Care | Compassion | Medical Excellence

PACIFIC HEALTHCARE HOLDINGS

PACIFIC HEALTHCARE HOLDINGS LTD.

2009 ANNUAL REPORT


NURSING HOME
PACIFIC HEALTHCARE
Pacific Healthcare
Specialist Centre

CONTENTS

Vision

To create a healthcare company with a reputation for excellence, professionalism and service quality equal to the best globally.

Mission

To provide our patients with the highest level of medical care possible, meeting all their needs and serving them with diligence, compassion and integrity.

Concept

To provide integrated and multi-disciplinary healthcare through a holistic approach, emphasising health as a state of total physical, mental and social well-being.

CORPORATE PROFILE

Pacific Healthcare is an integrated healthcare provider offering a comprehensive range of services in specialist medical care, dentistry, general practice medicine, health screening, wellness services, as well as the operation of day surgery centres, nursing homes and a psychiatric clinic.

Our group of dedicated healthcare professionals, most of whom specialize in different fields, work as a team to provide integrated multi-disciplinary patient care. We operate in a network of clinics, medical centres, and facilities in Singapore, Hong Kong, India and China.

PACIFIC HEALTHCARE, FOR TOTAL PHYSICAL, MENTAL AND SOCIAL WELL-BEING

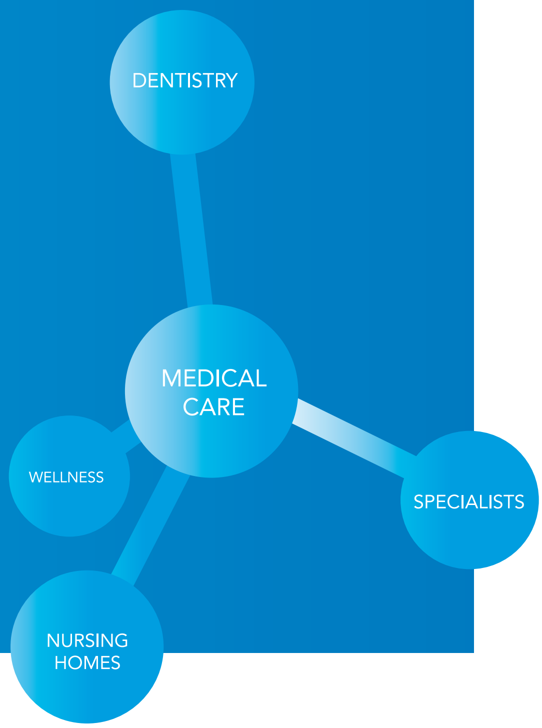
PHH was incorporated on 26 January 2001 and came together as a group through the amalgamation of several medical specialist and dental practices. On 11 November 2005, the Group successfully listed on the mainboard of the Singapore Stock Exchange.

Set up to provide quality medical specialist services under one roof, the Group offers a comprehensive range of healthcare services. The Company has taken great care in assembling a phenomenal team of over 100 healthcare professionals, trained in some of the world's leading institutions, and coupled with investments in some of the world's most cutting-edge technologies. Our medical and dental specialists are truly able to focus their entire attention on the total health and well-being of our patients.

Today the Group has evolved and expanded to become a regional healthcare player. Its services encompass specialist medical care, dentistry, diagnostic radiology, and wellness services, occupying 5 whole floors in the upmarket shopping belt of Orchard Road, Singapore. Facilities include day surgery centres, diagnostic imaging facilities, dental labs, nursing homes, and a compounding pharmacy. Its competencies in Specialist Healthcare include the fields of Plastic Surgery, Cosmetic and Implant Dentistry, Obstetrics and Gynaecology, Cardiology and Oncology.

Care

To provide our patients with utmost care for their holistic well-being



CHAIRMAN'S STATEMENT

Dear Shareholders,

The year two thousand and nine was a difficult year for the Group. This was reflected in our decrease in revenues and losses for the year.

Revenues for the year under review decreased by 5.9% from S$81.2million to S$76.4million compared to FY 2008. While the economic climate last year presented certain challenges, the impairment of goodwill, increases in operating costs as well as new businesses which have yet to gain traction, contributed principally to the loss of $9.6million attributable to equity holders of the Company.

Identifying the cause of the underlying problems is rarely a straightforward exercise in any type of setting, nevertheless, your Board has taken immediate and aggressive action for 2010 and approved a stimulus plan to improve the Group's performance for this year.

We have moved quickly to cut costs and reduce spending. Measures include salary cuts for our management team and a continuation of the freeze on headcount and, where appropriate, allowing natural attrition to further reduce the size of our workforce. We also made adjustments to cost allocations for our clinics to properly reflect the level of utilization of services and facilities. In addition, we have changed the way we market our healthcare services to achieve greater impact and maintain a higher Group profile to increase revenues.

To successfully execute the multi-pronged initiatives which have been put in place, we will need to leverage on the commitment and combined strengths of our team of doctors, our business partners and our employees. Your Board will continue to emphasise prudent financial management with a focus on activities which will contribute to the Group's bottom line.

On behalf of my Board members, I wish to express our appreciation to our shareholders for their continued confidence in the Group, and to our doctors, business partners and staff for their support and continued dedication.

Sim Swee Yam, Peter
Non-Executive Chairman and Independent Director

BOARD OF DIRECTORS

Mr Sim Swee Yam, Peter BBM, PBM

NON-EXECUTIVE CHAIRMAN AND INDEPENDENT DIRECTOR

On September 2005, Mr Sim Swee Yam, Peter was appointed Non-Executive Chairman and Independent Director for our Company. A practising lawyer and Director of his own law firm, Sim Law Practice LLC (formerly known as Sim & Wong LLC) he has to date more than 29 years of legal practice. He graduated with a degree in law in 1980 from the University of Singapore (now known as National University of Singapore) and was admitted to the Singapore Bar in 1981. Mr Sim is also Independent Director of public-listed companies, British and Malayan Trustees Ltd, Lum Chang Holdings Ltd and Marco Polo Marine Ltd. He also sits on the Board of Young Men's Christian Association (YMCA) of Singapore as well as Singapore Heart Foundation.

In August 2000, Mr Sim was awarded the Pingkat Bakti Masyarakat and then in August 2008, the Bintang Bakti Masyarakat.

Mr Lee Kiam Hwee, Kelvin

INDEPENDENT DIRECTOR

Mr Lee Kiam Hwee, Kelvin is our Independent Director, Audit Committee Chairman and Remuneration Committee Chairman. He has a wide range of experience and a long history in the corporate finance industry. He was with Coopers & Lybrand for 15 years from 1979 to 1994. As a Senior Audit Manager, Mr Lee headed audits covering a wide spectrum of industries, including several listed companies. He is also experienced in financial investigation, litigation support and profit forecasts. Drawing from his strong financial background, Mr Lee worked from 1994 to 2003 as the Group Financial Controller of IMC Holdings Ltd, a company principally in the business of ship-owning. He contributed towards the strategic business planning and overall financial management, and put in place financial control systems for the company. From 2003 to March 2007, Mr Lee was the Chief Financial Officer at Pan United Corporation Limited. Mr Lee is also the Lead Independent Director and Audit Committee Chairman of public listed company HTL International Holdings Ltd and an Independent Director in Marco Polo Marine Ltd. Mr Lee is a Fellow of the Association of Chartered Certified Accountants (UK), Fellow of the Institute of Certified Public Accountants and a member of the Singapore Institute of Directors.

Dr Chong Lai Leong, Wiliam

EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Dr Chong Lai Leong, William, is our Executive Director and Chief Executive Officer. He co-founded our Group and was appointed a Director of our Company on 26 January 2001. Dr Chong charts the corporate direction and business strategies, business and corporate development, policy planning and the overseas operations of our Group. Apart from his executive responsibilities, Dr Chong is a practising dental surgeon at Pacific Healthcare Specialist Centre focusing principally on cosmetic and implant dentistry. He graduated from the National University of Singapore with a Bachelor of Dental Surgery degree in 1985 and was awarded academic medals in the field of Medicine, Oral Surgery and Operative Dentistry. He attained a Master of Science degree in Dentistry in 1998. He has been a Fellow of the Royal Australasian College of Dental Surgeons since 1997, and a Fellow and Diplomate of the International Congress of Oral Implantologists since 1996. He was also the Course Director and Examiner of the Australian Society of Implant Dentistry Accreditation Courses from 1999 – 2001, and again from 2005 – 2007. He was a finalist in the Emerging Entrepreneur of the Year category in the Ernst & Young Entrepreneur of the Year Awards for Singapore in 2004, and was awarded 'Winner of Best Entrepreneur – Medicine & Dentistry', at the NUS Centennial Entrepreneurship Awards in Year 2005.

Dr Huang Hsiang Shui, Martin

EXECUTIVE DIRECTOR

Dr Martin Huang was appointed as Executive Director of our Company on 26 January 2001 and is a co-Founder of the Group. He was reelected on 28 April 2006 at the first annual general meeting of the Company held after listing. He is involved in setting out the strategies and policies for our Group, as well as overseeing the human resource and operational aspects of our day surgery facility and specialist practiices. Dr Huang himself practises as a plastic surgeon with Pacific Healthcare. His training in Plastic Surgery was completed in 1994 at the Department of Plastic Surgery at the Singapore General Hospital. He underwent subspecialty training in the United States from 1994 to 1996 at the Children's Hospital and Medical Center and the University of Washington in Seattle, and Scottish Rite Children's Medical Center in Atlanta, where he focused on paediatric plastic surgery, cleft lip and palate surgery, craniomaxillofacial surgery, and endoscopic plastic surgery. He has given 80 academic oral presentations and lectures at local, regional and international meetings and conferences, and has 24 publications in international journals on plastic surgery. He has also given over 170 media interviews and over 60 educational public presentations on cosmetic surgery. Additionally, he serves as a manuscript peer reviewer for the Cleft Palate-Craniofacial Journal, and Plastic and Reconstructive Surgery. He has won numerous local and international academic awards during his career. Dr Huang's current clinical interests are cosmetic surgery of the face, jaws, breasts and body, and the surgical treatment of birth defects of the head and face, such as cleft lip and palate.

Compassion

To have a heart for our patients' needs

OPERATIONS REVIEW

Pacific Healthcare is one of Singapore's leading healthcare providers in the fields of specialist medicine and dentistry.

Headquartered in Singapore, the Group's services encompass specialist medical care, dentistry, diagnostic radiology, and wellness services. Facilities include day surgery centres, diagnostic imaging facilities, dental labs, nursing homes, and a compounding pharmacy. These services and facilities are supported by a team of more than 100 dedicated healthcare professionals who specialize in different fields. It occupies 5 whole floors of medical and dental specialist centres in the upmarket shopping belt of Orchard Road, Singapore, and has grown to include similar centres in Hong Kong, India and China. It also has representative offices in Jakarta, Indonesia, and Ho Chi Minh City, Vietnam.

Financial Results Review

The financial performance of the Group was affected by the decrease in revenue from its former subsidiary, Singapore Heart, Stroke and Cancer Centre Pte Ltd ("SHSCC") which it divested in July 2009. Excluding the revenue from SHSCC, the Group revenue would have been $75.5 million representing an increase of 3.9% from $72.7 million in FY2008.

For the year under review, the Group incurred a loss attributable to equity holders of the Company of $9.6million compared to a loss of $11.8 million in FY2008. The loss in FY 2009 decreased mainly due to a decrease in impairment losses on goodwill, other investments, intangible assets and plant and equipment related to SHSCC.

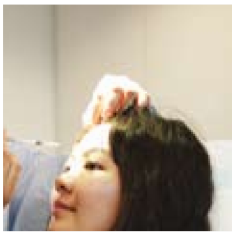
Decrease in cash and cash equivalents of $5.2 million is mainly due to cash flows in investing activities of $5.0million to reestablish the cardiac imaging centre. Finance leases increased by $0.8million compared to FY2008 due to purchase of plant and equipment.

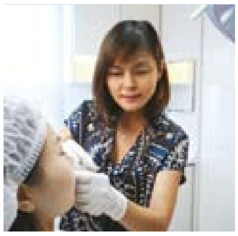
Singapore Operations

The Group's core specialist services in Singapore, which contributed 84% of the total revenues, continue to be the stronghold of the Group's overall activities.

Plans for a comprehensive private cancer hospital took shape and the Group has embarked on its plans to establish a fully dedicated cancer hospital which will be completed in 2011. The hospital will offer advanced cancer screening, multi-disciplinary cancer treatments including the latest radiotherapy system.

In line with the plans for a cancer hospital and to rebuild its diagnostic imaging centre, the Group recruited a team of surgical specialists, radiologists and radiographers.

In the 4th Quarter, the Group set up Pacific Healthcare Imaging. The centre is equipped with the SOMATOM Definition Flash CT scanner, a high speed, low radiation dose heart CT scanner, and will focus on non-invasive cardiovascular imaging, in addition to general diagnostic imaging.

Extending on its patient services and integrated care, the Group added 3 separate sub-specialist units.

The Pacific Implantable Lens Centre, which offers multi-focal lens implants, was established to treat patients with short-sightedness as well as those who need reading glasses.

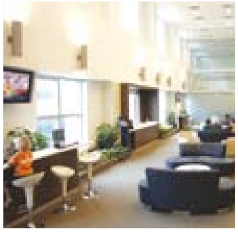
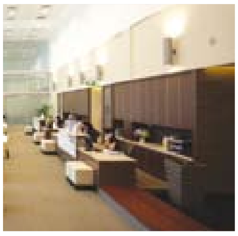
The Thyroid Head & Neck Centre is a one stop facility that provides diagnosis, treatment and surgical management of head and neck cancers as well as thyroid disease.

The Breast Surgery Centre, which offers comprehensive breast cancer screening, treatment of benign breast problems as well as breast cancer. The integrated Breast Specialist Team includes a breast surgeon and radiologist. The breast care unit uses the latest full field digital mammography with reduced radiation to the breast as well as the new generation ultrasound with elastography.

During the year the Group reached settlement with Dr Michael Lim and disposed of its 51% stake each in both Singapore Heart Stroke and Cancer Centre Pte Ltd ("SHSCC") as well Singapore Centre for Medical Imaging Pte Ltd. The disposal affected revenues for the Group in 2009 when compared to 2008.

Additionally, the Group continued with its consolidating and streamlining exercise to reduce the number of companies and for better management of its business units.

The Group adopted Star Shelter, a secular crisis centre for victims of domestic violence and abuse as part of its corporate social responsibility drive for the year. The home provides a temporary refuge and lifeline to women, babies and young children from severely abusive relationships. To initiate its support, specialists from the Group donated $25,000 to the Star Shelter. In addition, the Group's specialists also extended their medical and dental services to help its residents by providing the necessary support services to meet victims' physical and mental healthcare needs, including reconstructive surgery and dentistry.



Regional Activities

During the year the Group and the Yash Birla Group in India injected capital into Birla-Pacific Healthcare Pvt Ltd to fund its business expansion. The business has grown and now encompass 3 integrated medical centres and 3 franchised outlets under the Evolve Medspa brand. Interest in Evolve Medspa has been surging, in part due to the success of its Flagship centres, the reputation of both joint venture partners as well as the brand recognition following the sponsorship of the prestigious Femina, Miss India 2009 pageant, in which Evolve was the official makeover, smile and wellness partner.

Across in Shenzhen, China, our wellness spa business achieved mixed results with some branches performing better than others. Overall, Marsa Pacific suffered losses as a result of lower revenues and increases in expenses including non-cash items like depreciation. Restructuring and consolidation of the unprofitable units is in process and we expect performance to improve in 2010.

Our subsidiary in Hong Kong, Health Concepts Ltd ("HCL") successfully retained and renewed its contract to supply medical services to the students, staff and faculty of Hong Kong University of Science & Technology for a further period of three years. In addition, it introduced new services which contributed to the profitability of HCL for 2009.

Due to the uncertain economic environment in 2008 and early 2009, the projects in Thailand and in Indonesia were put on hold with the agreements of the separate parties.

Summary

While we believe that we have executed some parts of our business well, overall the operating and financial results of the group were below our plans and expectations for the year under review. The organization as whole has been challenged to sharpen its effectiveness at all levels and focus on improving revenue growth and results.

The Group has a strong brand presence and our medical and dental services in Singapore continue to attract local as well as overseas patients. It is significant that patients from as far away as Moscow, Russia, travel to Singapore to seek treatment by our doctors. We believe that our brand essence as well as the changes in the way we manage and run our business units will allow us to improve our performance.

Medical Excellence

To offer quality medical care of the highest standards

Pacific Healthcare Specialist Centre

Located at the heart of Singapore's main shopping belt, our Centre offers comprehensive and multi disciplinary specialist medical and dental services. We are equipped with the latest diagnostic imaging equipment, to ensure effective health screening and provide the best care and treatment for our patients.

HIGHLIGHTS

Pacific Healthcare Imaging

DR JOHN HUANG
MBChB (Hons) Glasgow, MRCP (UK), FRCR (UK)
Consultant Radiologist

DR CHING BOON CHYE
MBBS (SINGAPORE), M. MED (DIAGNOSTIC RAD) (SINGAPORE), FRCR (DIAGNOSTIC RAD)(LOND)
Consultant Radiologist

At **Pacific Healthcare Imaging,** our highly trained and experienced team works towards meeting your diagnostic imaging needs. Our goal is to help your healthcare provider make an accurate diagnosis using the latest medical technology. We are equipped with the latest Siemens Dual Source CT scanner that enables cardiac CT to be performed within a quarter of a second, at a significantly lower radiation dose than before.

We are committed to establishing long and fulfilling relationships with the medical community in Singapore and the region by providing the highest level of quality diagnostic services at competitive prices

The Thyroid Head & Neck Surgery Centre

DR. RANJIV SIVANANDAN
MBBS, FRCSEd, MMED (Surgery), FAMS
American Head & Neck Society (Stanford University, USA)
Consultant Head & Neck and General Surgeon

The Thyroid Head & Neck Surgery Centre is a one-stop facility that allows you to have a complete evaluation of all growths and lumps arising from the head and neck region. We have a comprehensive array of diagnostic investigations which include fine needle aspiration biopsy (FNAB), neck ultrasound, fibreoptic naso-endoscopy and computed tomography (CT) that allow us to define, diagnose and stage disease precisely and expeditiously. Most importantly, we bring with us vast experience in managing benign and malignant tumors of the thyroid, head & neck and the expertise to recommend and perform the appropriate surgical procedure be it an excision biopsy, thyroidectomy, parotidectomy, neck dissection or major surgical resection and reconstruction.

The Breast Surgery Centre

DR GEORGETTE CHAN

(Singapore), M.Med (Surgery), FRCSEd (Edinburgh), FAMS
Consultant General Surgeon

The **Breast Surgery Centre** offers a comprehensive service of breast cancer screening, treatment of benign breast problems, as well as breast cancer.

