PACIFIC
HEALTHCARE
HOLDINGS

PACIFIC HEALTHCARE HOLDINGS LTD.

ANNUAL REPORT 2011

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.

CONTENTS

CARE

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

CORPORATE PROFILE

Pacific Healthcare is an integrated healthcare provider offering a comprehensive range of services in specialist medical care and dentistry. Our group of dedicated healthcare professionals, most of whom specialise in different fields, work as a team to provide integrated multi-disciplinary patient care. We operate a network of clinics, medical centres, and facilities in Singapore and have offices in India and China. The Company is currently setting up a medical centre in downtown Jakarta, Indonesia.

Pacific Healthcare, for total physical, mental and social well-being

PHH was incorporated on 26 January 2001. 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 team of over 50 healthcare professionals, trained in some of the world's leading institutions, and have invested in cutting-edge technologies. Our medical and dental specialists focus 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. Our competencies in specialist healthcare include the fields of Plastic Surgery, Cosmetic and Implant Dentistry, Obstetrics and Gynaecology, Cardiology and other specialties.

CHAIRMAN'S STATEMENT

A Challenging Year

Throughout fiscal 2011, our Group faced a number of challenges. Amidst a difficult operating environment, we completed the final phase of our restructuring program. This has culminated with the divestment of non-core businesses and redeployment of resources into our forte of specialty practices.

As a result, our Group has emerged with a leaner structure that is focused, competitive and positioned for renewed growth.

The Road Ahead

Though our financial results have yet to reflect this, Pacific Healthcare is stronger and better positioned to compete than a year earlier. A significant majority of our restructuring initiatives have been implemented and our immediate priority now is the recruitment of new doctors. Our efforts have received a very encouraging response and give us room for optimism of stronger financial performance in the coming years.

Our management team has been focused on building a structure to deliver consistent financial performance and create sustainable shareholder value. Every member of our Group has been challenged to improve performance and great improvements have been achieved in cost control, space usage optimisation and resources allocation.

CHAIRMAN'S STATEMENT

At the same time, our comprehensive business review and refocused objectives have energised our staff with the common vision of building the preeminent specialist medical and dentistry Group in the region.

Strengthening Revenues

The key priority for our Group in the current fiscal year is to increase revenue while containing costs. Our strategy to achieve this includes the recruitment of new healthcare practitioners, improving patient access to our specialists and focusing our sales and marketing initiatives under a strengthened brand.

Pacific Healthcare has always been about providing the best in specialist healthcare services and dentistry. This requires the recruitment of outstanding talent, and I am pleased to report that during the year a number of very talented and well regarded professionals joined our Group including:

1. Pacific Heart Centre – Dr Raymond Lee
2. Pacific Surgical and Colorectal Centre – Professor Eu Kong Weng, Dr Bernard Lim and Dr Julian Ong
3. Pacific Vein & Endovascular Centre – Dr Cheng Shin Chuen

In addition, our oncology services is managed by Professor Alex Chang and his colleagues from John Hopkins Medicine International.

The Pacific Healthcare brand continues to be an invaluable asset that positions us as a preferred provider of healthcare services locally and internationally. We will continue to strengthen and leverage our brand's reputation for medical excellence and work to further enhance the range and depth of our services in the region.

Looking Ahead

Our Board recognises that more remains to be done to position our business for renewed growth. Fiscal year 2012 will be a rebuilding year for us and we will do the hard work necessary to build a structure than can deliver consistent long-term profit and growth.

The regional private healthcare industry is still in a growth phase and there is an immense opportunity for our Group. We will spare no effort to realise our goal of becoming the leading provider of specialist healthcare and dentistry services in the region.

Appreciation and Thanks

Allow me on behalf of the Board to thank our retiring Directors for their services rendered . We also welcome two new independent directors, Mr Hudson Chua Jain and Mr Chong Fook Choy, Christopher to the board.

