has been corrected in the current year and the comparative figures have been retrospectively adjusted.

As a consequence of the adjustment made to the fair value of the investment property under development in Kuala Lumpur, Malaysia as at 31 December 2014, certain loan covenants were not complied with as at that date and accordingly the classification of certain bank borrowings of the Group was changed from non-current to current liabilities.

The following adjustments were made to the consolidated balance sheets of the Group:

	As at 31 December 2014 (Previously reported) S$'000	Adjustments S$'000	As at 31 December 2014 (Restated) S$'000
Investment properties under development	107,150	(10,311)	96,839
Deferred tax liabilities	(14,744)	(416)	(15,160)
Retained earnings	(87,626)	10,816	(76,810)
Currency translation reserve	6,271	(89)	6,182
Borrowings (current)	(127,830)	(11,196)	(139,026)
Borrowings (non-current)	(181,138)	11,196	(169,942)

	As at 1 January 2014 (Previously reported) S$'000	Adjustments S$'000	As at 1 January 2014 (Restated) S$'000
Investment properties under development	82,294	(3,981)	78,313
Deferred tax liabilities	(6,303)	(764)	(7,067)
Retained earnings	(50,396)	4,756	(45,640)
Currency translation reserve	2,147	(11)	2,136

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

37. Prior year's adjustments comparative figures (continued)

The following adjustments were made to the consolidated statement of comprehensive income of the Group:

	For the financial year ended 31 December 2014 (Previously reported) S$'000	Adjustments S$'000	For the financial year ended 31 December 2014 (Restated) S$'000
Fair value (loss)/ gain on investment properties under development	4,748	(6,408)	(1,660)
Profit before tax	46,209	(6,408)	39,801
Income tax expense	(8,793)	348	(8,445)
Profit after tax	37,416	(6,060)	31,356
Currency translation differences	(4,124)	78	(4,046)

The following adjustments were made to the consolidated statement of cash flows of the Group:

	2014 (Previously reported) S$'000	Adjustments S$'000	2014 (Restated) S$'000
Profit after tax	37,416	(6,060)	31,356
Fair value (loss)/ gain on investment properties under development	4,748	(6,408)	(1,660)
Income tax expense	(8,793)	348	(8,445)

The following adjustments were made to the earnings per share of the Group:

	2014 (Previously reported)	Adjustments	2014 (Restated)
Basic earnings per share (cents)	2.29	(0.37)	1.92
Diluted earnings per share (cents)	2.27	(0.37)	1.90

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 3 June 2016.

STATISTICS OF SHAREHOLDINGS

As at 10 June 2016

Issued and fully paid	:	S$198,419,174
Number of shares with voting rights	:	1,659,064,603
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 40.1% of the issued ordinary shares of the Company were held in the hands of the public as at 10 June 2016 and therefore Rule 723 of the Rules of Catalist is complied with.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	816	10.18	37,842	0.00
100 - 1,000	1,780	22.21	914,820	0.06
1,001 - 10,000	3,768	47.02	16,282,667	0.98
10,001 - 1,000,000	1,575	19.65	140,031,041	8.44
1,000,001 and above	75	0.94	1,501,798,233	90.52
TOTAL	**8,014**	**100.00**	**1,659,064,603**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DB NOMINEES (SINGAPORE) PTE LTD	431,193,361	25.99
2	RHB SECURITIES SINGAPORE PTE. LTD.	160,057,298	9.65
3	DBS NOMINEES (PRIVATE) LIMITED	147,939,028	8.92
4	RAFFLES NOMINEES (PTE) LIMITED	97,419,825	5.87
5	KGI FRASER SECURITIES PTE LTD	87,713,188	5.29
6	CITIBANK NOMINEES SINGAPORE PTE LTD	83,479,973	5.03
7	THE ENTERPRISE FUND III LTD	59,304,800	3.57
8	UOB KAY HIAN PRIVATE LIMITED	44,150,837	2.66
9	DAIWA CAPITAL MARKETS SINGAPORE LIMITED	38,990,475	2.35
10	HONG LEONG FINANCE NOMINEES PTE LTD	30,733,735	1.85
11	BANK OF SINGAPORE NOMINEES PTE. LTD.	29,161,735	1.76
12	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	24,032,718	1.45
13	HENG SIEW ENG	21,987,190	1.33
14	GOLDEN CLIFF INTERNATIONAL LIMITED	20,000,000	1.21
15	OCBC SECURITIES PRIVATE LIMITED	14,933,844	0.90
16	MAYBANK KIM ENG SECURITIES PTE. LTD.	14,675,284	0.88
17	SIE LIAN KIAW	13,409,600	0.81
18	LEE YEW SIN	13,150,500	0.79
19	HUANG SHUZHEN	10,000,000	0.60
20	LEE CHER LENG	10,000,000	0.60
	TOTAL	**1,352,333,391**	**81.51**