Together with dedicated breast radiologist Dr Ching Boon Chye, Dr Georgette Chan will provide clinical consultation, breast examination, breast cancer risk assessment and perform open and image-assisted breast biopsies. In addition to lumpectomy and mastectomy for the treatment of breast cancer, advanced aspects of breast cancer surgery such as sentinel lymph node biopsy, nipple-sparing mastectomy and skin-sparing mastectomy with immediate breast reconstruction are available at the Breast Surgery Centre.

To complement the services offered at our breast surgery centre, our special Women's Imaging Centre provides breast screening using the latest full field digital mammography with computer aided detection, breast ultrasound and breast biopsies. Breast cancer patients will have their treatments individually tailored for them by a strong multidisciplinary team of medical oncologists, radiation oncologists and plastic surgeons.

CORPORATE INFORMATION

Board of Directors
Mr Sim Swee Yam, Peter
Non-Executive Chairman and Independent Director
Dr Chong Lai Leong, William
Executive Director and Chief Executive Officer
Dr Huang Hsiang Shui, Martin
Executive Director
Mr Lee Kiam Hwee, Kelvin
Non-Executive and Independent Director

Nominating Committee
Mr Sim Swee Yam, Peter *Chairman*
Mr Lee Kiam Hwee, Kelvin *Member*
Dr Huang Hsiang Shui, Martin *Member*

Remuneration Committee
Mr Lee Kiam Hwee, Kelvin *Chairman*
Mr Sim Swee Yam, Peter *Member*
Dr Chong Lai Leong, William *Member*

Audit Committee
Mr Lee Kiam Hwee, Kelvin *Chairman*
Mr Sim Swee Yam, Peter *Member*
Dr Chong Lai Leong, William *Member*

Company Secretaries
Ms Lin Moi Heyang
Mr Lee Wei Hsiung

Registered Office
290 Orchard Road
#19-01 The Paragon
Singapore 238859
Tel: (65) 6887 3737
Fax: (65) 6733 2577
customerservice@pachealthholdings.com

Principal Bankers
KBC Bank N.V.
Malayan Banking Berhad
Standard Chartered Bank
The Bank of East Asia, Limited
United Overseas Bank Limited

Share Registrar
Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Auditors
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner in charge: Ms Low Yen Mei
(since financial year ended 31 December 2007)

REPORT ON CORPORATE GOVERNANCE

Pacific Healthcare Holdings Ltd. (the "Company") is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the "Group") by complying with the Code of Corporate Governance 2005 (the "Code"). Pursuant to Rule 710 of the Listing Manual of the SGX-ST, this Report sets out the Company's corporate governance practices with specific reference to the principles of the Code of Corporate Governance.

I. BOARD MATTERS

Principle 1: The Board's Conduct of its Affairs

The Board of Directors (the "Board") has the overall responsibility for the management and corporate governance of the Group, including the Group's overall strategic plans, key operational initiatives, annual budgets, investment proposals and financial reviews.

Matters which are specifically reserved for the Board's decision include those involving interested person transactions, material acquisitions and disposal of assets, corporate or financial restructuring, share issuances, dividends and other returns to shareholders.

To facilitate effective management, certain functions of the Board have been delegated to various Board Committees, namely Audit, Nominating and Remuneration Committees. These committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also reviewed by the Board.

The Board conducts scheduled meetings on a regular basis. Adhoc meetings are convened when circumstances require. To ensure meetings are held regularly with maximum directors' participation, the Company's Articles of Association allows for the telephone and video-conferencing meetings.

Prior to their appointments, newly appointed Directors are provided information on their duties as a director under the Singapore law. Directors are updated regularly on key accounting and regulatory changes. Where necessary, the Company arranges for presentations by external professionals, consultants and advisers on topics that would have an impact on the regulations, accounting standards and the implications of certain regulatory changes affecting the responsibilities of the Directors.

Principle 2: Board Composition and Balance

The Board of Directors comprises the following members:

1. Mr Sim Swee Yam, Peter	Non-Executive Chairman and Independent Director
2. Dr Chong Lai Leong, William	Executive Director and Chief Executive Officer
3. Dr Huang Hsiang Shui, Martin	Executive Director
4. Mr Lee Kiam Hwee, Kelvin	Non-Executive and Independent Director

Key information regarding the Directors is disclosed in the "Board of Directors" section of the annual report.

Currently, the Board comprises 4 Directors, 2 of whom are Independent Directors. There is therefore a good balance between the Executive and Non-Executive Directors and a strong and independent element on the Board.

Given the nature and scope of the Company's operations, the Board considers the present board size and number of committees facilitate effective decision-making and that no individual or small group of individuals dominates the Board's decision making process.

The table below sets out the attendances at meetings of the Board and the Board Committees which were convened during the financial year:

Name	Board	Audit Committee	Nominating Committee	Remuneration Committee
	No.of Meetings held: 4	No. of Meetings held: 4	No. of Meetings held: 1	No. of Meetings held: 1
	No. of Meetings Attended	No. of Meetings Attended	No. of Meetings Attended	No. of Meetings Attended
Mr Sim Swee Yam, Peter	4	4	1	1
Mr Lee Kiam Hwee, Kelvin	4	4	1	1
Mr Goh Boon Kiat [Note 1]	1	1	1	1
Dr Chong Lai Leong, William [Note 2]	4	2	NA	NA
Dr Huang Hsiang Shui, Martin [Note 3]	3	NA	NA	NA

NA: Not Applicable

Note:

1. Mr Goh Boon Kiat ceased to be a Non-Executive and Independent Director, Chairman of Remuneration Committee, members of the Nominating and Audit Committees of the Company with effect from 29 April 2009.

2. Dr Chong Lai Leong, William was appointed as the Audit and Remuneration Committees members of the Company with effect from 10 June 2009.

3. Dr Huang Hsiang Shui, Martin was appointed as the Nominating Committee member of the Company with effect from 10 June 2009.

Principle 3: Chairman and Chief Executive Officer

The functions of the Chairman and that of the Chief Executive Officer in the Company are assumed by different individuals. The Chairman is Mr Sim Swee Yam, Peter who is a Non-Executive, Independent Director while the Chief Executive Officer, Dr Chong Lai Leong, William is an Executive Director.

The Chief Executive Officer is the most senior executive in the Company and bears executive responsibility for the Group's business, while the Chairman assumes responsibility for the management of the Board.

The Chairman ensures that Board meetings are held when necessary and reviews and approves the Board meeting agenda, in consultation with the Chief Executive Officer.

Principle 4: Board Membership

The Board has established a Nominating Committee ("NC") which comprises 3 members, a majority of whom are Independent and Non-Executive Directors. The members of the NC are as follows:

1.	Mr Sim Swee Yam, Peter (Chairman)	Non-Executive and Independent Director
2.	Mr Lee Kiam Hwee, Kelvin	Non-Executive and Independent Director
3.	Dr Huang Hsiang Shui, Martin (Appointed w.e.f. 10 June 2009)	Executive Director

The NC is responsible for:

(a) re-nomination of Directors having regard to the Director's contribution and performance;

(b) determining on an annual basis whether or not a Director is independent; and

(c) deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director.

New Directors are appointed by way of Board resolutions after the NC has reviewed and nominated them taking into consideration the qualification and experience of each candidate, his/her ability to increase the effectiveness of the Board and to add value to the Group's business in line with its strategic objectives.

The NC recommends all appointment and retirement of Directors. At each Annual General Meeting ("AGM"), not less than one third of the Directors for the time being (being those who have been longest in office since their appointment or re-election) are required to retire from office by rotation. A retiring Director is eligible for re-election by the shareholders at the AGM. All newly appointed Directors during the year will hold office only until the next AGM and will be eligible for re-election. In evaluating the Director's contribution and performance for the purpose of re-nomination, factors such as attendance, preparedness, participation and candour are taken into consideration.

Principle 5: Board Performance

Subject to the approval of the Board, the NC will decide on how the Board's performance is to be evaluated and propose objective performance criteria which address how the Board has enhanced long-term shareholders' value. The performance evaluation will also include consideration of our share price performance vis-à-vis the Straits Times Index and a benchmark index of its industry peers. The Board also implemented a process to be carried out by our NC for assessing the effectiveness of the Board as a whole. Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance of re-nomination as director.

Principle 6 : Access to Information

The Company's Management provides the Board with periodic updates covering operational performance and financial results, market and business development and other important and relevant information.

The Company or the Board will seek the appropriate independent and professional advice as and when the Directors, whether as a group or individually, need independent professional advice.

Together with other Management staff of the Company, the Company Secretary ensures that the Company complies with the requirements of the Companies Act and other rules and regulations that are applicable to the Company.

II. REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The Board has established a Remuneration Committee ("RC") which comprises 3 members, a majority of whom are Independent and Non-Executive Directors. The members of the RC are as follows:

1.	Mr Lee Kiam Hwee, Kelvin (Chairman) (Appointed w.e.f. 10 June 2009)	Non-Executive and Independent Director
2.	Mr Sim Swee Yam, Peter	Non-Executive and Independent Director
3.	Dr Chong Lai Leong, William (Appointed w.e.f. 10 June 2009)	Executive Director and Chief Executive Officer

The RC will recommend to the Board a framework of remuneration for the Directors, Chief Executive Officer and all staff whose annual remuneration exceeds S$250,000. The RC will also make recommendations to the Board on the remuneration package of the Chief Executive Officer and Executive Directors. The remuneration and benefits-in-kind of all staff whose annual remuneration exceeds S$250,000 shall be reviewed by the RC.

Principle 8: Level and Mix of Remuneration

In setting the remuneration packages of the Executive Directors, the Company takes into consideration the remuneration and employment conditions and makes a comparative study of the packages of Executive Directors in comparable companies/industries as well as the Group's relative performance.

Non-Executive Directors are paid a basic fee. The Chairman of each committee is compensated for his additional responsibilities. Such fees are approved by the shareholders of the Company as a quarterly payment in arrears at the AGM of the Company.

Principle 9: Disclosure on Remuneration

(i) The breakdown of remuneration of the Directors for the year ended 31 December 2009 are as follows:

Name	Salary (%)	Bonus (%)	Directors' Fee (%)	Professional Fees (%)	Total (%)
S$500,000 and above					
Dr Chong Lai Leong, William *Executive Director & Chief Executive Officer*	17	10	–	73	100
Dr Huang Hsiang Shui, Martin *Executive Director*	1	7	–	92	100
Below S$250,000					
Mr Sim Swee Yam, Peter *Non-Executive Chairman*	–	–	100	–	100
Mr Lee Kiam Hwee, Kelvin *Non-Executive Director*	–	–	100	–	100
Mr Goh Boon Kiat [Note 1]	–	–	100	–	100

Note:

1. Mr Goh Boon Kiat ceased to be a Non-Executive and Independent Director of the Company with effect from 29 April 2009.

(ii) Key executives' remuneration

The Code recommends that at least the top five key executives' remuneration be disclosed within bands of S$250,000. The Board believes such disclosure would be disadvantageous to the Group's business interests, given the highly competitive conditions in the industry, where poaching of executives is commonplace.

There are no employees who are immediate family members of a Director and whose remuneration exceeded S$150,000 per annum for the financial year ended 31 December 2009.

The Company has an employee share option scheme known as the Pacific Healthcare Employee Share Option Scheme. More information on the Pacific Healthcare Employee Share Option Scheme is set out in the Directors' Report.

III. ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

In presenting the annual financial statements and announcements to the shareholders, it is the aim of the Board to provide the shareholders with a balanced and understandable assessment of the Group's performance, position and prospects.

The financial performance and annual reports are announced or issued within the mandatory period and are available on the Company's website.

Management provides the Board with periodic updates covering operational performance, financial results, marketing and business development and other important and relevant information.

Other ways in which information is disseminated to shareholders are further disclosed under Principles 14 and 15.

Principle 11: Audit Committee

The Audit Committee ("AC") comprises 3 members, a majority of whom are Independent and Non-Executive Directors. The members of the AC are as follows:

1.	Mr Lee Kiam Hwee, Kelvin (Chairman)	Non-Executive and Independent Director
2.	Mr Sim Swee Yam, Peter	Non-Executive and Independent Director
3.	Dr Chong Lai Leong, William (Appointed w.e.f. 10 June 2009)	Executive Director and Chief Executive Officer

The AC meets periodically to perform the following functions:

(a) to review with the external auditors the audit plan;

(b) to review the consolidated financial statements and the external auditors' report on those financial statements, before submission to the Board of Directors for approval;

(c) to review the co-operation given by Management to the external auditors;

(d) to consider the appointment and re-appointment of the external auditors;

(e) to review and approve interested person transactions; and

(f) to generally undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, and by such amendments made thereto from time to time.

Apart from the duties listed above, the AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position. Each member of the AC will abstain from voting in respect of matters in which he is interested.

The AC has reviewed the independence of the external auditors including the volume of non-audit services supplied by them and is satisfied with their position as independent external auditors.

Nevertheless, the external auditors, Ernst & Young LLP did not provide any non-audit services to the Group during the year of 2009.

The Group has appointed different auditors for its Singapore-incorporated subsidiaries and significant associated companies. The Board and the AC are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the Group.

The Company has in place a whistle-blowing policy which provides well-defined and accessible channels in the Group through which employees may raise concerns about improper conduct within the Group.

Principle 12: Internal Controls

The Board recognises that no internal control system will preclude all errors and irregularities. The system is designed to manage rather than to eliminate the risk of failure to achieve business objectives. The controls are to provide reasonable, but not absolute, assurance to safeguard shareholders' investments and the Group's assets. The Board reviews the effectiveness of all internal controls, including operational controls.

Principle 13: Internal Audit

The scope of the internal audit is:

(a) to review the effectiveness of the Group's material internal controls;

(b) to provide assurance that key business and operational risks are identified and managed;

(c) to determine that internal controls are in place and functioning as intended; and

(d) to evaluate that operations are conducted in an effective and efficient manner

The internal auditors report to the Chairman of the AC on any material weaknesses and risks identified in the course of the audit. These will also be communicated to Management. Management will accordingly update the AC on the status of the remedial action plans. To ensure the adequacy of the internal audit function, the AC reviews the internal auditor's scope of work on an annual basis.

The Company has outsourced its internal audit function to ensure independence of the internal audit function as well as access to experienced professionals and best practices in the industry.

IV. COMMUNICATIONS WITH SHAREHOLDERS

Principle 14: Communications with Shareholders
Principle 15: Greater Shareholder Participation

Shareholders, investors and analysts are kept informed of the major developments of the Company through various means of communication as follows:

- Financial results and annual reports are announced or issued within the mandatory period.
- Analysts' meeting after announcement of Company's results.
- Price sensitive information, significant transactions or matters are communicated to shareholders via SGXNET.
- Company's annual general meetings.
- Company's website at www.pachealthholdings.com

All shareholders of the Company receive the annual report and notice of Annual General Meeting ("AGM"). At AGMs, shareholders are given the opportunity to air their views and ask Directors or Management questions regarding the Company.

The Company's Articles of Association allow a shareholder of the Company to appoint one or two proxies to attend and vote on behalf of the shareholder.

At AGMs, separate resolutions are set out on distinct issues, such as proposed Directors' fees, for approval by shareholders. Besides the external auditors, the chairmen of all Board committees are normally present and available to address queries from shareholders.

V. INTERESTED PERSON TRANSACTIONS ("IPT")

The Audit Committee is satisfied that the review procedures for IPTs and the reviews to be made periodically by the Audit Committee in relation thereto are adequate to ensure that the IPTs will be transacted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

There were no IPTs required for disclosure according to Rule 907 of the SGX-ST Listing Manual in respect of IPT for the financial year ended 31 December 2009.

VI. DEALINGS IN SECURITIES

In line with Chapter 12, Rule 1207(18) of the Listing Manual of the SGX-ST on dealing in securities, the Company has in place a policy prohibiting share dealings by Directors and employees of the Company during the period commencing two weeks and one month before the announcement of the Company's financial statements for the quarter and the financial year, as the case may be, and ending on the date of the announcement of the relevant results. This has been made known to Directors, officers and staff of the Company and the Group. They are also reminded to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

REPORT ON CORPORATE GOVERNANCE

VII. MATERIAL CONTRACT

There were no other material contracts of the Group or its subsidiaries involving the interest of any Director or controlling shareholder subsisting at the end of the financial year ended 31 December 2009.

VIII. RISK MANAGEMENT

Management will regularly review the Group'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 Group's policies and strategies.

DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Pacific Healthcare Holdings Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2009.

1. Directors

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

Mr Sim Swee Yam, Peter
Dr Chong Lai Leong, William
Dr Huang Hsiang Shui, Martin
Mr Lee Kiam Hwee, Kelvin

In accordance with Article 91 of the Company's Articles of Association, Mr Lee Kiam Hwee, Kelvin shall retire at the forthcoming Annual General Meeting of the Company and, being eligible, offers himself for re-election.

2. Arrangements to enable directors to acquire shares and debentures

Except as described in paragraph five below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3. Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and warrants of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of directors	At beginning of the financial year	At end of the financial year	At beginning of the financial year	At end of the financial year
Ordinary shares of the Company				
Mr Sim Swee Yam, Peter	75,000	75,000	–	–
Dr Chong Lai Leong, William	40,819,000	40,819,000	39,134,684	39,134,684
Dr Huang Hsiang Shui, Martin	11,583,667	11,583,667	–	–
Warrants of the Company				
Mr Sim Swee Yam, Peter	15,000	15,000	–	–
Dr Chong Lai Leong, William	12,096,372	12,096,372	3,162,364	3,162,364
Dr Huang Hsiang Shui, Martin	1,705,333	1,705,333	–	–

3. Directors' interests in shares and debentures (cont'd)

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Dr Chong Lai Leong, William is deemed to have an interest in all the related corporations of the Company.

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2010.

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

4. Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

5. Options

The Company has an employee share option scheme known as the Pacific Healthcare Employee Share Option Scheme (the "Scheme"). The Scheme, which forms an integral component of its compensation plan, is designed to reward and retain eligible participants whose services are vital to its well being and success. It provides eligible participants who have contributed to the success and development of the Company with an opportunity to participate and also increases the dedication and loyalty of these participants and motivates them to perform better.

Under the rules of the Scheme, executive directors, non-executive directors, independent directors and employees of the Company are eligible to participate in the Scheme. Controlling shareholders or associates who have contributed to the success and development of the Group are eligible to participate in the Scheme. Independent shareholders' approval is required in the form of separate resolutions for each grant of options. The Company will at such time provide the rationale and justification for any proposal to grant the controlling shareholders or associates any options (including the rationale for any discount to the market price, if so proposed).