On behalf of the Board, I also thank our management and staff for their hard work and commitment during the year. It has been heartening to see our patients served with unwavering commitment throughout the year. At the same time, we extend a warm welcome to the many new medical practitioners and staff who have joined our Group during the year.

To our shareholders, we also thank you for your loyalty and especially for your belief in the long term growth prospects of Pacific Healthcare Group. With your support, I am confident that we will be able to achieve our objective of serving our patients to the best of our abilities while returning value to our shareholders.

Lew Oon Yew
Chairman

"A significant majority of our restructuring initiatives have been implemented and our immediate priority now is the recruitment of new doctors. Our efforts have received a very encouraging response and give us room for optimism of stronger financial performance in the coming year."

BOARD OF DIRECTORS

MR LEW OON YEW

Non-Independent Non-Executive Chairman

Mr Lew is Chairman of the Group and also a Managing Partner of Proventeus Asia, a regional private equity fund manager, which manages a pan-Asia private equity fund with investment footprint across Asia. Mr Lew co-founded Proventeus Asia after spending over 6 years with Kuwait Finance House Malaysia Berhad developing and driving its Asian Private Equity initiatives. Mr Lew held various positions within Kuwait Finance House (M) group including Head of Private Equity, Executive Director and Chief Executive Director of its Asset Management subsidiary. Mr Lew was the pioneer investment team member of Navis Capital where he is largely responsible for executing and managing Navis investment portfolio in Asia. Mr Lew was the Investment Manager and Head of Strategy for portfolio company at Navis Capital.

Mr Lew has extensive experience across Asia focusing in China, Malaysia, Singapore and Philippines. He has worked in a variety of sectors specialising in healthcare, environment management, agribusiness, manufacturing and consumer business and across various investments involving expansion, buyout and turnaround. Mr. Lew holds a Master of Banking and Finance from University of Sydney and Bachelor of Economics from Flinders University of South Australia.

DR CHONG LAI LEONG, WILLIAM

Executive Director and Acting Chief Executive Officer

Dr William Chong is our Executive Director and is currently the Acting Chief Executive Officer of the Group. He co-founded our Group and was appointed a Director of our Company on 26 January 2001. Dr Chong is also a practicing 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 with academic awards in Clinical Medicine and Oral Surgery. He completed his Masters of Science degree in Dentistry at the National University of Singapore in 1988 by research in the field of Bone Replacement and Implant Dentistry. He is a Fellow of the Royal Australasian College of Dental Surgeons since 1997 and a Fellow and Diplomate of the International Congress of Oral Implantologists.

He has lectured extensively both in his own clinical area of interest as well as in practice management and finance. He was also our Group CEO from inception till May 2011.

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. Dr Huang is also a plastic surgeon with Pacific Healthcare. He completed his training in Plastic Surgery 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.

MR CHONG FOOK CHOY, CHRISTOPHER

Independent Non-Executive Director

Mr Christopher Chong Fook Choy is our Independent Non-Executive Director and also a partner in Rodyk & Davidson LLP's Litigation & Arbitration Practice Group. His main areas of practice are in professional malpractice, commercial litigation and insurance, and he provides comprehensive legal assistance to various stakeholders in the healthcare industry, including hospitals, insurers, doctors and medical defence organisations. Apart from providing legal advice, Mr Chong acts as lead counsel for restructured and private hospitals, clinics and medical practitioners in medical malpractice law suits, disciplinary proceedings, coroners' inquiries as well as in legal proceedings relating to patient rights, access to medical records and consent for treatment. Mr Chong has also acted for various commercial entities in joint venture disputes and contractual disputes. He has provided advice on the drafting of employment agreements, as well as advised and represented parties in disputes relating to allegations of wrongful termination of employment, the enforceability of restrictive covenants in employment agreements and claims arising from industrial accidents. Mr Chong supervises the personal injury insurance work within Rodyk & Davidson LLP. He is experienced in all forms of dispute resolution, whether through litigation in Singapore courts, mediation or arbitration under the Rules of the Singapore International Arbitration Centre or the International Chamber of Commerce. Mr Chong has chaired the Law Society's Ad Hoc Committee on reviewing the consultation papers issued by the Bioethics Advisory Committee and is a member of the National Healthcare Group's Domain Specific Review Board, reviewing and approving proposed clinical trials conducted in Singapore. Mr Chong is a Fellow of the Singapore Institute of Arbitrators.