STATISTICS OF SHAREHOLDINGS

As at 10 June 2016

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
	Number of Shares	%[1]	Number of Shares	%[1]
Golden Cliff International Limited[2]	20,000,000	1.2	172,496,657	10.4
Fan Kow Hin[3]	17,771,533	1.07	375,071,695	22.6
Real Empire International Limited[4]	48,621,154	2.93	36,551,103	2.20
Aathar Ah Kong Andrew[5]	32,100,000	1.93	112,759,970	6.8
Ching Chiat Kwong	317,636,000	19.14	–	–
Low See Ching	118,100,100	7.11	–	–

Notes:

(1) Percentage calculated based on 1,659,064,603 voting Shares as at 10 June 2016.

(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 171,637,907 shares held in the name of a nominee account.

(3) Fan Kow Hin is deemed interested in the 192,496,657 Shares held by Golden Cliff International Limited ("Golden Cliff"), 10,116,258 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 166,955,543 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 35,692,353 shares held in a nominee account.

(5) Aathar Ah Kong Andrew is deemed interested in the 85,172,257 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 27,304,302 Shares held by his various nominee accounts and 283,411 Shares held by his brother, Aathar Ah Tuk Henry.

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 Wednesday, 13 July 2016 at 10.30 a.m., for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Accounts for the financial year ended 31 December 2015 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of S$316,372 for the financial year ended 31 December 2015 (2014: S$295,000). **(Resolution 2)**

3. To re-elect the following Directors retiring under Article 92 of the Company's Constitution and who being eligible, offer themselves for re-election:

   Ms Lim Beng Choo (see explanatory note 1) **(Resolution 3)**
   Mr Lim Thien Su Gerald (see explanatory note 2) **(Resolution 4)**
   Mr Chia Chee Hyong Leonard (see explanatory note 3) **(Resolution 5)**

4. To re-elect Mr Siew Teng Kean, a Director retiring under Article 93 of the Company's Constitution and who being eligible, will offer himself for re-election. (see explanatory note 4) **(Resolution 6)**

5. To record the retirement of Mr Lee Gee Aik and Ms Yap Hui Lian Annie, Directors retiring under Article 92 of the Company's Constitution. Mr Lee Gee Aik and Ms Yap Hui Lian Annie have decided not to seek re-election and will retire at the conclusion of the forthcoming AGM. (see explanatory note 5)

6. To appoint the following as Directors of the Company, nominated to be appointed as Independent Directors of the Company by Mr Ching Chiat Kwong and Mr Low See Ching, substantial shareholders of the Company, under Article 97 of the Company's Constitution:

   Mr Tan Chade Phang, Roger (see explanatory note 6) **(Resolution 7)**
   Mr Sho Kian Hin, Eric (see explanatory note 7) **(Resolution 8)**
   Mr Tay Eng Kiat Jackson (see explanatory note 8) **(Resolution 9)**

7. To record that Messrs PricewaterhouseCoopers LLP will not be seeking re-appointment as Auditors of the Company. (see explanatory note 9)

8. To transact any other business that may be properly transacted at an annual general meeting.

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

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

9. **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;

(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 Catalist; and

(3) any subsequent bonus issue, consolidation or subdivision of Shares;

NOTICE OF ANNUAL GENERAL MEETING

(c) in exercising the authority conferred by this resolution, the Directors shall comply with the provisions of the Rules of Catalist for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act, and otherwise, and the Company's Constitution for the time being; and

(d) (unless revoked or varied by the Company in a general meeting) this authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier."
(see explanatory note 10) **(Resolution 10)**

BY ORDER OF THE BOARD

Wee Woon Hong
Srikanth Rayaprolu
Company Secretaries

28 June 2016
Singapore

Explanatory Notes:-

1. Ms Lim Beng Choo will, upon re-election as Director of the Company, remain as Executive Director of the Company. Ms Lim Beng Choo does not have any relationships including immediate family relationships between herself and the Directors, the Company and its 10% shareholders. Further information on Ms Lim Beng Choo can be found in the Annual Report 2015.

2. Mr Lim Thien Su Gerald will, upon re-election as Director of the Company, remain as Non-Independent Non-Executive Director of the Company. Mr Lim Thien Su Gerald does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders. Further information on Mr Lim Thien Su Gerald can be found in the Annual Report 2015.

3. Mr Chia Chee Hyong Leonard will, upon re-election as Director of the Company, remain as Independent Director of the Company. He will be considered independent for the purposes of Rule 704(7) of the Rules of Catalist. Mr Chia Chee Hyong Leonard does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders. Further information on Mr Chia Chee Hyong Leonard can be found in the Annual Report 2015.