The total number of shares over which options may be granted pursuant to the Scheme shall not exceed 15% of the issued share capital of the Company on the date immediately preceding the date on which an offer to grant an option is made.

The total number of shares over which options may be granted to controlling shareholders and their associates under the Scheme, shall not exceed 25% of the shares available under the Scheme provided always that the number of shares available to each controlling shareholder or each of his associates shall not exceed 10% of the shares available under the Scheme.

A committee is charged with the administration of the Scheme in accordance with the rules of the Scheme. The committee consists of directors appointed by the Board of Directors of the Company. The number of options to be offered to a participant shall be determined at the discretion of the committee who shall take into account criteria such as rank and responsibilities within the Group, performance, years of service, contributions to the Company and the board and potential for future development of the participant and the performance of the Group.

5. Options (cont'd)

The exercise price for each share in respect of which an option is exercisable shall be determined by the committee at its absolute discretion and fixed by the committee at: (i) a price equal to the average of the last dealt prices for a share as determined by reference to the daily official list published by the SGX-ST for the 3 consecutive market days immediately preceding the relevant offer date; or (ii) a price which is set at a discount to the market price, provided that the maximum discount shall not exceed 20% of the market price and the shareholders in general meeting shall have authorised the making of offers and grants of options under the Scheme at a discount.

The Scheme shall continue in operation for a maximum duration of 10 years commencing from the date on which the Scheme was adopted by the Company in the extraordinary general meeting on 23 August 2005. However, the Scheme may continue beyond this period with the approval of the shareholders in general meeting.

Since the commencement of the Scheme till the end of the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

6. Warrants

On 30 November 2007, 56,160,599 bonus warrants were listed and quoted on the Official List of the Singapore Exchange Securities Trading Limited. Each warrant carries the right to subscribe for one new share at an exercise price of S$0.39. These warrants are exercisable between 1 June 2008 to 26 November 2010. When fully exercised, an additional capital of S$21,902,634 will be raised.

During the year, 15,000 warrants were exercised. As at 31 December 2009, the number of bonus warrants outstanding is 56,145,599.

7. Update on use of placement proceeds

On 2 February 2007, the Company completed the placement of 42,000,000 new ordinary shares at the issue price of S$0.31 for each share, amounting to S$12,410,000 after deducting the related expenses.

The net proceeds from the placement has been disbursed and utilised as follows:

Description of use of placement proceeds	**Amount disbursed**
	S$'000
To finance the expansion of specialist healthcare segment	5,000
To finance the expansion plans in Hong Kong and China	4,000
To finance the expansion plans in India	2,000
To use as working capital	1,410
	12,410

8. Audit committee

The members of the audit committee ("AC") during the financial year and at the date of this report are:

Mr Lee Kiam Hwee, Kelvin (Chairman)
Mr Sim Swee Yam, Peter
Dr Chong Lai Leong, William (appointed on 10 June 2009)

Majority of the members of the AC are non-executive and are independent.

The AC carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Cap. 50.

The AC convened four meetings during the year. In performing its functions, the AC met with the Company's internal and external auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's system of internal accounting controls.

The AC also reviewed the following:

- assistance provided by the Company's management to both the internal and external auditors
- quarterly and annual consolidated financial statements and the auditors' report on the annual financial statements of the Company before their submission to the Board of Directors
- nature and extent of non-audit services provided by the external auditors
- interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited (SGX-ST)'s Listing Manual

The AC has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

The AC has recommended to the Board that the independent auditor, Ernst & Young LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

9. Independent Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors

Mr Sim Swee Yam, Peter Director	Dr Chong Lai Leong, William Director

8 April 2010

STATEMENT BY DIRECTORS

We, Mr Sim Swee Yam, Peter and Dr Chong Lai Leong, William, being two of the directors of Pacific Healthcare Holdings Ltd., do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

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

On behalf of the Board of Directors

Mr Sim Swee Yam, Peter Director	Dr Chong Lai Leong, William Director

8 April 2010

INDEPENDENT AUDITORS' REPORT

For the financial year ended 31 December 2009
To the members of Pacific Healthcare Holdings Ltd.

We have audited the accompanying financial statements of Pacific Healthcare Holdings Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2009, the statements of changes in equity of the Group and the Company, the income statement, statement of comprehensive income and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheets and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

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

Ernst & Young LLP
Public Accountants and Certified Public Accountants
Singapore

8 April 2010

BALANCE SHEETS

As at 31 December 2009

	Notes	Group 2009 $'000	Group 2008 $'000	Company 2009 $'000	Company 2008 $'000
ASSETS					
Current assets					
Cash and bank	4	6,324	11,824	208	3,109
Short term deposits, restricted in use	4	305	314	119	118
Trade and other receivables	5	17,316	17,064	17,570	18,735
Other assets	6	2,578	2,336	511	486
Inventories	7	2,743	2,779	13	13
		29,266	34,317	18,421	22,461
Non-current assets					
Investments in subsidiaries	8	–	–	26,982	28,345
Investments in associates	9	2,266	2,414	149	149
Other investments	10	1,374	2,339	1,670	2,635
Property, plant and equipment	11	23,157	24,342	4,960	3,961
Goodwill	12	14,481	15,411	–	–
Intangible assets	13	312	369	–	–
Other assets	6	5,127	5,713	–	6
		46,717	50,588	33,761	35,096
TOTAL ASSETS		75,983	84,905	52,182	57,557
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	14	16,606	11,152	9,763	9,287
Other liabilities	15	1,551	1,585	345	314
Derivatives	16	267	–	267	–
Income tax payable		851	1,411	–	–
Current portion of borrowings	17	9,679	11,268	8,429	10,133
Current portion of finance leases	18	1,527	1,228	939	475
		30,481	26,644	19,743	20,209
Non-current liabilities					
Deferred tax liabilities	29	730	1,201	–	–
Other payables	14	–	28	–	28
Provisions	19	982	955	346	296
Borrowings	17	4,342	4,476	1,113	3,942
Finance leases	18	1,493	951	769	404
		7,547	7,611	2,228	4,670
TOTAL LIABILITIES		38,028	34,255	21,971	24,879
Equity attributable to owners of the parent					
Share capital	20	39,258	39,252	39,258	39,252
Foreign currency translation reserve	21	(572)	(479)	–	
Retained earnings		(3,590)	5,979	(9,047)	(6,574)
		35,096	44,752	30,211	32,678
Minority interests		2,859	5,898	–	
TOTAL EQUITY		37,955	50,650	30,211	32,678
TOTAL EQUITY AND LIABILITIES		75,983	84,905	52,182	57,557

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2009

	Notes	Group 2009 $'000	Group 2008 $'000
Revenue	22	76,398	81,225
Other items of income			
Interest income	23	113	261
Other income	24	1,826	4,712
Items of expense			
Financial expense	25	(958)	(1,077)
Changes in inventories of consumables and medical supplies		(18)	72
Purchases of consumables and medical supplies		(16,992)	(16,660)
Employee benefits expense	26	(44,193)	(42,937)
Depreciation and amortisation	27	(4,600)	(4,944)
Rental expense		(9,120)	(8,007)
Other expenses	28	(12,593)	(25,959)
Share of results of associates		(1,049)	(483)
Loss before tax		(11,186)	(13,797)
Income tax credit/(expense)	29	246	(48)
Loss for the year		(10,940)	(13,845)
Attributable to:			
Owners of the parent		(9,569)	(11,812)
Minority interests		(1,371)	(2,033)
		(10,940)	(13,845)
Loss per share attributable to owners of the parent (cents per share)			
Basic	35	(3.41)	(4.21)
Diluted	35	(3.41)	(4.21)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2009

	Group	
	2009	**2008**
	$'000	$'000
Loss for the year	(10,940)	(13,845)
Other comprehensive (expense)/income:		
Translation differences relating to financial statements of foreign subsidiaries	(229)	336
Total comprehensive expense for the year	(11,169)	(13,509)
Total comprehensive expense attributable to:		
Owners of the parent	(9,662)	(11,723)
Minority interests	(1,507)	(1,786)
	(11,169)	(13,509)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2009

Group	Attributable to owners of the parent					
	Share capital	Foreign currency translation reserve	Retained earnings	Total	Minority interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 January 2009	39,252	(479)	5,979	44,752	5,898	50,650
Loss for the year	–	–	(9,569)	(9,569)	(1,371)	(10,940)
Other comprehensive expense for the year	–	(93)	–	(93)	(136)	(229)
Total comprehensive expense for the year	–	(93)	(9,569)	(9,662)	(1,507)	(11,169)
Exercise of warrants (Note 20)	6	–	–	6	–	6
Disposal of subsidiaries (Note 30)	–	–	–	–	(812)	(812)
Dividends paid to minority interests	–	–	–	–	(720)	(720)
Closing balance at 31 December 2009	39,258	(572)	(3,590)	35,096	2,859	37,955
Opening balance at 1 January 2008	39,252	(568)	18,914	57,598	7,034	64,632
Loss for the year	–	–	(11,812)	(11,812)	(2,033)	(13,845)
Other comprehensive expense for the year	–	89	–	89	247	336
Total comprehensive income/(expense) for the year	–	89	(11,812)	(11,723)	(1,786)	(13,509)
Acquisition of additional interest in subsidiaries	–	–	–	–	(463)	(463)
Contribution from minority shareholders	–	–	–	–	1,554	1,554
Dividends paid (Note 31)	–	–	(1,123)	(1,123)	–	(1,123)
Dividends paid to minority interests	–	–	–	–	(441)	(441)
Closing balance at 31 December 2008	39,252	(479)	5,979	44,752	5,898	50,650

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2009

Company	Share capital	Retained earnings	Total equity
	$'000	$'000	$'000
Opening balance at 1 January 2009	39,252	(6,574)	32,678
Loss for the year	–	(2,473)	(2,473)
Total comprehensive expense for the year	–	(2,473)	(2,473)
Exercise of warrants (Note 20)	6	–	6
Closing balance at 31 December 2009	39,258	(9,047)	30,211
Opening balance at 1 January 2008	39,252	3,241	42,493
Loss for the year	–	(8,692)	(8,692)
Total comprehensive expense for the year	–	(8,692)	(8,692)
Dividends paid (Note 31)	–	(1,123)	(1,123)
Closing balance at 31 December 2008	39,252	(6,574)	32,678

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2009

	Group	
	2009	2008
	$'000	$'000
Cash flows from operating activities:		
Loss before tax	(11,186)	(13,797)
Adjustments for:		
Depreciation expense	4,543	4,804
Interest income	(113)	(261)
Interest expense	958	1,077
Fair value adjustment on financial assets and financial liabilities	(5)	5
Net fair value loss on derivatives	267	–
Bad trade receivables written off	212	42
Bad trade receivables recovered	(8)	(55)
Provision for impairment of doubtful debts	1,290	3,238
Share of results of associates	1,049	483
Impairment loss on goodwill	761	6,822
Impairment loss on other investments	965	353
Impairment loss on intangible assets	–	5,818
Impairment loss on plant and equipment	–	17
Amortisation of intangible assets	57	140
Excess of net assets acquired over cost	–	(76)
Loss on disposal of plant and equipment	662	639
Gain on disposal of subsidiaries/business units	(459)	(577)
Gain on disposal of asset classified as held for sale	–	(3,246)
Gain on disposal of associates	(3)	(9)
Unrealised exchange loss/(gain), net	223	(70)
Operating cash flows before changes in working capital	(787)	5,347
Cash restricted in use	9	(59)
Trade and other receivables	(975)	184
Inventories	18	(72)
Trade and other payables	6,257	(3,586)
Cash flows from operations	4,522	1,814
Income tax paid	(367)	(195)
Net cash flows from operating activities	4,155	1,619

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2009

	Group	
	2009	2008
	$'000	$'000
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment	193	52
Purchase consideration paid for purchase of subsidiaries	(120)	(120)
Purchase of property, plant and equipment (Note 4)	(4,861)	(4,455)
Proceeds from disposal of associates	–	793
Net cash inflow on disposal of subsidiaries/business units (Note 30)	525	–
Net cash outflow on acquisition of subsidiaries/business units (Note 30)	–	(635)
Net cash inflow on disposal of asset classified as held for sale	–	3,548
Acquisition of additional interests in subsidiaries	–	(711)
Acquisition of interests in associates	(801)	(149)
Interest received	57	93
Net cash flows used in investing activities	(5,007)	(1,584)
Cash flows from financing activities:		
Proceeds from issuance of ordinary shares	6	–
Contribution from minority shareholder of a subsidiary	–	547
Proceeds from borrowings	7,000	4,650
Repayment of borrowings	(7,562)	(8,661)
Repayment of obligation under finance leases	(2,070)	(2,367)
Interest paid	(958)	(1,077)
Dividend paid (Note 31)	–	(1,123)
Dividend paid to minority interests of a subsidiary	(720)	(441)
Net cash flows used in financing activities	(4,304)	(8,472)
Net decrease in cash and cash equivalents	(5,156)	(8,437)
Effect of exchange rate changes on cash and cash equivalents	3	4
Cash and cash equivalents at beginning of year	11,477	19,910
Cash and cash equivalents at end of year (Note 4)	6,324	11,477

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

Pacific Healthcare Holdings Ltd. (the "Company") is a limited liability company incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The principal activities of the Company are those of investment holding and to carry on the business of healthcare management.

The principal activities of the subsidiaries are disclosed in Note 8 to the financial statements.

The registered office and principal place of business of the Company is located at 290 Orchard Road #19-01 The Paragon Singapore 238859. The Company is domiciled in Singapore.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The Group and Company incurred a loss attributable to owners of the parent of $9,569,000 and $2,473,000 respectively for the year ended 31 December 2009. As at that date, the Group and Company were in a net current liability position of $1,215,000 and $1,322,000 respectively.

Based on the Group's and Company's cash flow projections for the year ending 31 December 2010, the Directors are of the opinion that the financial statements of the Group and Company can be prepared on a going concern basis as they expect the Group and Company to generate sufficient cash flows to enable both the Group and Company to fulfill their short term obligations and to continue as going concerns for at least 12 months after the date these financial statements were authorised for issue.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or $) and all values in financial statements are rounded to the nearest thousand ($'000) except otherwise indicated.

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2009, the Group adopted the following standards and interpretations mandatory for annual financial periods beginning on or after 1 January 2009.

- FRS 1 Presentation of Financial Statements (Revised)
- Amendments to FRS 18 Revenue
- Amendments to FRS 23 Borrowing Costs
- Amendments to FRS 32 Financial Instruments: Presentation and FRS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 101 First-time Adoption of Financial Reporting Standards and FRS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 102 Share-based Payment – Vesting Conditions and Cancellations
- Amendments to FRS 107 Financial Instruments: Disclosures
- FRS 108 Operating Segments
- Improvements to FRSs issued in 2008
- INT FRS 113 Customer Loyalty Programmes
- INT FRS 116 Hedges of a Net Investment in a Foreign Operation
- Amendments to INT FRS 109 Reassessment of Embedded Derivatives and FRS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives
- INT FRS 118 Transfers of Assets from Customers

Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including, in some cases, revisions to accounting policies.

The principal effects of these changes are as follows:

<u>FRS 1 Presentation of Financial Statements – Revised presentation</u>

The revised FRS 1 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of other comprehensive income. In addition, the Standard introduces the statement of comprehensive income which presents income and expense recognised in the period. This statement may be presented in one single statement, or two linked statements. The Group has elected to present this statement as two linked statements.

<u>Amendments to FRS 107 Financial Instruments: Disclosures</u>

The amendments to FRS 107 require additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The liquidity risk disclosures and fair value measurement disclosures are presented in Note 38 and Note 39 to the financial statements respectively.

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

FRS 108 Operating Segments

FRS 108 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. The Group determined that the reportable operating segments are the same as the business segments previously identified under FRS 14 Segment Reporting. Additional disclosures about each of the segments are shown in Note 37, including revised comparative information.

Improvements to FRSs issued in 2008

In 2008, the Accounting Standards Council issued an omnibus of amendments to FRS. There are separate transitional provisions for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group:

- FRS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with FRS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the balance sheet. The Group amended its accounting policy accordingly and analysed whether Management's expectation of the period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the balance sheet.

- FRS 16 Property, Plant and Equipment: Replaces the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

- FRS 23 Borrowing Costs: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one – the interest expense calculated using the effective interest rate method calculated in accordance with FRS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2009

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective

The Group and Company have not adopted the following FRS and INT FRS that have been issued but not yet effective:

Reference		Description	Effective date (Annual periods beginning on or after)
Amendments to:			
FRS 27	:	Consolidated and Separate Financial Statements	1 July 2009
FRS 32	:	Financial Instruments: Disclosure and Presentation	1 February 2010
FRS 39	:	Financial Instruments: Recognition and Measurement	1 July 2009
FRS 101	:	First-time Adoption of Financial Reporting Standards	1 January 2010
FRS 102	:	Share-based Payment	1 January 2010
FRS 105	:	Non-current Assets Held for Sale and Discontinued Operations	1 July 2009
INT FRS 109	:	Reassessment of Embedded Derivatives	30 June 2009
INT FRS 114	:	FRS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction	1 January 2011
FRS 24 (R)	:	Related Party Disclosures	1 January 2011
FRS 101 (R)	:	First-Time Adoption of Financial Reporting Standards	1 July 2009
FRS 103 (R)	:	Business Combinations	1 July 2009
INT FRS 117	:	Distributions of Non-cash Assets to Owners	1 July 2009
INT FRS 118	:	Transfer of Assets from Customers	1 July 2009
INT FRS 119	:	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
Improvements to FRS issued in 2009:			
Amendments to:			
FRS 1	:	Presentation of Financial Statements	1 January 2010
FRS 7	:	Statement of Cash Flows	1 January 2010
FRS 17	:	Leases	1 January 2010
FRS 36	:	Impairment of Assets	1 January 2010
FRS 38	:	Intangible Assets	1 July 2009
FRS 39	:	Financial Instruments: Recognition and Measurement	1 January 2010
FRS 102	:	Share-based Payment	1 July 2009
FRS 105	:	Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
FRS 108	:	Operating Segments	1 January 2010
INT FRS 109	:	Reassessment of Embedded Derivatives	1 July 2009
INT FRS 116	:	Hedges of a Net Investment in a Foreign Operation	1 July 2009

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

Except for the revised FRS 103 and the amendments to FRS 27, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 103 and the amendments to FRS 27 are described below.