BOARD OF DIRECTORS

MR HUDSON CHUA JAIN

Independent Non-Executive Director

Mr Hudson Chua Jain is our Independent Non-Executive Director and also a partner of Crowe Horwath Malaysia based in the Kuching office. He has vast experience in financial audits of public and private companies in various industries such as manufacturing, plantation, hospitality, trading and healthcare. He also has extensive experiences in taxation, corporate restructuring as well as in the provision of professional support services for mergers, acquisitions and capital/fund raising activities. Mr Chua is a member of the Malaysian Institute of Accountants, Institute of Chartered Accountants, New Zealand and CPA Australia Ltd.

MR CHEE HONG LEONG

Non-Independent Non-Executive Director

Mr Chee Hong Leong, our Non-Independent Non-Executive Director, graduated with a Bachelor of Engineering (Computer) in 1987 and Master of Business Administration in 1989 from McMaster University, Hamilton, Ontario, Canada. Mr Chee started his career in 1990 coordinating the development in Corporate and Annual Strategic Plans for the Leisure Holidays Group of Companies. He joined Tanco Resort Berhad from 1998 to 2002, where he held various positions from General Manager to Executive Director/Chief Operating Officer. Mr Chee has investments in various industries – Education, Information Technology, Aquaculture, and Property Development. Currently, he is the Chairman of Kiara Susila Sdn Bhd, a property development company. Mr Chee is also the Executive Director of SYF Resources Berhad as well as the Independent Director of SEGI Berhad and Priceworth International Berhad.

MR KWAN BENNY AHADI

Non-Independent Non-Executive Director

Mr Benny Kwan is our Non-Independent Non-Executive Director, as well as a Director of Heartline Holdings Pte. Ltd. and Affluent Healthcare Holdings Pte. Ltd. In addition, he holds directorships in several family investment holding companies which have interests in the healthcare, agro-based and energy industries. Mr. Kwan was an investment banker with more than 10 years of industry experience working with the Bank of Tokyo in Tokyo, New York and Los Angeles.

MS SRI WIDATI ERNAWAN PUTRI

Non-Independent Non-Executive Director

Ms Sri Widati is our Non-Independent Non-Executive Director. She graduated from New York University with a Bachelor of Arts in 2007. She also graduated with a Masters in International Relations. She is currently pursuing a Doctorate in the same discipline from Waseda University.

MR WU CHIN LOONG, PAUL

Alternate Director to Mr Chee Hong Leong

Mr Paul Wu is the Alternate Director to Mr Chee Hong Leong. He has over 10 years of experience in the field of private equity and direct investment in the Asia Pacific Region. Mr Wu has hands-on experience managing and monitoring investments in various industries including healthcare. Being a member of executive committees in numerous enterprises and industries throughout Asia and Australia, he brings valuable experiences in the area of strategic and operational matters. Mr Wu comes from an accounting and finance background having obtained a Professional Degree with the Association of Chartered Certified Accountants (ACCA) and he is a Fellow of the Association.

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

2011 was a challenging year for the company in view of the changes in management, board and shareholder level.

Though the macroeconomic environment and strong competition presented significant challenges, it was primarily the impairment of goodwill and attrition in doctor numbers that resulted in the increased loss of $22.99m attributable to equity holders of the Company in FY 2011.

Revenue and Profitability

Group revenue for the year was $69.0m, a decrease of 14.12% compared to 2010. Revenue from the medical segment declined 16.9%, while revenue from the dentistry segment declined 3.9% as compared to the previous financial year. The primary cause of the revenue decline was the attrition of doctor numbers. The Group has since recruited medical consultants to replace most of the doctors who have left, and expect that the new doctors will contribute positively to the current year's revenue.