4. Mr Siew Teng Kean will, upon re-election as Director of the Company, remain as Lead Independent Director of the Company and the Chairman of the Audit Committee and a member of the Nominating Committee of the Company. He will be considered independent for the purposes of Rule 704(7) of the Rules of Catalist. Mr Siew Teng Kean does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders. Further information on Mr Siew Teng Kean can be found in the Annual Report 2015.

5. Mr Lee Gee Aik and Ms Yap Hui Lian Annie will retire as Independent Directors of the Company at the conclusion of the forthcoming AGM. Upon Mr Lee Gee Aik's retirement, he will cease to be a member of the Nominating and Remuneration Committees. Upon Ms Yap Hui Lian Annie's retirement, she will cease to be the Chairman of the Remuneration Committee.

6. As announced on 15 June 2016 ("Announcement"), the Company received a letter of nomination pursuant to Article 97 of the Company's Constitution from Mr Ching Chiat Kwong ("Mr Ching"), a substantial shareholder of the Company, who holds 317,636,000 ordinary shares, representing approximately 19.14% of the share capital of the Company, nominating Mr Tan Chade Phang, Roger to be appointed as Independent Director of the Company at the forthcoming Annual General Meeting of the Company. A copy of the letter of nomination from Mr Ching is enclosed to the Announcement. Shareholders should note that neither the Nominating Committee of the Company nor the Board of the Company has made any recommendation in relation to the proposed appointment of Mr Tan Chade Phang, Roger as Independent Director of the Company. Shareholders are advised to read the letter of nomination from Mr Ching enclosed to the Announcement and page 12 of this Annual Report,

NOTICE OF ANNUAL GENERAL MEETING

containing information relating to the proposed appointee carefully, before deciding whether to vote for or against the proposed appointment. Mr Tan Chade Phang, Roger does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders.

7. As announced on 15 June 2016, the Company received a letter of nomination pursuant to Article 97 of the Company's Constitution from Mr Ching, a substantial shareholder of the Company, who holds 317,636,000 ordinary shares, representing approximately 19.14% of the share capital of the Company, nominating Mr Sho Kian Hin, Eric to be appointed as Independent Director of the Company at the forthcoming Annual General Meeting of the Company. A copy of the letter of nomination from Mr Ching is enclosed to the Announcement. Shareholders should note that neither the Nominating Committee of the Company nor the Board of the Company has made any recommendation in relation to the proposed appointment of Mr Sho Kian Hin, Eric as Independent Director of the Company. Shareholders are advised to read the letter of nomination from Mr Ching enclosed to the Announcement and page 12 of this Annual Report, containing information relating to the proposed appointee carefully, before deciding whether to vote for or against the proposed appointment. Mr Sho Kian Hin, Eric does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders.

8. As announced on 15 June 2016, the Company received a letter of nomination pursuant to Article 97 of the Company's Constitution from Mr Low See Ching ("Mr Low"), a substantial shareholder of the Company, who holds 118,100,100 ordinary shares, representing approximately 7.11% of the share capital of the Company, nominating Mr Tay Eng Kiat Jackson to be appointed as Independent Director of the Company at the forthcoming Annual General Meeting of the Company. A copy of the letter of nomination from Mr Low is enclosed to the Announcement. Shareholders should note that neither the Nominating Committee of the Company nor the Board of the Company has made any recommendation on the proposed appointment of Mr Tay Eng Kiat Jackson as Independent Director of the Company. Shareholders are advised to read the letter of nomination from Mr Low enclosed to the Announcement and page 12 of this Annual Report, containing information relating to the proposed appointee carefully, before deciding whether to vote for or against the proposed appointment. Mr Tay Eng Kiat Jackson does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders.

9. The auditors of the Company, Messrs PricewaterhouseCoopers LLP, has indicated to the Company their intention of not seeking re-appointment as auditors of the Company. The resignation of Messrs PricewaterhouseCoopers LLP will take effect following the conclusion of this meeting. As such, the Company will be sourcing for a new auditor to be appointed at an extraordinary general meeting to be convened at 13 October 2016. Messrs PricewaterhouseCoopers LLP has confirmed that it is not aware of any Professional reasons why a new auditor should not accept appointment as auditors of the Company.

10. 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 10 proposed in item 9 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.

NOTICE OF ANNUAL GENERAL MEETING

Notes:-

(i) A member of the Company entitled to attend and vote at the AGM may appoint not more than two (2) proxies to attend and vote instead of him.

(ii) Where a member appoints two (2) proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.