Revised FRS 103 Business Combinations and Amendments to FRS 27 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2009. The revised FRS 103 introduces a number of changes in the accounting for business combinations occurring after 1 July 2009. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 27 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to FRS 7 Statement of Cash Flows, FRS 12 Income Taxes, FRS 21 The Effects of Changes in Foreign Exchange Rates, FRS 28 Investments in Associates and FRS 31 Interests in Joint Ventures. The changes from revised FRS 103 and Amendments to FRS 27 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early applied. However, the Group does not intend to early adopt.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. The accounting policy for goodwill is set out in Note 2.8(a). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2. Summary of significant accounting policies (cont'd)

2.5 Transactions with minority interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the parent entity extension method, whereby, on acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is recognised in goodwill. Gain or loss on disposal to minority interests is recognised in profit or loss.

2.6 Functional and foreign currency

(a) Functional currency

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be SGD. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in SGD.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the balance sheet date and their statement of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity as foreign currency translation reserve. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

2. Summary of significant accounting policies (cont'd)

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment and leasehold improvements are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	-	10 years
Plant and equipment	-	3 to 10 years
Leasehold improvements in progress	-	Depreciation is not provided

Assets under construction are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.8 Intangible assets

(a) Goodwill

Goodwill acquired in a business combination is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

2. Summary of significant accounting policies (cont'd)

2.8 Intangible assets (cont'd)

(a) Goodwill (cont'd)

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6.

Goodwill and fair value adjustments which arose on acquisitions of foreign operations before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in SGD at the rates prevailing at the date of acquisition.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset. The useful lives are as follows:

Brand	-	15 years
Customer relationship	-	7 to 10 years

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

2. Summary of significant accounting policies (cont'd)

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in the profit or loss. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit or loss.

2.10 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.11 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of profit or loss of the associate in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2. Summary of significant accounting policies (cont'd)

2.11 Associates (cont'd)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the profit or loss.

The financial statements of the associate are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

2.12 Financial assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(a) Financial assets at fair value through profit or loss

Financial assets held for trading are classified as financial assets at fair value through profit or loss. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequently to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

2. Summary of significant accounting policies (cont'd)

2.12 Financial assets (cont'd)

(c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

(d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss

A financial asset is derecognised when:

(a) the Group transfers the contractual rights to receive the cash flows of the financial asset; or

(b) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in a 'pass-through' arrangement; or

(c) the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2. Summary of significant accounting policies (cont'd)

2.13 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

(a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss. Reversals of impairment losses on debt instruments are recognised in profit or loss if the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.15 Inventories

Inventories are stated at the lower of cost (weighted average basis) and net realisable value. Cost includes all costs of purchase, costs of conversion 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 costs necessary to make the sale.

2.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.17 Financial liabilities

Financial liabilities within the scope of FRS 39 are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, derivatives are measured at fair value. Other financial liabilities (except for financial guarantee) are measured at amortised cost using the effective interest method.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

2. Summary of significant accounting policies (cont'd)

2.18 Borrowings costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

2.19 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantees are recognised initially at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.20 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

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

2.21 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

2. Summary of significant accounting policies (cont'd)

2.21 Leases (cont'd)

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22(e).

2.22 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Rendering of services

Revenue from rendering of services that are of short duration is recognised when the services are completed. Revenue from rendering of packaged services is recognised by reference to the stage of completion of the transaction at the balance sheet date determined by services performed to date as a percentage of total services.

(c) Interest income

Interest income is recognised using the effective interest method.

2. Summary of significant accounting policies (cont'd)

2.22 Revenue (cont'd)

(d) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(e) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

2.23 Income taxes

(a) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2. Summary of significant accounting policies (cont'd)

2.23 Income taxes (cont'd)

(b) Deferred tax (cont'd)

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2. Summary of significant accounting policies (cont'd)

2.24 Dividend

Interim dividends are recorded in the year in which they are declared payable. Final dividends are recorded in the year in which the dividends are approved by shareholders.

2.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.26 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.27 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

2.28 Sign-on bonuses

The Group enters into service agreements with certain of its doctors. These service agreements include sign-on bonuses that are paid to the doctors concerned. Sign-on bonuses are initially measured at cost. Following initial measurement, sign-on bonuses are measured at cost less any accumulated amortisation and accumulated impairment losses.

Sign-on bonuses are amortised over the service periods with the doctors, which range from 5 years to 20 years (2008: 5 years to 20 years).

2.29 Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

(a) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

2. Summary of significant accounting policies (cont'd)

2.29 Significant accounting estimates and judgements (cont'd)

(a) Key sources of estimation uncertainty (cont'd)

(i) Useful lives of plant and equipment

The cost of plant and equipment is depreciated on a straight-line basis over the plant and equipment's estimated economic useful lives. Management estimates the useful lives of these plant and equipment to be within 3 to 10 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at the balance sheet date is disclosed in Note 11 to the financial statements.

(ii) Useful lives of leasehold improvements

Management estimates the useful lives of these leasehold improvements to be 10 years. The terms of the leases for the Group's premises may however be less than 10 years. Management has assumed the Group will be able to renew the terms of its leases on their expiry and hence the estimated useful lives for leasehold improvements of 10 years is appropriate. In the event the Group is not able to renew the terms of its various leases and the Group vacates the relevant premises, the carrying value of leasehold improvements related to the vacated premises would have to be fully impaired. The carrying amount of the Group's leasehold improvements at the balance sheet date is disclosed in Note 11 to the financial statements.

(iii) Impairment of investment in subsidiaries or associates

The Group assesses whether there are any indicators of impairment on the investment in subsidiaries and associates on an annual basis. In making this assessment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying value of the investment in subsidiaries and associates for the Company as at the balance sheet date were $26,982,000 (2008: $28,345,000) and $149,000 (2008: $149,000) respectively. The carrying value of the investment in associates for the Group as at the balance sheet date was $2,266,000 (2008: $2,414,000).

2. Summary of significant accounting policies (cont'd)

2.29 Significant accounting estimates and judgements (cont'd)

(a) Key sources of estimation uncertainty (cont'd)

(iv) Allowances for doubtful debts

An allowance is made for doubtful accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyses account receivables and analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. At the balance sheet date, the receivables are measured at recoverable value and their recoverable values might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the balance sheet date.

(v) Sign-on bonuses

The Group enters into service agreements with certain of its doctors. These service agreements include sign-on bonuses that are paid to the doctors concerned. The carrying value of sign-on bonuses is $6,339,000 (2008: $6,866,000) as at balance sheet date. An assessment is made at each reporting date whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts are determined for each relevant doctor based on calculations of future probability of the doctor concerned. These calculations require the use of estimates. The recoverable amount might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the balance sheet date.

(vi) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill and intangible assets, are given in Note 12 and 13 to the financial statements respectively.

(b) Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

2. Summary of significant accounting policies (cont'd)

2.29 Significant accounting estimates and judgements (cont'd)

(b) Judgements made in applying accounting policies (cont'd)

(i) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payables and deferred tax liabilities at the balance sheet date was $851,000 (2008: $1,411,000) and $730,000 (2008: $1,201,000) respectively.

(ii) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(iii) Fair value of financial instruments

Where the fair values of financial instruments recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates. The valuation of financial instruments is described in more detail in Note 39.

3. Related party transactions

A related party is an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual. This includes parents, subsidiaries, fellow subsidiaries, associates, joint ventures and post-employment benefit plans, if any.

3. Related party transactions (cont'd)

3.1 Related companies

Related companies in these financial statements refer to members of the Company's group of companies. Associates also include those that are associates of the Company and/or related companies.

There are transactions and arrangements between the Company and members of the Group and the effects of these on the basis determined between the parties are reflected in these financial statements. The current intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For non-current balances, an interest is imputed based on the prevailing market interest rate for similar debt less the interest rate if any provided in the agreement for the balance.

Intragroup transactions and balances that have been eliminated in the consolidated financial statements are not disclosed as related party transactions and balances below.

3.2 Other related parties

There are transactions and arrangements between the Group and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The current related party balances are unsecured without fixed repayment terms and interest unless stated otherwise. For non-current balances, an interest is imputed based on the prevailing market interest rate for similar debt less the interest rate if any provided in the agreement for the balance.

Significant related party transactions:

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Director - rental expense	(46)	(46)	–	–
Associates of the Group:				
- Management fee income	83	101	83	101
- Interest income	–	44	–	44
- Utilities	23	20	–	–
- Rental income	546	765	455	469
- Rendering of services	1	–	–	–
- Facility charge	(16)	(19)	–	–
Other related parties:				
- Management fee income	377	337	377	337
- Rental income	406	412	406	412

3. Related party transactions (cont'd)

3.3 Compensation of key management personnel

	Group	
	2009	**2008**
	$'000	$'000
Short-term employee benefits	6,222	5,577
Central Provident Fund contributions	63	79
	6,285	5,656
Comprise amounts paid to:		
Directors of the Company	5,589	4,936
Other key management personnel	696	720
	6,285	5,656

The above amounts are included in the income statement under the line item 'employee benefits expense'. Included in the above amounts are the following items:

	Group	
	2009	**2008**
	$'000	**$'000**
Fees to directors of the Company	102	147
Remuneration of directors of the Company +	5,487	4,789

\+ Includes professional fees and sign-on bonuses paid to directors in their capacity as doctors. During the year, certain directors were paid a sign-on bonus of $Nil (2008: $Nil) in their capacity as a doctor of which $403,000 (2008: $461,000) was charged to the income statement.

Further information about the remuneration of individual directors is provided in the report on corporate governance.

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

3. Related party transactions (cont'd)

3.4 Commitments and contingencies

	Company	
	2009	2008
	$'000	$'000
Financial guarantees given by the Company to banks for loans granted to subsidiaries	4,479	980

In addition to the above, certain directors of the Company and/or subsidiaries have provided guarantees for certain borrowing facilities (Notes 17 and 18).

All the guarantees are provided without charge. Management has estimated the fair value of the financial guarantees based on market rates and the amount is not significant.

4. Cash and cash equivalents

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Cash and banks				
Cash at banks and in hand	6,324	9,375	208	660
Short term deposits, not restricted in use	–	2,449	–	2,449
	6,324	11,824	208	3,109

Short term deposits, restricted in use

Short term deposits, restricted in use relates to short term deposits held by banks as security for performance guarantee granted to the Group.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Short term deposits, both restricted and not restricted, are made for varying periods of between one week and one month depending on the immediate cash requirements of the Group, and earn interests at the respective short term deposit rates, which range from 0.08% to 1.8% (2008: 0.1625% to 1.8%) per annum.

4. Cash and cash equivalents (cont'd)

For the purpose of the consolidated cash flow statement, cash and cash equivalents and purchase of property, plant and equipment comprise the following at the balance sheet date:

	Group	
	2009	2008
	$'000	$'000
Cash and bank	6,324	11,824
Bank overdraft (Note 17)	–	(347)
Cash and cash equivalents at end of year	6,324	11,477
Purchase of property, plant and equipment:		
Aggregate cost of property, plant and equipment acquired (Note 11)	7,816	9,673
Adjustments:		
Under finance leases and borrowings	(2,955)	(2,067)
Contribution from minority shareholders	–	(3,151)
Cash payments to acquire property, plant and equipment	4,861	4,455

5. Trade and other receivables

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Trade and other receivables (current):				
Trade receivables:				
Outside parties	5,512	6,117	–	–
Less: Allowance for impairment	(1,348)	(1,284)	–	–
Subsidiaries	–	–	1,550	1,417
Other receivables:				
Amounts due from associates	2,579	2,161	1,391	1,520
Less: Allowance for impairment	(1,718)	(1,681)	(1,225)	(1,182)
Deposits				
- Rental	1,412	1,185	847	547
- Related party	12	12	–	–
- Others	4,096	2,824	16	2,768
Amounts due from doctors/former doctors	994	895	–	–
Less: Allowance for impairment	(339)	(222)	–	–

5. Trade and other receivables (cont'd)

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Amounts due from a former owner of a business unit	127	127	–	–
Less: Allowance for impairment	(127)	(127)	–	–
Consideration receivables for disposal of associates	217	217	217	217
Less: Allowance for impairment	(217)	–	(217)	–
Consideration receivables for transfer of a business unit (Note 30)	–	1,247	–	–
Reimbursement of expenses from an investee company	–	353	–	–
Less: Allowance for impairment	–	(353)	–	–
Other receivables	2,176	1,729	1,287	1,395
Less: Allowance for impairment	(904)	(406)	(244)	(70)
Other related parties				
- Consideration receivable for disposal of subsidiaries and a business unit	2,302	2,302	2,090	2,090
- Dividends receivable	1,442	1,442	1,442	1,442
- Others	352	412	193	270
Less: Allowance for impairment	(346)	(330)	(330)	(330)
Consideration receivables for disposal of subsidiaries (Note 30)	620	–	–	–
Amounts due from former associate	457	419	458	419
Amounts due from subsidiaries	–	–	10,095	8,232
Employee loans	17	25	–	–
	17,316	17,064	17,570	18,735
<u>Other receivables (non-current):</u>				
Amounts due from doctors/former doctors	125	125	–	–
Less: Allowance for impairment	(125)	(125)	–	–
	–	–	–	–

5. Trade and other receivables (cont'd)

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Total trade and other receivables (current and non-current)	17,316	17,064	17,570	18,735
Add:				
- Cash and bank (Note 4)	6,324	11,824	208	3,109
- Short term deposits, restricted in use (Note 4)	305	314	119	118
Total loans and receivables	23,945	29,202	17,897	21,962

The credit periods generally granted to non-related trade receivable customers for the Group range from 30 to 90 days (2008: 30 to 90 days) and trade receivables are non-interest bearing. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Current receivables with a short duration are not discounted and the carrying amounts are assumed to be a reasonable approximation of fair values.

The agreements for the advances to doctors/former doctors provide that they are unsecured, with zero rate of interest and repayable over 36 to 48 monthly instalments commencing July 2004 and March 2005. The loans are carried at amortised cost using effective interest rate of 6.5% per annum (only applicable to advances with instalment plans), which is the Group's cost of borrowing. During the year, $23,000 (2008: $114,000) were recovered from a director of the Company on behalf of the doctors/former doctors. The carrying value of the advances to doctors/former doctors approximates the fair value.

Amounts due from a former owner of a business unit is unsecured, interest free and has no fixed repayment terms.

Consideration receivables for disposal of associates amounting to $217,000 (2008: $217,000) is the amount owing from Healthcare & Wellness Corporation Pte Ltd for the disposal of 12.5% interest in Pacific Eldercare & Nursing Pte Ltd on 17 June 2008.

The amounts due from other related parties, which are repayable on demand, includes the balance of $2,302,000 (2008: $2,302,000) owing from Radlink-Asia Pte Ltd for the disposal of certain subsidiaries on 1 December 2006. This amount is recorded at fair value.

Consideration receivables for disposal of subsidiaries amounting to $620,000 (2008: $Nil) is the amount owing from Dr Michael Lim Chun Leng for the disposal of 51% interest in Singapore Heart, Stroke and Cancer Centre Pte Ltd on 31 July 2009.

In 2008, the loan to former associate is unsecured and bore effective interest rates ranging from 0% to 6.5% per annum. This loan was repayable over 72 monthly instalments commencing January 2005. On 1 July 2008, the remaining amount of $449,000 has been used to set off the consideration paid for acquisition of a dental business (Note 30).

The loans to employees are unsecured and bear interest rates ranging from 0% to 2.5% (2008: 0% to 2.5%). Included in these loans is a loan amounting to $12,000 is repayable over 14 monthly instalments commencing November 2008. This loan has been fully repaid during the year. The remaining amount has no fixed repayment terms.

5. Trade and other receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $1,122,000 (2008: $1,386,000) and other receivables amounting to $4,921,000 (2008: $6,823,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2009	**2008**
	$'000	$'000
Trade receivables past due:		
Lesser than 30 days	437	284
30-60 days	136	236
61-90 days	127	150
91-120 days	90	140
More than 120 days	332	576
	1,122	1,386
Other receivables past due:		
Lesser than 30 days	83	1,374
30-60 days	32	107
61-90 days	33	151
91-120 days	58	297
More than 120 days	4,715	4,894
	4,921	6,823

Receivables that are impaired

The Group's trade and other receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2009	**2008**
	$'000	$'000
Trade receivables – nominal amounts	1,348	1,284
Less: Allowance for impairment	(1,348)	(1,284)
	–	–
Movements in allowance accounts:		
At 1 January	1,284	1,154
Charge for the year	98	375
Written off	(34)	(245)
At 31 December	1,348	1,284

5. Trade and other receivables (cont'd)

Receivables that are impaired (cont'd)

	Group	
	2009	2008
	$'000	$'000
Amounts due from associates – nominal amounts	1,742	1,905
Less: Allowance for impairment	(1,718)	(1,681)
	24	224
Movements in allowance accounts:		
At 1 January	1,681	531
Charge for the year	340	1,300
Written off	(303)	(150)
At 31 December	1,718	1,681
Amounts due from doctors/former doctors – nominal amounts (current and non-current)	464	381
Less: Allowance for impairment	(464)	(347)
	–	34
Movements in allowance accounts:		
At 1 January	347	–
Charge for the year	117	347
At 31 December	464	347
Amounts due from a former owner of a business unit – nominal amounts	127	127
Less: Allowance for impairment	(127)	(127)
	–	–
Movements in allowance accounts:		
At 1 January	127	–
Charge for the year	–	127
At 31 December	127	127

5. Trade and other receivables (cont'd)

Receivables that are impaired (cont'd)

	Group	
	2009	2008
	$'000	$'000
Reimbursement of expenses from an investee company – nominal amounts	–	353
Less: Allowance for impairment	–	(353)
	–	–
Movements in allowance accounts:		
At 1 January	353	–
Charge for the year	–	353
Disposal of subsidiaries	(353)	–
At 31 December	–	353
Other related parties – nominal amounts	676	330
Less: Allowance for impairment	(346)	(330)
	330	–
Movements in allowance accounts:		
At 1 January	330	–
Charge for the year	16	330
At 31 December	346	330
Other receivables – nominal amounts	1,131	406
Less: Allowance for impairment	(1,121)	(406)
	10	–
Movements in allowance accounts:		
At 1 January	406	–
Charge for the year	719	406
Exchange differences	(4)	–
At 31 December	1,121	406

Trade receivables that are determined to be impaired at the balance sheet date relate to receivables that are outstanding more than 1 year. These receivables are not secured by any collateral or credit enhancement.

Amounts due from associates that are determined to be impaired at the balance sheet date relate to associates that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

Amounts due from doctors/former doctors, amounts due from a former owner of a business unit, reimbursement of expenses from an investee company and other related parties that are determined to be impaired at the balance sheet date relate to receivables that have recoverability issue. These receivables are not secured by any collateral or credit enhancement.