Operating expenses for FY 2011 were lower than the prior year. Employee benefits decreased by 9% to $41.31m and consumables and other cost of sales fell by 12.4% to $15.38m. The reduction in these expenses was consistent with the fall in revenue for FY 2011. Rental expense for FY 2011 fell 12.9% to $8.36m, primarily due to savings of $1.23m from the discontinuance of the Cancer Hospital project.

The Group fully impaired residual goodwill, amounting to $11.3m in FY 2011. In FY 2010, the Group impaired $3.11m. This resulted in the Group's other expenses increasing significantly in FY2011 as compared to the prior year.

As a result of the above, the Group recorded a net loss attributable to owners of the company of $22.18m, up from the $12.80m loss in the prior year.

Balance Sheet

As at 31 December 2011, the Group had current assets of $22.70m, compared to $31.22m as at 31 December 2010. Our cash and bank balance declined by $7.13m and stood at $9.8m as of 31 December 2011. This reduction was due principally to repayment of bank borrowings. Total liabilities decreased by $6.2m from $34.86m to $28.69m. In addition, the Group made an investment of $1.30m for a 51% stake in a new medical specialist centre in Jakarta, Indonesia.

As at 31 December 2011, the Group had current liabilities of $26.22m. However, non-current liability fell from $5.08m in the prior year to $2.47m as of 31 December 2011. In January 2012, the Group divested of its stake in a radiologic and imaging service provider for $5.96m. This amount will be reflected in the financial statement in 2012.

OPERATIONS REVIEW

Our team of surgeons at Pacific Surgical and Colorectal Centre from left: Dr Bernard Lim, Professor Eu Kong Weng and Dr Julian Ong.

Centre for Colorectal-related Treatment and Management

In September 2011, Pacific Surgical and Colorectal Centre was opened, specialising in management of colorectal cancer and colorectal conditions.

The centre is led by Professor Eu Kong Weng. One of Singapore's most eminent colorectal surgeons, Professor Eu brings more than 20 years of experience in treating colorectal conditions, including eight years as the Head of Department at the Singapore General Hospital's ("SGH") Department of Colorectal Surgery from 2003 to 2010. He was also the Director of the SGH Tripartite Robotics Assisted Laparoscopic Surgery Project, an initiative that pioneers cutting-edge surgical technologies.

The team includes leading surgeons, Dr Bernard Lim and Dr Julian Ong:

- Dr Bernard Lim, a specialist in general and colorectal surgery with a sub-specialty interest in minimally invasive colorectal surgery (e.g. conventional "key-hole" laparoscopic, single-port, and robotic surgeries).

- Dr Julian Ong, an expert in endoscopy and minimally-invasive surgery, particularly in laparoscopic surgery for colorectal cancer, as well as the management of all other colorectal conditions and surgery for perianal conditions.

Located at the 12th floor of Paragon Shopping Centre in Singapore, the centre offers a wide range of treatments for colorectal conditions including haemorrhoidal diseases, premalignant polyps, and colorectal cancer. In addition to expertise in conventional open surgical procedures, our team of surgeons possess specialised expertise in minimally-invasive surgical procedures, including laparoscopies (also known as "keyhole", "single-port" surgeries) and robotic surgeries. In addition, the centre provides screening and diagnostic services such as upper and lower gastrointestinal endoscopies.

The opening of Pacific Surgical and Colorectal Centre is part of Pacific Healthcare's strategy of expanding our high quality, niche healthcare services to improve the lives of our patients. This also brings us another step towards realising our vision of being the pre-eminent specialist healthcare provider in the region.

Dr Cheng Shin Chuen, our Consultant Surgeon in Pacific Vein & Endovascular Centre, with a patient.