(iii) Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the member. Where such member appoints more than two (2) proxies, the number and class of shares to be represented by each proxy must be stated.

(iv) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

(v) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 2 Leng Kee Road #02-07 Thye Hong Centre Singapore 159086 not less than 48 hours before the time appointed for holding the AGM.

(vi) A Depositor's name must appear on the Depositor Register maintained by The Central Depositor (Pte) Limited as at 72 hours before the time fixed for holding the above Meeting in order for the Depositor to be entitled to attend and vote at the above 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)
(In receivership over charged shares in certain subsidiaries)

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 28 June 2016.

"Personal data" in the proxy form has the same meaning as "personal data" in the Personal Data Protection Act 2012 ("PDPA"), which includes your and your proxy's and/or representative's name, address and NRIC/Passport No.

PROXY FORM
ANNUAL GENERAL MEETING

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 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 13 July 2016 at 10.30a.m. and at any adjournment thereof.

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

	Please tick here if more than two proxies will be appointed (Please refer to note 3). This is only applicable for intermediaries such as banks and capital markets services licence holders which provide custodial services.

All resolutions put to the vote at the AGM shall be decided by way of poll.

No.	**Ordinary Resolutions Relating to:**	Number of Votes For**	Number of Votes Against**
1.	Adoption of Directors' Report and Audited Accounts for the financial year ended 31 December 2015		
2.	Approval of Directors' Fees amounting to S$316,372 for the financial year ended 31 December 2015		
3.	Re-election of Ms Lim Beng Choo as a Director of the Company		
4.	Re-election of Mr Lim Thien Su Gerald as a Director of the Company		
5.	Re-election of Mr Chia Chee Hyong Leonard as a Director of the Company		
6.	Re-election of Mr Siew Teng Kean as a Director of the Company		
7.	Appointment of Mr Tan Chade Phang, Roger as a Director of the Company		
8.	Appointment of Mr Sho Kian Hin, Eric as a Director of the Company		
9.	Appointment of Mr Tay Eng Kiat Jackson as a Director of the Company		
10.	Authority to issue and allot shares pursuant to the Share Issue Mandate		

* Delete accordingly

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

Dated this __________ day of ____________ 2016

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

____

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:-

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore or any statutory modification thereof, as the case may be), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member of the Company who is not a relevant intermediary (as defined below) is entitled to appoint not more than two proxies to attend and vote at an AGM of the Company. Where such member appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy. If no percentage is specified, the first named proxy shall be deemed to represent 100 per cent. of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.

3. A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at an AGM of the Company, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than one proxy, the number of shares in relation to which each proxy has been appointed shall be specified in the Proxy Form. In such event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.

   "**relevant intermediary**" means:

   (i) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity:

   (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or

   (iii) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

4. The instrument appointing 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.

5. A proxy need not be a member of the Company.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

9. The submission of an instrument or form appointing a proxy by a member does not preclude him/her from attending and voting in person at the AGM if he/she so wishes.

10. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register 72 hours before the time appointed for holding the AGM, as certified by the Depository to the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr Jong Hee Sen
(Non-Independent and Non-Executive Chairman)

Lim Beng Choo
(Executive Director)

Lim Thien Su Gerald
(Non-Independent and Non-Executive Director)

Siew Teng Kean
(Lead Independent Director)

Ong Lay Khiam
(Independent Director)

Yap Hui Lian Annie
(Independent Director)

Lee Gee Aik
(Independent Director)

Chia Chee Hyong Leonard
(Independent Director)

AUDIT COMMITTEE

Siew Teng Kean (Chairman)
Ong Lay Khiam
Dr Jong Hee Sen

NOMINATING COMMITTEE

Ong Lay Khiam (Chairman)
Dr Jong Hee Sen
Siew Teng Kean
Lee Gee Aik

REMUNERATION COMMITTEE

Annie Yap Hui Lian (Chairman)
Dr Jong Hee Sen
Lee Gee Aik

COMPANY SECRETARIES

Wee Woon Hong
Srikanth Rayaprolu

REGISTERED OFFICE

2 Leng Kee Road
#02-07 Thye Hong Centre
Singapore 159086
Telephone: (65) 6578-9188
Facsimile: (65) 6476-4647
www.ihc.sg
Company Registration No.:
201304341E

SHARE REGISTRAR

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

SPONSOR

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

AUDITORS

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 01892

National Australia Bank
Level 28, 500 Bourke Street,
Melbourne, Victoria 3000
Australia

OCBC Bank
65 Chulia Street
OCBC Centre
Singapore 049513

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

Shinsei Bank Limited
2-4-3 Nihonbashi-Muromachi
Chuo-ku, Tokyo 103-8303
Japan

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

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