6. Other assets

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Other assets (current):				
Prepayments	587	520	55	156
Sign-on bonuses	1,278	1,235	–	–
Deferred lease expenses	713	581	456	330
	2,578	2,336	511	486
Other assets (non-current):				
Prepayments	66	82	–	6
Sign-on bonuses	5,061	5,631	–	–
	5,127	5,713	–	6

7. Inventories

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Balance sheet:				
Medical supplies at cost	2,743	2,779	13	13
Income statement:				
Inventories recognised as an expense	17,010	16,588		

8. Investments in subsidiaries

	Company	
	2009	2008
	$'000	$'000
Unquoted equity shares at cost	25,492	24,960
Less: Allowance for impairment	(9,717)	(8,367)
Costs incurred in relation to acquisition of subsidiaries	335	335
Quasi-equity loans	11,278	11,823
Less: Allowance for impairment	(406)	(406)
Total cost	26,982	28,345
Movements in above allowance:		
At 1 January	8,773	1,692
Impairment loss charged to income statement	1,350	7,081
At 31 December	10,123	8,773

The quasi-equity loans are interest-free loans to subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future. They are, in substance, part of the Company's net investment in the subsidiaries.

During the financial year, the Company recognised an impairment loss of $1,350,000 (2008: $7,081,000) as the carrying value was higher than the recoverable amount. The impairment loss provided reflects the write-down in the carrying value to recoverable amount.

Details of the subsidiaries in the Group are as follows:

Name of subsidiaries, country of incorporation and principal activities	Percentage of equity held by the Group	
	2009	2008
	%	%
Specialist Surgery and Laser Centre Pte Ltd [a] Singapore Provision of day surgical facilities	100	100
Pacific Cancer Centre Pte Ltd (formerly known as Adam Road Hospital Pte Ltd) [a] Singapore Provision of psychiatric services and management of hospital	100	100
Atria Pan Dental Group Pte Ltd [a] Singapore Practice of dental surgery and operation of dental clinics	100	100

8. Investments in subsidiaries (cont'd)

Name of subsidiaries, country of incorporation and principal activities	Percentage of equity held by the Group	
	2009	2008
	%	%
Pacific Children's Clinic Pte Ltd [(b)] (liquidated in 2009) Singapore Provision of specialised medical and paediatric services	–	100
Pacific Healthcare Specialist Services Pte Ltd [(a)] Singapore Provision of specialised healthcare including ophthalmology, oncology and urology services	100	100
Pacific Healthcare Asia Pte Ltd [(b)] Singapore Investment holding	100	100
Stockhart Pte Ltd (formerly known as The Cosmetic Surgery Clinic Pte Ltd) [(b)] (liquidated in 2009) Singapore Provision of cosmetic surgical services	–	100
MD Specialist Healthcare Pte Ltd [(a)] Singapore Provision of specialised medical services including day surgical centres and dental services	100	100
Aesthetic and Reconstructive Centre Pte Ltd [(b)] Singapore Provision of cosmetic surgical services	80	80
Pacific Healthcare Limited [(c)] Hong Kong Investment holding and provision of management services	100	100
Pacific Dental Implant Centre Pte Ltd [(a)] Singapore Practice of dental surgery	100	100

8. Investments in subsidiaries (cont'd)

Name of subsidiaries, country of incorporation and principal activities	Percentage of equity held by the Group	
	2009	2008
	%	%
MHC Holdings Pte Ltd [b] (liquidated in 2009) Singapore Investment holding	–	100
Pacific Specialist Services Pte Ltd (formerly known as Pacific Healthcare Women's Centre Pte Ltd) [a] Singapore Provision of specialist services including ENT and obstetric and gynaecology services	100	100
Pacific Healthcare (India) Pte Ltd [b] Singapore Investment holding	70	70
Pacific Heart, Stroke and Cancer Centre Pte Ltd [a] Singapore Investment holding	100	100
PacHealth Medical Services Pte Ltd [g] India Provision of cosmetic surgery & dentistry services	92.5	92.5
Rejuvemed Pte Ltd [b] Singapore Inactive	100	100
Customized Health Solutions Pte Ltd [e] Singapore Compounding of pharmaceutical & biological products	100	100
Held by Pacific Dental Implant Centre Pte Ltd		
Centre For Oral Surgery And Implants Pte Ltd [b] [h] Singapore Practice of dental surgery and operation of dental clinics	100	100

8. Investments in subsidiaries (cont'd)

Name of subsidiaries, country of incorporation and principal activities	Percentage of equity held by the Group	
	2009	2008
	%	%
Held by Atria Pan Dental Group Pte Ltd		
Kindred Pte Ltd (formerly known as Atria Medical Associates Pte Ltd) [(b)] [(h)]	100	100
Singapore		
Practice of general medical practitioners		
Pacific Healthcare (Indonesia) Pte Ltd (formerly known as Implanet Pte Ltd) [(b)]	100	100
Singapore		
Provision of dental training		
Cross Marketing Services Pte Ltd (formerly known as Mainstream Medi Pte Ltd) [(b)]	100	100
Singapore		
Trading of implants		
Image Ceramic Dental Laboratory Pte Ltd [(b)]	100	100
Singapore		
Manufacturing and sale of dental products		
Held by Kindred Pte Ltd (formerly known as Atria Medical Associates Pte Ltd)		
Grandfleur Pte Ltd (formerly known as The Clinic @ Cuppage Pte Ltd) [(b)] [(i)] [(h)]	100	100
Singapore		
Practice of general medical practitioners		
Grandsage Pte Ltd (formerly known as Peninsula Plaza Clinic & Surgery Pte Ltd) [(b)] [(h)]	100	100
Singapore		
Practice of general medical practitioners		
Held by Pacific Healthcare Asia Pte Ltd		
Asia Lifeline Medical Services Pte Ltd [(b)]	51	51
Singapore		
Provision of medical assistance services		

8. Investments in subsidiaries (cont'd)

Name of subsidiaries, country of incorporation and principal activities	Percentage of equity held by the Group	
	2009	2008
	%	%
Singapore Centre for Medical Imaging Pte Ltd [f] (disposed on 25 September 2009) Singapore Inactive	–	51
<u>Held by Pacific Healthcare Specialist Services Pte Ltd</u>		
Robertson Choo Oehlers Lee & Lye Pte Ltd [a] Singapore Practice of dental surgery and operation of dental clinics	100	100
Grandfleur Pte Ltd (formerly known as The Clinic @ Cuppage Pte Ltd) [b] [i] [h] Singapore Practice of general medical practitioners	100	100
<u>Held by Pacific Healthcare Limited</u>		
Health Concepts Limited [c] Hong Kong Provision of medical and health schemes services	80	80
Health Concepts Medical Centres Limited [c] Hong Kong Inactive	80	80
Pacific Kang Ying Healthcare Limited (formerly known as Clinics of Plastic & Maxillofacial Surgery Limited) [c] Hong Kong Investment holding	75	75
Asia Summit International Limited [j] (acquired on 24 July 2009) Hong Kong Investment holding	100	–
<u>Held by Pacific Kang Ying Healthcare Limited</u>		
Shen Zhen Marsa Pacific Chain Enterprise Limited [d] The People's Republic of China Provision of skin care services and sales of skin care products	52.5	52.5

8. Investments in subsidiaries (cont'd)

Name of subsidiaries, country of incorporation and principal activities	Percentage of equity held by the Group	
	2009	2008
	%	%
Held by Pacific Heart, Stroke and Cancer Centre Pte Ltd		
Singapore Heart, Stroke and Cancer Centre Pte Ltd [(a)]	–	51
(disposed on 31 July 2009)		
Singapore		
Provision of heart, stroke, cancer and related medical services		
Held by Singapore Heart, Stroke & Cancer Centre Pte Ltd		
Singapore Reference Centre for Medical Imaging Pte Ltd [(f)]	–	51
(disposed on 31 July 2009)		
Singapore		
Inactive		

(a) Audited by Ernst & Young LLP, Singapore.

(b) Audited by LTC LLP, Singapore.

(c) Audited by BDO Limited, Hong Kong.

(d) Audited by Shenzhen Asia Pacific Certified Public Accountants Co. Ltd, The People's Republic of China.

(e) Audited by JM Partners, Singapore.

(f) Audited by Joe Tan & Associates, Singapore.

(g) Audited by Nayak & Rane Chartered Accountants, Mumbai, India.

(h) In the process of liquidation.

(i) In 2008, the Group's equity interest of 100% is 70% and 30% held by Kindred Pte Ltd (formerly known as Atria Medical Associates Pte Ltd) and Pacific Healthcare Specialist Services Pte Ltd respectively.

(j) No auditor has been appointed as the company was newly incorporated in July 2009.

9. Investments in associates

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Unquoted equity shares at cost to the Company	–	–	253	253
Share of net assets of associates	2,266	2,414	–	–
Less: Allowance for impairment	–	–	(104)	(104)
	2,266	2,414	149	149

9. Investments in associates (cont'd)

	Company	
	2009	2008
	$'000	$'000
Movements in above allowance:		
At 1 January	104	64
Impairment loss charged to income statement	–	40
At 31 December	104	104

Details of the associates in the Group are as follows:

Name of associate, country of incorporation and principal activities	Percentage of equity held by the Group	
	2009	2008
	%	%
Held by the Company		
Haach Pacific Lifestyle & Wellness Pte Ltd [(a)] [(c)]	40	40
Singapore		
Provision of services and products related to wellness and beauty		
The Wellness Lounge Pte Ltd [(a)]	48	40
Singapore		
Provision of services and products related to wellness and beauty		
Pacific Health Therapies Pte Ltd [(a)]	40	40
Singapore		
Provision of non-medical wellness services		
Mediplex Asia Co. Ltd [(b)]	49	49
Thailand		
Provision of investment and management services relating to health and wellness business		
Thai Mediplex Co. Ltd [(b)]	49	49
Thailand		
Management and operations of health and wellness specialist centre		
Held by Pacific Healthcare Specialist Services Pte Ltd		
Ikids Paediatric Practice Pte Ltd [(a)]	50	50
Singapore		
Provision of specialised medical and paediatric services		

9. Investments in associates (cont'd)

Name of associate, country of incorporation and principal activities	Percentage of equity held by the Group	
	2009	2008
	%	%
Held by Pacific Children's Clinic Pte Ltd		
Pacific Well Medical Clinic Pte Ltd [a] (liquidated in 2009) Singapore Provision of corporate support services	–	30
Held by Pacific Healthcare Asia Pte Ltd		
Synergy Healthcare Investments Pte Ltd [a] Singapore Investment holding	40	40
Held by Pacific Healthcare India Pte Ltd		
Birla-Pacific MedSpa Private Limited [d] (acquired on 5 January 2009) Singapore Management and operations of medical spas	46	–

(a) Audited by LTC LLP, Singapore.

(b) Audited by CHAYOT Co. Ltd, Bangkok, Thailand.

(c) In the process of liquidation.

(d) Audited by Kanu Doshi Associates, Mumbai, India.

The Group has not recognised losses relating to some associates where its share of losses exceeds the Group's interest in these associates. The Group's cumulative share of unrecognised losses at the balance sheet date was $979,000 (2008: $728,000), of which $248,000 (2008: $300,000) was the share of the current year's losses. The Group has no obligation in respect of these losses.

9. Investments in associates (cont'd)

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by Group, is as follows:

	Group	
	2009	2008
	$'000	$'000
Assets and liabilities:		
Total assets	10,676	8,940
Total liabilities	(3,656)	(3,183)
Results:		
Revenue	2,450	2,021
(Loss)/profit for the year	(2,127)	73

10. Other investments

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Available-for-sale financial assets:				
Unquoted equity shares at cost	2,692	2,692	2,635	2,635
Less: Allowance for impairment	(1,318)	(353)	(965)	–
	1,374	2,339	1,670	2,635

	Group	
	2009	2008
	$'000	$'000
Movements in above allowance:		
At 1 January	353	–
Impairment loss charged to income statement included in other expenses	965	353
At 31 December	1,318	353

10. Other investments (cont'd)

Unquoted equity shares investments include the following entities:

Name of company, country of incorporation and principal activities	Group Cost of investment		Company Cost of investment	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Pacific Healthcare Nursing Home Pte Ltd [a]	120	120	360	360
Singapore				
Provision of nursing home services				
Prestige Healthcare Investments Private Limited [b]	353	353	–	–
Singapore				
Investment holding				
Cure Heart Ltd. [c]	1,930	1,930	1,930	1,930
Mauritius				
Investment holding				
Pacific Eldercare and Nursing Pte Ltd [d]	289	289	345	345
Singapore				
Provision of nursing home services				
	2,692	2,692	2,635	2,635

[a] The Company disposed 25% of its interest in this entity to third parties in 2005. Consequently, this former associate has been accounted as other investment from date of disposal.

[b] In 2008, the Group recognised an impairment loss of $353,000. The impairment loss provided reflects the fair value of an investment which is less than its cost.

[c] During the financial year, the Group recognised an impairment loss of $965,000. The impairment loss provided reflects the fair value of an investment which is less than its cost.

[d] The Company disposed 25% of its interest in this entity to third parties in 2008. Consequently, this former associate has been accounted as other investment from date of disposal.

11. Property, plant and equipment

Group	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Cost:			
At 1 January 2008	12,913	19,802	32,715
Exchange differences	99	19	118
Additions (Note 4)	4,470	5,203	9,673
Acquisition of subsidiaries (Note 30)	24	101	125
Disposal of subsidiaries (Note 30)	–	(790)	(790)
Disposals	(917)	(862)	(1,779)
At 31 December 2008 and 1 January 2009	16,589	23,473	40,062
Exchange differences	(198)	(209)	(407)
Additions (Note 4)	2,417	5,399	7,816
Disposal of subsidiaries (Note 30)	(1,078)	(6,072)	(7,150)
Disposals	(1,085)	(1,294)	(2,379)
At 31 December 2009	16,645	21,297	37,942
Accumulated depreciation and impairment loss:			
At 1 January 2008	4,464	7,613	12,077
Exchange differences	22	49	71
Depreciation charge for the year	1,584	3,220	4,804
Disposal of subsidiaries (Note 30)	–	(161)	(161)
Disposals	(419)	(669)	(1,088)
Impairment loss	–	17	17
At 31 December 2008 and 1 January 2009	5,651	10,069	15,720
Exchange differences	(28)	(73)	(101)
Depreciation charge for the year	1,709	2,834	4,543
Disposal of subsidiaries (Note 30)	(531)	(3,525)	(4,056)
Disposals	(417)	(904)	(1,321)
At 31 December 2009	6,384	8,401	14,785
Net carrying amount:			
At 31 December 2008	10,938	13,404	24,342
At 31 December 2009	10,261	12,896	23,157

11. Property, plant and equipment (cont'd)

Company	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Cost:			
At 1 January 2008	3,889	1,160	5,049
Additions	260	191	451
At 31 December 2008 and 1 January 2009	4,149	1,351	5,500
Additions	1,021	595	1,616
At 31 December 2009	5,170	1,946	7,116
Accumulated depreciation:			
At 1 January 2008	421	586	1,007
Depreciation charge for the year	413	119	532
At 31 December 2008 and 1 January 2009	834	705	1,539
Depreciation charge for the year	487	130	617
At 31 December 2009	1,321	835	2,156
Net carrying amount:			
At 31 December 2008	3,315	646	3,961
At 31 December 2009	3,849	1,111	4,960

Assets held under finance leases and borrowings

During the financial year, the Group and Company acquired leasehold improvements, plant and equipment with an aggregate cost of $2,955,000 (2008: $2,067,000) and $1,616,000 (2008: $451,000) respectively by means of finance leases and borrowings. The cash outflow on acquisition of leasehold improvements, plant and equipment of the Group and Company amounted to $4,861,000 (2008: $4,455,000) and $Nil (2008: $Nil) respectively.

The carrying amount of property, plant and equipment of the Group and Company held under finance leases and borrowings was as follows:

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Leasehold improvements	2,380	1,589	1,930	1,147
Plant and equipment	2,438	3,173	745	322
At 31 December	4,818	4,762	2,675	1,469

Leased assets are pledged as security for the related finance lease liabilities.

11. Property, plant and equipment (cont'd)

Assets pledged as security

In addition to assets held under finance leases, the Group's property, plant and equipment with a carrying amount of $1,034,000 (2008: $50,000) are mortgaged to secure the Group's bank loans (Note 17).

Assets under construction

The Group's property, plant and equipment included $Nil (2008: $481,000) which relate to renovation for premises in the course of construction.

Impairment of assets

In 2008, a subsidiary of the Group within the Medical segment, Singapore Heart, Stroke and Cancer Centre Pte Ltd carried out a review of the recoverable amount of its medical equipment because it has been idled for a year. An impairment loss of $17,000, representing the write-down of this equipment to the recoverable amount was recognised in 'Other expenses' (Note 28) line item of the income statement for the financial year ended 31 December 2008.

12. Goodwill

	Group
	$'000
Cost:	
At 1 January 2008	23,358
Acquisition of subsidiaries (Note 30)	1,126
Acquisition of additional interest in subsidiaries	270
Contingent purchase adjustment [(a)]	(111)
Exchange differences	25
At 31 December 2008 and 1 January 2009	24,668
Disposal of subsidiaries (Note 30)	(22)
Contingent purchase adjustment [(b)]	(90)
Exchange differences	(110)
At 31 December 2009	24,446

12. Goodwill (cont'd)

	Group
	$'000
Accumulated amortisation and impairment:	
At 1 January 2008	2,429
Impairment loss	6,822
Exchange differences	6
At 31 December 2008 and 1 January 2009	9,257
Impairment loss	761
Exchange differences	(53)
At 31 December 2009	9,965
Net carrying amount:	
At 31 December 2008	15,411
At 31 December 2009	14,481

(a) The purchase consideration for the acquisition of a subsidiary in the previous financial year had been repaid by a doctor for an early termination of consultancy agreement.

(b) The purchase consideration for the acquisition of a business unit in the previous financial year had been adjusted due to the effect of the omission of net assets acquired from the vendor.

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to business segments.

In 2008, the Group undertook an internal reorganisation to streamline its group structure, reduce reporting and compliance costs so as to better focus the common interests of its businesses. Post restructuring, the businesses are monitored under the Dentistry and Medical business segments.

Under the Dentistry business segment, the Group operates a network of dental clinics providing a wide range of services including general dental treatment, endodontics, orthodontics, periodontics, prosthodontics, paedodontics, oral surgery, dental implants and aesthetic dentistry.

Under the Medical business segment, the Group primarily operates specialist clinics offering services ranging from age management, assisted reproduction, cardiology, cosmetic surgery, dermatology, ENT surgery, general and vascular surgery, neurology, obstetrics and gynaecology, oncology, ophthalmology, paediatrics, psychiatry and urology. Complementing the specialist healthcare unit of our Medical division is our general practice medical clinics which emphasizes health screening, health maintenance and disease prevention. The Group also operates day surgery centres for performing a range of surgical procedures that do not require overnight care. In addition, the Group has a diagnostic facility that offers an extensive range of high-end specialised medical diagnostic and imaging services.