Pacific Vein & Endovascular Centre

In early 2011, Pacific Vein & Endovascular Centre was opened to specialise in the treatment of unsightly veins and vein related complications and minimally invasive treatment of Arterial and Aneurysmal disease.

Located at the 12th floor of Paragon Shopping Centre in Singapore, the centre offers a wide range of services for all vein related medical disorders including Varicose Veins, Spider Veins and Leg Ulcers. Using Endovenous Treatment, varicose veins can be treated without surgery, scar, general anaesthesia or hospitalisation.

Joining the Group as the new Consultant Surgeon in Vascular and Endovascular Surgery is Dr Cheng Shin Chuen. Prior to joining Pacific Healthcare, Dr Cheng was the Head of Vascular and Endovascular Services, Tan Tock Seng Hospital and Adjunct Assistant Professor, Yong Loo Lin School of Medicine, NUS. Dr Cheng's subspecialty interests lies in all methods of minimally invasive and endovascular interventions in Venous, Aortic and Peripheral Arterial Diseases. Common procedures include Endovenous Ablation (both laser or radiofrequency) of varicose veins, Peripheral Arterial Angioplasty and Aortic Stenting.

Integrated Medical Specialist and Dentistry Centre in Jakarta

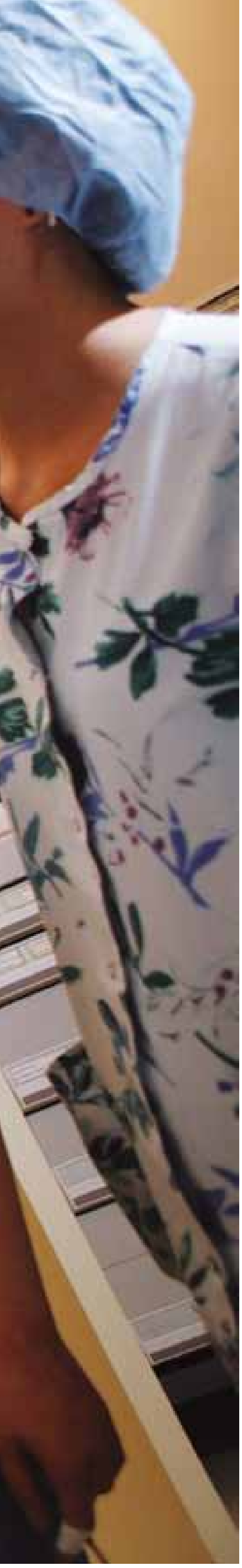
In 1Q 2011, Pacific Healthcare (Indonesia) Pte Ltd (the "Subsidiary") entered into a joint venture agreement with PT Plaza Medical Nusantara ("PT Plaza Medical") to establish PT Pacific Healthcare Services Indonesia ("PT Pacific Healthcare") and operate and manage Pacific Healthcare @ The Plaza, an integrated medical specialist and dentistry centre including laboratory, pharmacy, diagnostic imaging and day surgery facilities in downtown Jakarta.

PT Plaza Medical is held by PT Plaza Nusantara Realti ("PT Plaza Nusantara") and PT Medical Diagnostic Nusantara ("PT Medical Diagnostic") in the shareholding proportion of 75% and 25%, respectively. PT Plaza Nusantara is in turn wholly-owned by PT Plaza Indonesia Realty Tbk ("PT Plaza Indonesia"), one of Indonesia's leading prime property developers. PT Plaza Indonesia is listed on the Indonesia Stock Exchange and owns the Grand Hyatt Jakarta as well as the prominent Plaza Indonesia Complex in Jakarta's central business district. The Subsidiary will hold 51% of PT Pacific Healthcare, with the balance 49% held by PT Plaza Medical.

Pacific Healthcare @ The Plaza extends the Group's footprint into one of the most exciting healthcare markets in Asia, targeted at a clientele seeking reliable and premium specialist healthcare services. Combined with the Group's experience in specialist medical centres and core competencies in cardiology, cosmetic and implant dentistry, cosmetic surgery, dermatology, and obstetrics and gynaecology, Pacific Healthcare @ The Plaza is in an excellent position to tap into the growing demand for such services in Indonesia.