12. Goodwill (cont'd)

A segment-level summary of the goodwill allocation is analysed as follows:

	Group	
	2009	**2008**
	$'000	$'000
Medical segment	10,134	10,224
Dentistry segment	4,347	5,187
	14,481	15,411

The goodwill was tested for impairment in the fourth quarter of the financial year. An impairment loss is the amount by which the carrying amount of a CGU exceeds its recoverable amount. The recoverable amount of CGU is the higher of its fair value less costs to sell ("FVLCTS") or its value in use ("VIU"). The FVLCTS and VIU of the CGUs have been determined by Regents Public Accounting Corporation, an independent advisory firm, based on information provided by management.

Cash flow projections used in VIU calculations were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rates for the business segments in which the CGU operate.

The key assumptions used for VIU calculations for the business segments are as follows:

		Medical	Dentistry
2008:			
Growth rates	:	-2% to 5% for FY2008 to FY2013; 3% in perpetuity	5% to 10% for FY2008 to FY2013; 3% in perpetuity
Pre-tax discount rates	:	14.2%	14.7%
2009:			
Growth rates	:	5% to 25% for FY2009 to FY2014; 3% in perpetuity	-3% to 15% for FY2009 to FY2014; 3% in perpetuity
Pre-tax discount rates	:	13.0%	13.3%

The calculations of VIU for the CGUs are most sensitive to the following assumptions:

Budgeted gross margins – Gross margins are based on past performance and its expectations of market development.

Growth rates – The growth rates are based on industry growth forecasts and not exceeding the average long-term growth rate for the relevant markets.

Pre-tax discount rates – Discount rates reflect current market assessments at the risks specific to the CGUs.

12. Goodwill (cont'd)

Using the FVLCTS approach, enterprise value is determined based on its maintainable earnings and an appropriate capitalisation multiple of earnings. A commonly used earnings multiple is the EV-EBITDA multiple. The EV-EBITDA multiple measures the business value against its cash flow. In order to apply the multiples to the valuation, a net downward adjustment to the multiples to take into account marketability discount, control premium and small capitalisation discount.

The key assumptions used for the FVLCTS calculations are as follows:

Marketability discount	:	30% of the business value before transaction cost
Control premium	:	10% to the business value
Small capitalisation discount	:	30% to the multiple
Cost to sell	:	5% of the business value

The above assumptions used are in-line with prevailing market condition and consistent with forecast included in industry report.

Impairment loss recognised

During the financial year, an impairment loss was recognised to write-down the carrying amount of goodwill relating to the Dentistry segment. The impairment loss of $761,000 (2008: $6,822,000) was charged to the income statement under the line item 'Other expenses' (Note 28).

13. Intangible assets

Group	Brand $'000	Customer relationship $'000	Total $'000
Cost:			
At 1 January 2008	5,879	701	6,580
Acquisition of subsidiaries (Note 30)	–	51	51
At 31 December 2008, 1 January 2009 and 31 December 2009	5,879	752	6,631
Accumulated amortisation and impairment:			
At 1 January 2008	47	257	304
Amortisation	15	125	140
Impairment loss	5,648	170	5,818
At 31 December 2008 and 1 January 2009	5,710	552	6,262
Amortisation	14	43	57
At 31 December 2009	5,724	595	6,319
Net carrying amount:			
At 31 December 2008	169	200	369
At 31 December 2009	155	157	312

13. Intangible assets (cont'd)

Brands

Brands relate to the subsidiaries' brand names for their specialised imaging services and dental services that were acquired in business combinations. Brands with finite useful lives, with net carrying amount of $155,000 (2008: $169,000) have an average remaining amortisation period of 11 years (2008: 12 years).

Customer relationship

Customer relationship relates to the clientele base that was acquired in business combinations. The net carrying amounts of $42,000 (2008: $51,000) and $115,000 (2008: $149,000) have an average remaining amortisation period of 8 years (2008: 9 years) and 3 years (2008: 4 years) respectively.

Amortisation expense

The amortisation of brands and customer relationship is included in the income statement under the line item 'Depreciation and amortisation'.

The intangible assets with finite useful lives are amortised.

Impairment loss recognised

In 2008, an impairment loss was recognised to write-down the carrying amount of intangible assets relating to the Singapore Medical segment, which was due to a departure of personnel and key doctors. The impairment loss of $5,818,000 was charged to the income statement under the line item 'Other expenses' (Note 28).

14. Trade and other payables

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
<u>Trade and other payables (current):</u>				
<u>Trade payables:</u>				
Outside parties	9,275	4,066	639	274
<u>Other payables:</u>				
Subsidiaries	–	–	6,437	6,406
Directors	736	195	–	–
For purchase of investments				
- to be settled by cash	2,151	2,297	2,151	2,212
Amounts payable to doctors	2,615	2,891	–	–
Deposits received	643	576	435	247
Amount due to minority shareholder of a subsidiary	310	–	–	–
Others	876	1,127	101	148
	16,606	11,152	9,763	9,287
<u>Other payables (non-current):</u>				
Payables for purchase of investments	–	28	–	28
Total trade and other payables (current and non-current)	16,606	11,180	9,763	9,315
Add:				
- Accrued liabilities (Note 15)	1,465	1,520	259	249
- Loans and borrowings (Note 17)	14,021	15,744	9,542	14,075
- Finance leases (Note 18)	3,020	2,179	1,708	879
Total financial liabilities carried at amortised cost	35,112	30,623	21,272	24,518

The average credit period taken by the Group to settle non-related trade payables range from 90 to 120 days (2008: 90 to 120 days). The other payables are with short-term durations unless otherwise indicated. The carrying amounts are assumed to be a reasonable approximation of fair values. These amounts are non-interest bearing.

Amounts payable to doctors are without fixed repayment terms and interest, except for professional fee due to doctors which are payable based on consultancy agreements.

14. Trade and other payables (cont'd)

The payables for purchase of investments represent consideration for certain subsidiaries and associates acquired. The Group entered into sale and purchase agreements with certain vendors to acquire certain subsidiaries. The consideration for the acquisitions was or is to be satisfied by cash.

Amount due to minority shareholder of a subsidiary relates to payment on behalf for expense and purchase of assets.

15. Other liabilities

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Accrued liabilities	1,465	1,520	259	249
Deferred lease income	86	65	86	65
	1,551	1,585	345	314

16. Derivatives

	Group			
	2009		2008	
	$'000		$'000	
	Contract/ Notional Amount	Liabilities	Contract/ Notional Amount	Liabilities
Interest rate swap, representing total held for trading liabilities	20,000	267	–	–

The interest rate swap is used to hedge cash flow interest rate risk arising from a floating rate SGD bank loan amounting to $5,000,000 (Notes 17 and 38(c)). This interest rate swap receives floating interest equal to SIBOR + 2.50% p.a. (2008: Nil), pays a floating interest equal to SIBOR + 2.00% p.a. (2008: Nil) from 1 April 2009 to 31 March 2010 and 6.60% - (1.5*SIBOR)% p.a. (2008: Nil), subject to a minimum of zero, from 1 April 2010 to 31 March 2012. It has the maturity term of 6 months.

17. Borrowings

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Bank loans	14,021	15,397	9,542	13,728
Bank overdraft	–	347	–	347
	14,021	15,744	9,542	14,075
The borrowings are repayable as follows:-				
Not later than one year	9,679	11,268	8,429	10,133
Later than one year but not later than five years	4,342	4,476	1,113	3,942
	14,021	15,744	9,542	14,075

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Bank loans comprise:				
Loan 1	–	282	–	–
Loan 2	–	770	–	770
Loan 3	2,275	3,438	2,275	3,438
Loan 4	600	1,520	600	1,520
Loan 5	–	120	–	–
Loan 6	–	1,247	–	–
Loan 7	–	20	–	–
Loan 8	1,667	5,000	1,667	5,000
Loan 9	5,000	3,000	5,000	3,000
Loan 10	4,479	–	–	–
	14,021	15,397	9,542	13,728

Loan 1: The SGD bank loan was covered by joint and several guarantees from certain directors of the Company as well as a corporate guarantee by the Company. The loan was repayable by equal monthly instalments over 5 years from August 2004, with an effective interest rate fixed at 5% per annum. The loan has been fully repaid during the year.

Loan 2: The SGD bank loan was unsecured and repayable over 36 monthly instalments from July 2006. The effective interest rate was 5.50% (2008: 5.50%) per annum. Interest was repriced based on a fixed percentage above prime rate. The loan has been fully repaid during the year.

17. Borrowings (cont'd)

Loan 3: The SGD bank loan is covered by a negative pledge over the Company's assets and joint and several guarantees from certain directors of the Company. The loan is repayable over 48 monthly instalments from September 2006 until the loan is reduced to a revolving term loan limit of $1,500,000. The effective interest rate is 6.50% (2008: 6.50%) per annum. Interest is repriced based on a fixed percentage above prime rate.

Loan 4: The SGD bank loan is covered by a negative pledge over the Company's assets and repayable over 5 equal semi-annual instalments from December 2007. On 17 June 2009, there is a loan rescheduling for the outstanding amount of $1,520,000. The loan is repayable over 12 equal monthly instalments, subsequent to the first instalment payment of $320,000. This loan is secured by a fixed charge over the plant and equipment of a subsidiary. The effective interest rate is 6 months Cost of Funds rate plus 3% (2008: 6 months SIBOR plus 2.25%) per annum. Interest is repriced at the interval of 6 months.

Loan 5: The SGD bank loan is guaranteed by the Company up to 51% and a director of a subsidiary up to 49%. The loan is repayable over 36 monthly instalments from September 2006. The effective interest rate is 7.50% (2008: 7.50%) per annum. Interest is repriced based on a fixed percentage above prime rate. This loan has been derecognised during the year upon the disposal of a subsidiary.

Loan 6: The USD bank loan is guaranteed by the Company up to 51% and a director of a subsidiary up to 49%. The loan is repayable over 48 monthly instalments from September 2006. The effective interest rates ranged from 4.45% to 7.38% (2008: 4.90% to 7.65%) per annum. Interest is repriced based on a fixed percentage above cost of funds. This loan has been derecognised during the year upon the disposal of a subsidiary.

Loan 7: The HKD bank loan was secured by a charge over the plant and equipment of a subsidiary and was repayable over 24 monthly instalments from September 2006. The effective interest rate was 4.75% (2008: 4.75%) per annum. Interest was repriced based on a fixed percentage above prime rate. The loan has been fully repaid during the year.

Loan 8: The SGD bank loan is covered by a negative pledge over the Company's assets and repayable over 6 equal semi-annual instalments from August 2007. The effective interest rates ranged from 2.58% to 2.89% (2008: 2.78% to 3.66%) per annum. Interest is repriced based on the aggregate of margin and swap rate.

Loan 9: The SGD bank loan is covered by a negative pledge over the Company's assets and repayable immediately upon the banker's request. The effective interest rates ranged from 4.06% to 6.11% (2008: 4.06% to 4.30%) per annum. Interest is repriced based on a fixed percentage above cost of funds.

Loan 10: The SGD bank loan is secured by a charge over a subsidiary's assets and covered by a corporate guarantee by the Company. The loan is repayable over 48 monthly instalments from August 2009. The effective interest rate is fixed at 5% per annum.

Bank overdraft is denominated in SGD, bears interest at 5.50% p.a. and is unsecured. Interest is repriced based on a fixed percentage above prime rate.

The carrying amounts of borrowings approximate their respective fair values.

17. Borrowings (cont'd)

During the current financial year, the Group has breached certain financial covenants for two of its bank loans. The Group did not fulfil the requirement to maintain the consolidated tangible net worth of not less than $30,000,000 for a credit line of $12,000,000, and the consolidated tangible net worth of not less than $25,000,000 and interest coverage ratio of not less than 3 times for a credit line of $3,800,000. The credit lines are fully drawn down and presented as current liability at the balance sheet date. The bank is contractually entitled to request for immediate repayment of the outstanding loan amount in the event of breach of covenant.

On 20 January 2010, one bank has granted a waiver of the above breach on the basis that the Group is to place a minimum fixed deposit of $800,000 as security for the repayment of bank loan on 12 February 2010. The other bank had not requested for immediate repayment of the outstanding loan amount as at the date when these financial statements are authorised for issue. Management commenced renegotiation of the loan agreement terms in December 2009. As at the date of the financial statements are authorised for issue, the renegotiation is still in progress.

18. Finance leases

	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	2009	**2009**	**2008**	**2008**
Group	$'000	$'000	$'000	$'000
Not later than one year	1,655	1,527	1,312	1,228
Later than one year but not later than five years	1,560	1,493	988	951
Total minimum lease payments	3,215	3,020	2,300	2,179
Less: Amounts representing finance charges	(195)	–	(121)	–
Present value of minimum lease payments	3,020	3,020	2,179	2,179

18. Finance leases (cont'd)

Company	Minimum lease payments 2009 $'000	Present value of payments 2009 $'000	Minimum lease payments 2008 $'000	Present value of payments 2008 $'000
Not later than one year	1,012	939	511	475
Later than one year but not later than five years	799	769	416	404
Total minimum lease payments	1,811	1,708	927	879
Less: Amounts representing finance charges	(103)	–	(48)	–
Present value of minimum lease payments	1,708	1,708	879	879

It is the Group's policy to lease certain of its plant and equipment and to finance certain of its leasehold improvements under finance leases. The average lease term is 2 to 4 years (2008: 3 to 5 years). The effective borrowing rates range from 2.6% to 3.7% (2008: 2.6% to 6.25%) per annum. Interest rates are fixed at the contract date. There is an exposure to fair value interest risk because the interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in Singapore dollars. The obligations under finance leases are secured by the lessor's charge over the leased assets of the Group.

The above leases are guaranteed by the Company and/or certain directors of the Company.

The carrying amounts of the lease liabilities approximate their respective fair values.

19. Provisions

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Provision for restoration cost:				
At 1 January	955	932	296	355
Arose during the financial year	83	92	65	10
Unused amounts reversed	(56)	(69)	(15)	(69)
At 31 December	982	955	346	296

A provision for restoration cost is recognised when the Group entered into a lease agreement for premises. It includes the estimated cost of demolishing and removing all the leasehold improvements made by the Group to the premises. The premises shall be reinstated to the condition set up in lease agreements.

20. Share capital

	Group and Company			
	2009		2008	
	No. of shares	Issued share capital	No. of shares	Issued share capital
	'000	$'000	'000	$'000
Ordinary shares:				
At 1 January	280,803	39,252	280,803	39,252
Exercise of warrants	15	6	–	–
At 31 December	280,818	39,258	280,803	39,252

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

On 30 November 2007, 56,160,599 bonus warrants were listed and quoted on the Official List of the Singapore Exchange Securities Trading Limited. Each warrant carries the right to subscribe for one new share at an exercise price of S$0.39. These warrants are exercisable between 1 June 2008 to 26 November 2010. When fully exercised, an additional capital of S$21,902,634 will be raised. As at 31 December 2009, 15,000 warrants were exercised. The number of bonus warrants outstanding is 56,145,599.

21. Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

22. Revenue

	Group	
	2009	2008
	$'000	$'000
Rendering of services	74,800	79,491
Management fee income	480	469
Rental income	1,118	1,265
	76,398	81,225

23. Interest income

	Group	
	2009	2008
	$'000	$'000
Interest income from loans and receivables	113	261

24. Other income

	Group	
	2009	2008
	$'000	$'000
Other income	706	646
Grant income from jobs credit scheme [a]	658	–
Gain on disposal of subsidiaries/business units	459	577
Gain on disposal of associates	3	9
Gain on disposal of asset classified as held for sale	–	3,246
Compensation for breach of contract	–	73
Excess of fair value of net assets acquired over cost	–	76
Foreign exchange transaction gains	–	85
	1,826	4,712

[a] During the financial year ended 31 December 2009, the Singapore Finance Minister announced the introduction of a Jobs Credit Scheme (Scheme). Under this Scheme, the Group received a 12% cash grant on the first $2,500 of each month's wages for each employee on their Central Provident Fund payroll. The Scheme is for one year, and the Group received its grant income of $658,000 (2008: $Nil) in four receipts in March, June, September and December 2009.

25. Financial expense

	Group	
	2009	2008
	$'000	$'000
Interest expense:		
- Bank loans	828	884
- Obligations under finance leases	130	193
Total financial expense	958	1,077

26. Employee benefits expense

	Group	
	2009	2008
	$'000	$'000
Salaries and bonuses	42,713	41,463
Central Provident Fund Contribution	1,269	1,354
Other short-term benefits	211	120
	44,193	42,937

27. Depreciation and amortisation

	Group	
	2009	2008
	$'000	$'000
Depreciation of property, plant and equipment	4,543	4,804
Amortisation of intangible assets	57	140
	4,600	4,944

28. Other expenses

The following items have been included in arriving at other expenses:

	Group	
	2009	2008
	$'000	$'000
Foreign exchange transaction losses	225	–
Provision for impairment of doubtful receivables, net of amount recovered from director/doctor		
- Trade receivables	98	375
- Amounts due from associates	340	1,300
- Other receivables	852	1,563
Bad trade receivables written off	212	42
Bad trade receivables recovered	(8)	(55)
Fair value adjustment on financial liabilities carried at amortised cost	(5)	5
Net fair value loss on derivatives	267	–
Impairment loss on goodwill	761	6,822
Impairment loss on intangible assets	–	5,818
Impairment loss on other investments	965	353
Impairment loss on plant and equipment	–	17
Loss on disposal of plant and equipment	662	639
Non-audit fees paid to independent auditors of subsidiaries	27	34
Advertising and marketing expenses	1,490	1,867
Credit cards commission	961	873
Professional fees	973	805

29. Income tax expense and deferred tax

The major components of income tax expense for the years ended 31 December 2009 and 2008 are:

	Group	
	2009	2008
	$'000	$'000
Income statement:		
Current income tax		
- Current income taxation	106	602
- (Over)/under provision in respect of previous years	(34)	173
	72	775
Deferred income tax		
- Origination and reversal of temporary differences	(291)	(727)
- Effect of reduction in tax rate	(27)	–
Income tax (credit)/expense recognised in profit or loss	(246)	48

Relationship between tax expense and accounting loss

The reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2009 and 2008 are as follows:

	Group	
	2009	2008
	$'000	$'000
Loss before tax	(11,186)	(13,797)
Income tax expense at the statutory rate	(1,902)	(2,483)
Effect of different tax rates in other countries	7	75
Non-deductible expenses	1,613	2,287
Tax on contribution from minority shareholder of a subsidiary	–	571
Share of results of associates	178	87
Effect of reduction in tax rate [a]	(27)	–
Effect of tax exemptions	(63)	(126)
(Over)/under provision in respect of previous years	(34)	173
Income not subject to tax	(635)	(654)
Tax incentive [b]	–	(112)
Benefits from previously unrecognised deferred tax assets	(7)	(8)
Deferred tax assets not recognised	565	227
Other items	59	11
	(246)	48

29. Income tax expense and deferred tax (cont'd)

(a) The corporate income tax rate applicable to Singapore companies of the Group was reduced to 17% for the year of assessment 2010 onwards from 18% for year of assessment 2009. The corporate income tax rate applicable to Hong Kong companies of the Group was reduced to 16.5% for the year of assessment 2009 onwards from 17.5% for year of assessment 2008.

(b) A subsidiary company of the Group enjoys a preferential tax rate of 10% for a period of 6 years starting 1 January 2005 as a development and expansion company approved by the Minister of Trade and Industry in respect to its qualifying activity of Integrated Multi Disciplinary Specialist Medical Centre. This subsidiary company has been disposed off during the year.

Deferred income tax as at 31 December relates to the following:

	Group				Company	
	Consolidated balance sheet		Consolidated income statement		Balance sheet	
	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax liabilities:						
Intangible assets	(96)	(107)	(11)	(1,148)	–	–
Excess of net book value over tax base of plant and equipment	(632)	(1,067)	(307)	421	–	–
Exchange difference	(2)	(27)	–	–	–	–
Total deferred tax liabilities	(730)	(1,201)			–	–
Deferred tax credit			(318)	(727)		

Presented in the balance sheet as follows:

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Deferred tax liabilities	730	1,201	–	–

Unrecognised tax losses and unabsorbed capital allowances

At the balance sheet date, the Group has tax losses and unabsorbed capital allowances of approximately $3,588,000 (2008: $1,523,000) and $53,000 (2008: $24,000) that are available for offset against future taxable profits of the companies in which the losses and capital allowances arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses and capital allowances is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Unrecognised temporary differences relating to investments in subsidiaries

At the balance sheet date, no deferred tax liability (2008: $Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

29. Income tax expense and deferred tax (cont'd)

Tax consequences of proposed dividends

There are no income tax consequences (2008: $Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 31).

30. Acquisition and disposal of subsidiaries/business units

Acquisition of subsidiaries/business unit

On 5 February 2008, the Company acquired a 100% equity interest in Rejuvemed Pte Ltd ("Rejuvemed") for a nominal consideration of $1.

On 17 April 2008, the Company acquired a 100% equity interest in Customized Health Solutions Pte Ltd ("CHS") for a consideration of $150,000.

On 1 July 2008, the Group acquired a dental business in Hong Kong Osseointegration Implant Centre Limited ("HKOIC") through its 100% owned subsidiary, Pacific Healthcare Limited for a consideration of $1,017,000.

The fair value of the identifiable assets and liabilities as at the date of acquisition were:

	Group	
	2009	2008
	$'000	$'000
Cash and cash equivalents	–	83
Trade and other receivables	–	44
Inventories	–	41
Plant and equipment	–	125
Goodwill	–	1,126
Intangible assets	–	51
Excess of net assets acquired over cost	–	(76)
Trade and other payables	–	(227)
Net assets acquired	–	1,167
Consideration	–	1,167
Less: Set off of amount due from former associate	–	(449)
Less: Net cash acquired	–	(83)
Net cash outflow on acquisition of subsidiaries/business units	–	635

The carrying value of the assets and liabilities acquired approximates the fair value.

30. Acquisition and disposal of subsidiaries/business units (cont'd)

The contributions from the subsidiaries and business unit for the period between the date of acquisition and the balance sheet date were as follows:

	Group	
	2009	2008
	$'000	$'000
Revenue	–	427
Loss for the year	–	(78)

The revenue and net loss of the Group during the year as though the acquisition date effected during the year had been the beginning of that year would be as follows:

	Group	
	2009	2008
	$'000	$'000
Revenue	–	81,513
Loss for the year	–	(13,859)

Disposal of subsidiaries/business unit

On 14 November 2008, the Group entered into a business transfer agreement to dispose certain assets in its 92.5% owned subsidiary, PacHealth Medical Services Private Limited ("PMSPL") for a consideration of $1,247,000.

On 28 November 2008, the Group disposed of its 100% equity stake in Pacific Children's Clinic Pte Ltd ("PCC") through voluntarily winding up. As at 31 December 2009, the liquidation process has been completed.

On 28 November 2008, the Group disposed of its 100% equity stake in MHC Holdings Pte Ltd ("MHC") through voluntarily winding up. As at 31 December 2009, the liquidation process has been completed.

On 23 January 2009, the Group disposed of its 100% equity stake in Stockhart Pte Ltd ("SHPL") through voluntarily winding up. As at 31 December 2009, the liquidation process has been completed.

On 29 July 2009, the Group entered into a settlement agreement to dispose its 51% equity stake in Singapore Heart, Stroke and Cancer Centre Pte Ltd ("SHSCC") held through its 100% owned subsidiary, Pacific Heart, Stroke and Cancer Centre Pte Ltd for a consideration of $1,320,000. This amount is payable by 9 instalments upto 31 March 2010.

On 25 September 2009, the Group disposed of its 51% equity stake in Singapore Centre for Medical Imaging Pte Ltd ("SCMI") held through its 100% owned subsidiary, Pacific Healthcare Asia Pte Ltd for a nominal cash consideration of $1.

30. Acquisitions and disposals of subsidiaries/business units (cont'd)

Disposal of subsidiaries/business unit (cont'd)

The net assets at the date of disposal were as follows:

	Group	
	2009	2008
	$'000	$'000
Cash and cash equivalents	183	–
Trade and other receivables	65	40
Inventories	18	1
Plant and equipment	3,094	629
Goodwill	22	–
Trade and other payables	(425)	–
Income tax payable	(289)	–
Deferred tax liabilities	(128)	–
Borrowings	(814)	–
Finance leases	(45)	–
Minority interests	(812)	–
Net assets at date of disposal	869	670
Gain on disposal recognised in income statement	459	577
Cash consideration	1,328	1,247
Receivables	(620)	(1,247)
Cash balance disposed off	(183)	–
Net cash inflow on disposal of subsidiaries/business units	525	–

The revenue and net contributions from the subsidiary/business unit disposed off were as follows:

	Group	
	2009	2008
	$'000	$'000
Revenue	903	228
Loss for the year	(774)	(613)

31. Dividends

	Group and Company	
	2009	**2008**
	$'000	$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend for 2008: nil cents (2007: 0.40 cents) per share	–	1,123

32. Contingent liabilities

Except for contingent liabilities disclosed in Note 3.4, there are no other material contingent liabilities for the Group and Company as at 31 December 2009.

33. Capital expenditure commitments

In addition to commitments disclosed elsewhere in the notes, there were the following commitments:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Estimated amounts committed for future capital expenditure but not provided for in the financial statements	875	3,086	342	1,634

34. Operating lease payment commitments

(a) Operating lease commitments – as lessee

Operating lease payments represent rentals payable by the Group for certain of its premises. The lease rental terms are negotiated for terms ranging from one year to five years and rentals are subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage. Such increases are not included in the below amounts.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2009 amounted to $9,120,000 (2008: $8,007,000).

34. Operating lease payment commitments (cont'd)

(a) Operating lease commitments – as lessee (cont'd)

Future minimum rental payable under non-cancellable operating leases at the balance sheet date are as follows:

	Group	
	2009	**2008**
	$'000	$'000
Not later than one year	9,383	8,800
Later than one year but not later than five years	26,450	11,595
Later than five years	23,850	673
	59,683	21,068

(b) Operating lease commitments – as lessor

The Group has entered into leases on its premises. These non-cancellable leases have remaining lease terms of between 2 and 4 years.

Future minimum rental receivable under non-cancellable operating leases at the balance sheet date are as follows:

	Group	
	2009	**2008**
	$'000	$'000
Not later than one year	827	1,187
Later than one year but not later than five years	942	1,793
	1,769	2,980

35. Earnings per share

The basic and diluted earnings per share are calculated based on the Group's loss attributable to owners of the parent of $9,569,000 (2008: loss attributable to owners of the parent of $11,812,000) divided by the weighted average number of shares outstanding during the financial year of 280,807,813 (2008: 280,803,046).

The diluted earnings per share is the same as the basic earnings per share as there were no diluted common share equivalents outstanding during the relevant period.

For the purpose of calculating the fully diluted earnings per share, the effect of the warrants are anti-dilutive and is disregarded.

36. Banking facilities

	Group	
	2009	2008
	$'000	$'000
Bank overdraft facilities available	1,165	1,215
Performance guarantee	119	117

37. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:

(a) The dentistry segment operates a network of dental clinics providing a wide range of services including general dental treatment, endodontics, orthodontics, periodontics, prosthodontics, paedodontics, oral surgery, dental implants and aesthetic dentistry.

(b) The medical segment operates specialist clinics offering services ranging from age management, assisted reproduction, cardiology, cosmetic surgery, dermatology, ENT surgery, general and vascular surgery, neurology, obstetrics and gynaecology, oncology, ophthalmology, paediatrics, psychiatry and urology. Complementing the specialist healthcare unit of our Medical division is our general practice medical clinics which emphasizes health screening, health maintenance and disease prevention. The Group also operates day surgery centres for performing a range of surgical procedures that do not require overnight care. In addition, the Group has a diagnostic facility that offers an extensive range of high-end specialised medical diagnostic and imaging services.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

37. Segment information (cont'd)

	Dentistry		Medical		Adjustments and eliminations		Notes	Per consolidated financial statements	
	2009	2008	2009	2008	2009	2008		2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
Revenue:									
External customers	15,577	16,926	60,821	64,299	–	–		76,398	81,225
Inter-segment	544	558	8,271	6,943	(8,815)	(7,501)	A	–	–
Total revenue	16,121	17,484	69,092	71,242	(8,815)	(7,501)		76,398	81,225
Results:									
Interest income	7	6	106	255	–	–		113	261
Depreciation	514	581	3,849	4,132	180	91	B	4,543	4,804
Amortisation of intangible assets	48	47	9	93	–	–		57	140
Share of results of associates	–	–	1,049	483	–	–		1,049	483
Impairment loss on goodwill	761	–	–	6,822	–	–		761	6,822
Impairment loss on intangible assets	–	–	–	5,818	–	–		–	5,818
Impairment loss on other investment	–	–	965	353	–	–		965	353
Impairment loss on plant and equipment	–	–	–	17	–	–		–	17
Other non-cash expenses	61	171	1,696	3,611	–	–	C	1,757	3,782
Segment (loss)/profit	(925)	17	(5,407)	(1,075)	(4,854)	(12,739)	D	(11,186)	(13,797)
Assets:									
Investment in associates	–	–	2,266	2,414	–	–		2,266	2,414
Additions to non-current assets	480	630	5,771	8,854	1,565	189	E	7,816	9,673
Segment assets	8,846	10,801	55,306	56,474	11,831	17,630	F	75,983	84,905
Segment liabilities	1,428	1,633	13,694	8,659	22,906	23,963	G	38,028	34,255

Notes: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues are eliminated on consolidation.

B Unallocated depreciation is included in the adjustments to arrive at "Depreciation of property, plant and equipment" presented in the respective notes to the financial statements.

37. Segment information (cont'd)

C Other non-cash expenses consist of provisions and impairment of financial assets as presented in the respective notes to the financial statements.

D The following items are added to/(deducted from) segment loss to arrive at "Loss before tax" presented in the consolidated income statement:

	2009	2008
	$'000	$'000
Share of results of associates	(1,049)	(483)
Finance costs	(958)	(1,077)
Unallocated corporate expenses	(1,580)	(1,992)
Gain on disposal of subsidiaries/business units	459	577
Gain on disposal of asset classified as held for sale	–	3,246
Other non-cash expenses	(1,726)	(13,010)
	(4,854)	(12,739)

E Additions to non-current assets consist of additions to property, plant and equipment.

F The following items are added to segment assets to arrive at total assets reported in the consolidated balance sheet:

	2009	2008
	$'000	$'000
Investment in associates	2,266	2,414
Unallocated assets	9,565	15,216
	11,831	17,630

G The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	2009	2008
	$'000	$'000
Deferred tax liabilities	730	1,201
Income tax payable	851	1,411
Borrowings	14,021	15,744
Finance leases	3,020	2,179
Unallocated liabilities	4,284	3,428
	22,906	23,963

37. Segmental information (cont'd)

Geographical information

Revenue and non-current assets information based on the geographical location in which the services are rendered and assets respectively are as follows:

	Revenues		Non-current assets	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Singapore	64,317	70,133	22,890	23,670
Overseas	12,081	11,092	5,706	6,754
	76,398	81,225	28,596	30,424

Non-current assets information presented above consist of property, plant and equipment, intangible assets, and other assets as presented in the consolidated balance sheet.

Information about a major customer

Revenue from one major customer amount to $6,172,000 (2008: $5,735,000), arising from sales by the medical segment.

38. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest risk and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer and Head of Credit Control. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the financial year that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) ***Credit risk***

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy corporate customers. It is the Group's policy that all corporate customers who wish to trade on credit terms are subject to credit verification procedures. Any credit terms granted to private customers must be justified and the approval of the Head of Department ("HOD") or Business Entity Head ("BEH") is required. In addition, receivable balances are monitored on an on going basis with the results that the Group's exposure to bad debts is not significant.

38. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

In addition, the Group may enter into agreements with various parties to acquire or dispose assets and businesses. The arrangement may result in amounts due which are classified under Other Receivables. As part of the Group's due diligence process, an assessment is made to determine whether these other receivables are recoverable based on the financial standing and creditworthiness of the parties involved. The Group has also granted advances to doctors. These advances are monitored on an on going basis.

<u>Exposure to credit risk</u>

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the balance sheets;

- a nominal amount of $4,479,000 (2008: $980,000) relating to a corporate guarantee provided by the Company to banks on subsidiaries' bank loan.

<u>Credit risk concentration profile</u>

The Group has no significant concentrations of credit risk.

At balance sheet date, approximately:

- 43% (2008: 33%) of the Group's trade receivables were due from 5 major corporate customers who are located in Singapore.

- 50% (2008: 44%) of the Group's trade and other receivables were due from related parties while almost all of the Company's receivables were balances with related parties.

<u>Financial assets that are neither past due nor impaired</u>

Trade receivables and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

<u>Financial assets that are either past due or impaired</u>

The management is of the opinion that the other receivables that are past due but not impaired are recoverable as they are transactions with high credit rated counterparties. In addition, the Group has built in more steps to ensure recoverability.

Information regarding financial assets that are either past due or impaired is disclosed in Note 5 (Trade and other receivables).

38. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk

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

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient liquid financial assets and stand by credit facilities to meet its liquidity requirements in the short and longer term.

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the balance sheet date based on the contractual undiscounted repayment obligations.

	2009			2008		
	1 year or less	1 to 5 years	Total	1 year or less	1 to 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
Financial assets:						
Trade and other receivables	17,957	–	17,957	17,619	–	17,619
Cash and bank	6,324	–	6,324	11,824	–	11,824
Short term deposits, restricted in use	305	–	305	314	–	314
Total undiscounted financial assets	24,586	–	24,586	29,757	–	29,757
Financial liabilities:						
Trade and other payables	16,608	–	16,608	11,161	30	11,191
Other liabilities	1,465	–	1,465	1,520	–	1,520
Borrowings	10,241	5,786	16,027	11,819	5,312	17,131
Finance leases	1,655	1,560	3,215	1,312	988	2,300
Derivatives	267	–	267	–	–	–
Total undiscounted financial liabilities	30,236	7,346	37,582	25,812	6,330	32,142
Total net undiscounted financial (liabilities)/assets	(5,650)	(7,346)	(12,996)	3,945	(6,330)	(2,385)

38. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

	2009			2008		
	1 year or less	1 to 5 years	Total	1 year or less	1 to 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Company						
Financial assets:						
Trade and other receivables	18,016	–	18,016	19,074	–	19,074
Cash and bank	208	–	208	3,109	–	3,109
Short term deposits, restricted in use	119	–	119	118	–	118
Total undiscounted financial assets	18,343	–	18,343	22,301	–	22,301
Financial liabilities:						
Trade and other payables	9,765	–	9,765	9,296	30	9,326
Other liabilities	259	–	259	249	–	249
Borrowings	8,792	2,338	11,130	10,608	4,762	15,370
Finance leases	1,012	799	1,811	511	416	927
Derivatives	267	–	267	–	–	–
Total undiscounted financial liabilities	20,095	3,137	23,232	20,664	5,208	25,872
Total net undiscounted financial (liabilities)/assets	(1,752)	(3,137)	(4,889)	1,637	(5,208)	(3,571)

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	2009			2008		
	1 year or less	1 to 5 years	Total	1 year or less	1 to 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Company						
Financial guarantees	1,250	3,229	4,479	980	–	980

38. Financial risk management objectives and policies (cont'd)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. Borrowings issued at floating rates expose the Group and the Company to cash flow interest rate risk. The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 17. The Group's policy is to obtain the most favourable interest rates available for its borrowings.

Sensitivity analysis for interest rate risk

As at 31 December 2009, it is estimated that a general increase/decrease of 75 (2008: 75) basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss net of tax by approximately $88,000 (2008: decrease/increase the Group's profit net of tax by approximately $81,000).

The sensitivity analysis above has been determined assuming that the change in interest rates has occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 75 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2008.

(d) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily Singapore Dollar (SGD), Hong Kong Dollar (HKD), Renminbi (RMB) and Indian Rupees (INR). The foreign currency in which these transactions are denominated is mainly HKD. Approximately 1% (2008: 2%) of costs are denominated in this foreign currency. There is no policy to reduce currency exposures through forward currency contracts, derivatives transactions or other arrangement.

The Group and the Company also hold the cash and cash equivalents denominated in foreign currencies for working capital purposes. At the balance sheet date, such foreign currency balances (mainly in USD) amount to $48,000 and $19,000 for the Group and the Company respectively.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Hong Kong, People's Republic of China and India. The Group's net investments are not hedged as currency positions in HKD, RMB and INR are considered to be long-term in nature.

38. Financial risk management objectives and policies (cont'd)

(d) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the HKD, INR and Thai Baht (THB) exchange rates (against SGD), with all other variables held constant, of the Group's (loss)/profit net of tax.