MEDICAL EXCELLENCE

To offer quality medical care of the highest standards



CORPORATE INFORMATION

Directors

Mr Lew Oon Yew
Non-Independent Non-Executive Chairman

Dr Chong Lai Leong, William
Executive Director and Acting Chief Executive Officer

Dr Huang Hsiang Shui, Martin
Executive Director

Mr Chong Fook Choy, Christopher
Independent Non-Executive Director

Mr Hudson Chua Jain
Independent Non-Executive Director

Mr Chee Hong Leong
Non-Independent Non-Executive Director

Mr Kwan Benny Ahadi
Non-Independent Non-Executive Director

Ms Sri Widati Ernawan Putri
Non-Independent Non-Executive Director

Mr Wu Chin Loong, Paul
Alternate Director to Mr Chee Hong Leong

Nominating Committee

Mr Chong Fook Choy, Christopher
Chairman

Mr Hudson Chua Jain
Member

Mr Lew Oon Yew
Member

Remuneration Committee

Mr Hudson Chua Jain
Chairman

Mr Lew Oon Yew
Member

Mr Chong Fook Choy, Christopher
Member

Audit Committee

Mr Hudson Chua Jain
Chairman

Mr Lew Oon Yew
Member

Mr Chong Fook Choy, Christopher
Member

Company Secretaries

Mr Teo Meng Keong
Ms Juvonne Kong

Registered Office

290 Orchard Road
#19-01 Paragon
Singapore 238859
Tel: (65) 6887 3737
Fax: (65) 6733 2577

Principal Bankers

Malayan Banking Berhad
Standard Chartered Bank
United Overseas Bank Limited

Share Registrar

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

Auditors

(since financial year ended 31 December 2007)
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

Partner in charge: **Mr Tan Chian Kong**
(with effect from financial year ended
31 December 2011)

FINANCIAL CONTENTS

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, Remuneration and Executive 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 Lew Oon Yew	Non-Independent Non-Executive Chairman
2.	Dr Chong Lai Leong, William	Executive Director and Acting Chief Executive Officer
3.	Dr Huang Hsiang Shui, Martin	Executive Director
4.	Mr Chong Fook Choy, Christopher	Independent Non-Executive Director
5.	Mr Hudson Chua Jain	Independent Non-Executive Director
6.	Mr Chee Hong Leong	Non-Independent Non-Executive Director
7.	Mr Kwan Benny Ahadi	Non-Independent Non-Executive Director
8.	Ms Sri Widati Ernawan Putri	Non-Independent Non-Executive Director
9.	Mr Wu Chin Loong, Paul	Alternate Director to Mr Chee Hong Leong

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

Currently, the Board comprises 8 Directors, 2 of whom are Independent Directors. The Code of Corporate Governance states that the independent directors shall make up at least 1/3 of the Board. The Board is currently short of one independent director. To make up the shortfall, the Board is in the midst of identifying suitable candidate to fill the vacancy

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: 8	No. of Meetings held: 4	No. of Meetings held: 1	No. of Meetings held: 2
	No. of Meetings Attended	No. of Meetings Attended	No. of Meetings Attended	No. of Meetings Attended
Dr Chong Lai Leong, William Note 1	6	1	NA	1
Mr Kwan Benny Ahadi Note 3	7	NA	NA	NA
Ms Sri Widati Ernawan Putri Note 7	5	NA	NA	NA
Dr Huang Hsiang Shui, Martin Note 2	4	NA	0	NA
Mr Lew Oon Yew Note 4	4	NA	NA	NA
Mr Wu Chin Loong, Paul Note 8	3	NA	NA	NA
Mr Hudson Chua Jain Note 5	1	NA	NA	NA
Mr Chong Fook Choy, Christopher Note 5	1	NA	NA	NA
Mr Chee Hong Leong Note 6	1	NA	NA	NA
Mr Lee Kiam Hwee, Kelvin Note 9	8	4	1	2
Mr Chandra Mohan s/o Rethnam Note 10	4	2	NA	0
Mr Marcel Han Liong Tjia Note 11	7	3	NA	1
Mr Sim Swee Yam, Peter Note 12	3	1	1	1