			Group	
			2009	**2008**
			$'000	$'000
			Loss net of tax Decrease/(increase)	Loss net of tax Decrease/(increase)
HKD	–	strengthened 3% (2008: 3%)	16	(13)
	–	weakened 3% (2008: 3%)	(16)	13
INR	–	strengthened 3% (2008: 3%)	13	38
	–	weakened 3% (2008: 3%)	(13)	(38)
THB	–	strengthened 3% (2008: nil)	4	4
	–	weakened 3% (2008: nil)	(4)	(4)

39. Fair value of financial instruments

A. Fair value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Group			
	2009			
	$'000			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant other observable inputs** (Level 2)	**Significant unobservable inputs** (Level 3)	**Total**
Financial liabilities:				
Derivatives (Note 16)				
- Interest rate swap	–	267	–	267
At 31 December 2009	–	267	–	267

39. Fair value of financial instruments (cont'd)

A. Fair value of financial instruments that are carried at fair value (cont'd)

Fair value hierarchy

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Determination of fair value

Derivatives (Note 16): Interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the interest rate curves.

B. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Current trade and other receivables and payables, Non-current other receivables and payables (Notes 5 and 14), Other liabilities (Note 15), and Borrowings (Note 17)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the balance sheet date.

39. Fair value of financial instruments (cont'd)

C. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

		Group				Company			
	Note	2009		2008		2009		2008	
		$'000		$'000		$'000		$'000	
		Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:									
Available-for-sale financial assets									
- Other investments	10	1,374	*	2,339	*	1,670	*	2,635	*
Financial liabilities:									
Finance leases	18	(3,020)	(3,215)	(2,179)	(2,300)	(1,708)	(1,811)	(879)	(927)

* Other investments carried at cost (Note 10)

Fair value information has not been disclosed for the Group's other investments that are carried at cost because fair value cannot be measured reliably. These investments are not quoted on any market and do not have any comparable industry peers that is listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant. Consequently it is carried at cost less provision for impairment. The Group does not intend to dispose of this investment in the foreseeable future.

Determination of fair value

Finance leases (Note18)

The fair values as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the balance sheet date.

40. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings. The Group regularly reviews and manages its capital structure and makes judgements to the capital structure in light of changes in economic conditions.

Management monitors capital based on a gearing ratio. The Group's policy is to keep the gearing ratio between 25% to 45%. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings, trade and other payables plus other liabilities less cash and cash equivalents. Total capital is calculated as equity attributable to owners of the parent plus net debt.

	Group	
	2009	**2008**
	$'000	$'000
Net debt	28,569	18,550
Equity attributable to the owners of the parent	35,096	44,752
Total capital	63,665	63,302
Gearing ratio	45%	29%

41. Events occurring after the balance sheet date

Subsequent to year end, the Group entered into the following transactions:

(a) On 23 February 2010, the SGX-ST has granted approval-in-principle for the listing and quotation of the 73,012,692 new ordinary shares in the Company (the "Subscription Shares"), subject to the following conditions:

I. compliance with the SGX-ST's listing requirements;

II. shareholders' approval for the Subscription;

III. a written undertaking from the Company that it will make periodic announcements on the use of the proceeds and that it will provide a status report on the use of the proceeds in its annual report;

IV. a written confirmation from the Company that, it will not issue the Subscription Shares to persons prohibited under Rule 812(1) of the Listing Manual; and

V. the Subscription Shares have to be placed out within 7 market days from the date of the shareholders' meeting.

41. Events occurring after the balance sheet date (cont'd)

On 3 December 2009, the Company had entered into a conditional subscription agreement with Al-Faiz Fund I Limited ("AFF") to allot and issue 73,012,692 new ordinary shares in the Company (the "Subscription Shares"), representing approximately 26% of the total existing issued share capital of the Company (the "Subscription"), to AFF at an issue price of $0.11 (the "Issue Price") for each Subscription Share (the "Subscription Agreement"). The Subscription is conditional upon, inter alia, the following:

(i) approval in-principle being obtained from the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of the Subscription Shares on the Official List of the SGX-ST and not having been revoked or amended and, where such approval is subject to conditions, to the extent that any conditions for the listing and quotation of the Subscription Shares on the Official List of the SGX-ST are required to be fulfilled on or before the Subscription completion date, they are so fulfilled;

(ii) the approval of the shareholders of the Company at a general meeting for the issuance of Subscription Shares, the Price Difference (as defined below) and the Change of Controlling Interest in the Company (as defined below);

(iii) the receipt by AFF of declarations (substantially in the form prescribed under the requirements of paragraph 8 of Part VII, Fifth Schedule of the Securities and Futures (Shares and Debentures) Regulations 2005) satisfactory to AFF from the following persons:-

a. Dr Chong Lai Leong William; and

b. Dr Huang Hsiang Shui Martin;

(iv) the approval of the Investment Committee and the Shariah Committee of AFF being obtained for the Subscription Agreement and all transactions contemplated under the Subscription Agreement, including the Sale and Purchase Agreement (as defined below);

(v) the Directors approving the appointment of two nominees of AFF as the non-executive directors of the Company, effective from the Subscription Completion Date or the date of their respective consents to act as directors;

(vi) the delivery to AFF of an operating budget and cash flow budget for the 12 month period ending on 31 December 2010;

(vii) the Directors approving the setting up of an executive committee comprising 3 nominees of AFF and 3 members of the senior management of the Company effective from the Subscription Completion Date;

(viii) the Company confirming to AFF that the aggregate liabilities of the Company and the Group as at 31 December 2009 will not exceed S$45 million;

(ix) the Company confirming to AFF that the net asset value of the Company on a consolidated basis as at 31 December 2009 will be at least S$35 million;

41. Events occurring after the balance sheet date (cont'd)

(x) the delivery to AFF by the Company of copies of written consents, confirmations, approvals or waivers from the Company's principal bankers necessary for the 3 Subscription Agreement, the Sale and Purchase Agreement (as defined below) and other transactions contemplated under the Subscription Agreement; and

(xi) the delivery to AFF by the Company of such documentary evidence satisfactory to AFF evidencing that the Company has entered into such agreements, contracts or arrangements (on terms satisfactory to AFF) in relation to the development of the hospital project located at Lot 6975V of Mukim 17.

Based on the Issue Price, the net proceeds to the Company in respect of the Subscription Shares is approximately $7,930,000 after deducting all costs and expenses payable in relation to the Subscription amounting to approximately $100,000. The Company intends to use the net proceeds as follows:

Intended Uses	**Approximate Amount** $'000
Development of specialist & dental centres	3,000
Development of cancer centre	2,000
General working capital	2,930
	7,930

Prior to deployment, the net proceeds from the Subscription may be deposited with financial institutions, invested in short-term money market instruments or used for any other purposes on a short-term basis, as the Directors may deem fit.

(b) On 17 March 2010, a letter was signed with Radlink-Asia Pte Ltd ("Radlink") to set out the repayment terms for the balance owing from Radlink for the disposal of certain subsidiaries on 1 December 2006 and dividends receivable. This amount will be repayable over 33 bi-monthly instalments commencing August 2010.

42. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the directors on 8 April 2010.

STATISTICS OF SHAREHOLDINGS

As at 18 March 2010

Class of Shares : Ordinary Shares
Voting Rights : One Vote Per Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings			No. of Shareholders	%	No. of Shares	%
1	-	999	10	0.71	2,001	0.00
1,000	-	10,000	784	55.52	3,007,482	1.07
10,001	-	1,000,000	584	41.36	55,902,179	19.91
1,000,001 AND ABOVE			34	2.41	221,906,384	79.02
TOTAL			**1,412**	**100.00**	**280,818,046**	**100.00**

TWENTY LARGEST SHAREHOLDERS

	Name	No. of Shares	%
1.	Chong Lai Leong William	40,819,000	14.54
2.	Sing Investments & Finance Nominees Pte Ltd	36,312,684	12.93
3.	Raffles Nominees (Pte) Ltd	18,499,000	6.59
4.	HSBC (Singapore) Nominees Pte Ltd	17,454,000	6.22
5.	Martin Huang Hsiang Shui	11,583,667	4.12
6.	United Overseas Bank Nominees Pte Ltd	10,073,000	3.59
7.	Lim Suan Im	8,043,000	2.86
8.	Tai Pee Tah	7,315,000	2.60
9.	Tai Hui Eng	7,000,000	2.49
10.	Sandra Aye Aye Han Chu	5,414,667	1.93
11.	Citibank Nominees Singapore Pte Ltd	5,411,000	1.93
12.	Tay Tze Hsin Marc	5,365,733	1.91
13.	Chia Cheng Yan	5,001,000	1.78
14.	Chong Ai-Lei Iris	4,635,280	1.65
15.	Krushna Latha Reddy	3,530,000	1.26
16.	Tan Choon Heng John	3,418,000	1.22
17.	Asia Studio Pte Ltd	2,943,766	1.05
18.	Ann Tan Sian Ann	2,927,667	1.04
19.	Yung Shing Wai	2,830,513	1.01
20.	Lee Sui Hee	2,646,000	0.94
	TOTAL	**201,222,977**	**71.66**

STATISTICS OF SHAREHOLDINGS

As at 18 March 2010

Substantial Shareholders	No. of Shares Direct	No. of Shares Deemed	Total	%
Chong Lai Leong William	40,819,000	39,134,684[(1)]	79,953,684	28.47
Pacific Investments Pte. Ltd.	–	15,811,821[(2)]	15,811,821	5.63
Kabouter Management, LLC	–	14,356,000	14,356,000	5.11
Tai Pee Tah	7,315,000	7,065,280	14,380,280	5.12

Note:

(1) The deemed interest in 39,134,684 shares includes:

- (i) 20,500,863 shares held through Sing Investments & Finance Nominees Pte. Ltd.;
- (ii) 15,811,821 shares held through Sing Investments & Finance Nominees Pte. Ltd. by Pacific Investments Pte. Ltd. (wholly-owned by Chong Lai Leong William); and
- (iii) 2,822,000 shares held through United Overseas Bank Nominees Pte. Ltd.

(2) Deemed to be interested in the 15,811,821 shares held through Sing Investments & Finance Nominees Pte. Ltd.

Shareholdings Held in the Hands of Public

Based on the information provided, to the best knowledge of the Directors and the substantial shareholders of the Company, 54.26% of the issued ordinary shares of the Company was held in the hands of the public as at 18 March 2010. The Company did not hold any treasury shares as at 18 March 2010.

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

STATISTICS OF WARRANTHOLDINGS

As at 18 March 2010

DISTRIBUTION OF WARRANTHOLDINGS

Size of Warrantholdings			No. of Holders	%	No. of Warrants	%
1	-	999	543	45.48	147,514	0.26
1,000	-	10,000	503	42.12	1,814,865	3.23
10,001	-	1,000,000	138	11.56	14,802,792	26.37
1,000,001	AND ABOVE		10	0.84	39,380,428	70.14
TOTAL			**1,194**	**100.00**	**56,145,599**	**100.00**

TWENTY LARGEST WARRANT HOLDERS

	Name	No. of Warrants	%
1.	Chong Lai Leong William	12,096,372	21.54
2.	Citibank Nominees Singapore Pte Ltd	8,358,880	14.89
3.	HSBC (Singapore) Nominees Pte Ltd	5,224,200	9.30
4.	Raffles Nominees (Pte) Ltd	3,251,400	5.79
5.	Pacific Investments Pte Ltd	3,162,364	5.63
6.	Ang Koh Wee	2,024,000	3.60
7.	Martin Huang Hsiang Shui	1,705,333	3.04
8.	Tai Hui Eng	1,400,000	2.49
9.	Sandra Aye Aye Han Chu	1,084,733	1.93
10.	Tay Tze Hsin Marc	1,073,146	1.91
11.	United Overseas Bank Nominees Pte Ltd	987,000	1.76
12.	Chong Ai-Lei Iris	927,056	1.65
13.	Tan Choon Heng John	842,800	1.50
14.	Loh Yum Peng	800,000	1.42
15.	Tan Mee Gek	697,200	1.24
16.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	651,120	1.16
17.	Yung Shing Wai	591,302	1.05
18.	Asia Studio Pte Ltd	575,153	1.02
19.	Lim Bee Lay	500,000	0.89
20.	Tay Kheng Lip David	465,548	0.83
	TOTAL	**46,417,607**	**82.64**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Orchard Parade Hotel, Antica III, Level 2, 1 Tanglin Road, Singapore 247905 on Friday, 30 April 2010 at 10.00 a.m. for the following purposes:

As Ordinary Business

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2009 and the Reports of the Directors and the Auditors thereon. **(Resolution 1)**

2. To re-elect Mr Lee Kiam Hwee, Kelvin who is retiring by rotation pursuant to Article 91 of the Company's Articles of Association.

   Mr Lee Kiam Hwee, Kelvin will, upon re-election as a Director of the Company, remain as a Chairman of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of Singapore Exchange Securities Trading Limited. He will also remain as Chairman of the Remuneration Committee and a member of the Nominating Committee. **(Resolution 2)**

3. To approve the payment of Directors' fees of S$102,000 for the financial year ending 31 December 2010 quarterly in arrears. **(Resolution 3)**

4. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 4)**

As Special Business

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

5. **Share Issue Mandate**

   "That pursuant to Section 161 of the Companies Act, Chapter 50 and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") and notwithstanding the provisions of the Articles of Association of the Company, authority be and is hereby given to the Directors of the Company to:

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

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

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

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

(a) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) does not exceed 50% of the Company's total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (c) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) does not exceed 20% of the Company's total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (c) below);

and, unless revoked or varied by the Company in general meeting, such authority specified in (a) 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.

(b) the 50% limit in (a) above may be increased to 100% for the Company to undertake pro-rata renounceable rights issue.

and, unless revoked or varied by the Company in general meeting, such authority specified in (b) shall continue in force until 31 December 2010 or such later date as may be determined by the SGX-ST, but in any event not later than 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.

(c) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) & (b) above, the total number of issued shares excluding treasury shares is based on the Company's total number of issued shares excluding treasury shares at the time of the passing of this Resolution, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities;

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

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

(d) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company."

[See Explanatory Note 1] **(Resolution 5)**

6. **Authority to allot and issue new shares other than on a pro-rata basis at a discount of not more than 20%**

   "That subject to and pursuant to the authority to allot and issue shares in the Resolution 5 being obtained, authority be and is hereby given to the Directors to issue new shares other than on a pro-rata basis to shareholders of the Company at an issue price per new share which shall be determined by the Directors in their absolute discretion provided that such price shall not represent more than a 20% discount for new shares to the weighted average price per share determined in accordance with the requirements of the SGX-ST."
   [See Explanatory Note 2] **(Resolution 6)**

7. **Authority to allot and issue shares pursuant to the Pacific Healthcare Employee Share Option Scheme (the "Scheme")**

   "That the Directors of the Company be and are hereby authorised pursuant to Section 161 of the Companies Act, Cap. 50 to allot and issue shares in the capital of the Company to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the Scheme, upon the exercise of such options and in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of additional shares to be issued and allotted pursuant to the said Scheme shall be in accordance with the Scheme."
   [See Explanatory Note 3] **(Resolution 7)**

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

By Order of the Board

Lin Moi Heyang
Company Secretary

Singapore
15 April 2010

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint one or two proxies to attend in his stead. A proxy need not be a member of the Company.

2. A member of the Company which is a corporate is entitled to appoint its authorised representatives or proxies to vote on its behalf.

3. The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than 48 hours before the time appointed for holding the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(1) **Resolution 5**

This is to empower the Directors to issue shares in the capital of the Company and/or instruments (as defined above). The aggregate number of shares to be issued pursuant to Resolution 5 (including shares to be issued in pursuance of instruments made or granted) shall not exceed 50% of the Company's total number of issued shares excluding treasury shares, with a sub-limit of 20% of the Company's total number of issued shares excluding treasury shares, for shares issued other than on a pro rata basis (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) to shareholders of the Company. The 50% limit may be increased to 100% if the Company undertakes to issue shares via a pro-rata renounceable rights issue. For the purpose of determining the aggregate number of shares that may be issued, the total number of issued shares excluding treasury shares is based on the Company's total number of issued shares excluding treasury shares at the time of the passing of Resolution 5, after adjusting for

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of Resolution 5, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

(c) any subsequent bonus issue, consolidation or subdivision of shares.

(2) **Resolution 6**

This is to authorise the Directors from the date of this Annual General Meeting until 31 December 2010 or such later date as may be determined by the SGX-ST, but in any event not later than 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, to issue shares other than on a pro-rata basis at not more than 20% discount in accordance with the requirements of the SGX-ST.

(3) **Resolution 7**

This is to authorise the Directors to offer and grant options in accordance with the provisions of the Pacific Healthcare Employee Share Option Scheme (the "Scheme") and to allot and issue shares under the Scheme up to an amount not exceeding 15% of the Company's total number of issued shares excluding treasury shares from time to time.

PACIFIC HEALTHCARE HOLDINGS LTD.

(Incorporated in the Republic of Singapore – Company Registration No. 200100544H)

PROXY FORM

I/We, ________________________________ (name) of ________________________________

____ (address)

being a member/members of Pacific Healthcare Holdings Ltd. (the "Company"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing him/her, the Chairman of the Annual General Meeting, as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting of the Company to be held at Orchard Parade Hotel, Antica III, Level 2, 1 Tanglin Road, Singapore 247905 on Friday, 30 April 2010 at 10.00 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

	ORDINARY BUSINESS	For	Against
Resolution 1	To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2009 and the Reports of the Directors and the Auditors thereon.		
Resolution 2	To re-elect Mr Lee Kiam Hwee, Kelvin who is retiring by rotation pursuant to Article 91 of the Company's Articles of Association.		
Resolution 3	To approve payment of Directors' Fees for financial year ending 31 December 2010 quarterly in arrears.		
Resolution 4	To re-appoint Messrs Ernst & Young LLP as auditors and authorise the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
	Ordinary Resolutions:		
Resolution 5	To approve Share Issue Mandate.		
Resolution 6	To authorise the Directors to allot and issue new shares other than on a pro-rata basis at a discount of not more than 20%.		
Resolution 7	To authorise the Directors to offer and grant options and to issue shares in accordance with the provisions of the Pacific Healthcare Employee Share Option Scheme.		

Date this ____________ day of ________________ 2010

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

____

Signature(s) of member(s) or Common Seal

IMPORTANT: PLEASE READ THE NOTES OVERLEAF

NOTES:

1. Please insert the total number of Shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at a general meeting of the Company is entitled to appoint one or, if he/she holds two or more shares, two proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the member must specify the proportion of shareholdings (expressed as a percentage of the whole) to be represented by each proxy. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry 100 per cent of the shareholdings of his/its appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.

4. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than 48 hours before the time set for the general meeting.

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

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

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

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or 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 shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

This page has been intentionally left blank

This page has been intentionally left blank

PACIFIC
HEALTHCARE
HOLDINGS

Pacific Healthcare Holdings Ltd. REGISTRATION NO. 200100544H
290 Orchard Road, #19-01 The Paragon Singapore 238859
www.pachealthholdings.com

cre8
Tel: 63278398