NA: Not Applicable

Note:

1. Dr Chong Lai Leong, William stepped down as Executive Director and Chief Executive Officer on 31 May, 2011 and remained as a non-executive director on the Board until 18 November, 2011 when he was appointed as executive director and Acting Chief Executive Officer.
2. Dr Huang Hsiang Shui, Martin retired at the AGM held on 29 April 2011 and was appointed as Director of the Company at an EGM held on 14 November 2011, and as Executive Director on 18 November 2011.
3. Mr Kwan Benny Ahadi was appointed as Executive Chairman on 1 February 2011. He was re-designated Non-Executive Director on 18 November 2011. Between 1 June 2011 and 17 November 2011, he was the sole Executive Director.
4. Mr Lew Oon Yew retired at the AGM held on 29 April 2011 and was appointed as Director of the Company at an EGM held on 14 November 2011, and as Non-Executive Chairman on 18 November 2011.
5. Mr Hudson Chua Jain and Mr Chong Fook Choy, Christopher were appointed as Directors at an EGM held on 14 November 2011. They are both Non-Executive Independent Directors.
6. Mr Chee Hong Leong was appointed as Director at an EGM held on 14 November 2011. He is a Non-Executive, Non-Independent Director.
7. Ms Sri Widati Ernawan Putri was appointed Executive Director on 1 February 2011. She was re-designated Non-Executive Director on 1 June 2011.
8. Mr Wu Chin Loong, Paul retired at the AGM held on 29 April 2011. He has been appointed as the alternate director to Mr Chee Hong Leong w.e.f. 27 February 2012.
9. Mr Kelvin Lee resigned as the Non-Executive and Independent Director w.e.f. 29 February 2012.
10. Mr Chandra Mohan s/o Rethnam was appointed as the Non-Executive and Independent Director, member to the AC, NC and RC w.e.f. 17 March 2011 and re-designated to Chairman of NC w.e.f. 27 May 2011. He resigned as the Non-Executive and Independent Director w.e.f. 29 February 2012.
11. Mr Marcel Han Liong Tjia was appointed as the Non-Executive and Independent Director on 29 November 2010, member of AC and NC and Chairman of RC w.e.f. 17 March 2011. He resigned as the Non-Executive and Independent Director w.e.f. 29 February 2012.
12. Mr Sim Swee Yam, Peter retired at the AGM held on 29 April 2011. He was appointed as our Non-Executive Chairman and Independent Director on 5 September 2005.

Principle 3: Chairman and Chief Executive Officer

Different individuals assume the roles of the Chairman of the Board and Chief Executive Officer. The Chairman of the Company is Mr. Lew Oon Yew and the Acting Chief Executive Officer is Dr Chong Lai Leong William.

The Chairman is responsible to lead the Board to ensure its effectiveness in all aspects of its role, ensuring that the Board receives accurate, timely and clear information, encouraging constructive relations among the Directors and their interactions with Management and to facilitate the effective contribution of the non-executive directors.

The Acting Chief Executive Officer is responsible for overall management of the Group's day to day operations and is assisted by the other executive director and senior management.

The separation of the roles of the Chairman and Acting Chief Executive Officer ensures a balance of power and authority such that no one individual represents a considerable concentration of power.

Non-executive directors actively participate in discussions and decision making at Board and Committee levels and have regular open discussions with Management.

Principle 4: Board Membership

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

1.	Mr Chong Fook Choy, Christopher	-	Chairman
2.	Mr Hudson Chua Jain	-	Member
3.	Mr Lew Oon Yew	-	Member

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. Any person appointed by the Directors either to fill a casual vacancy or as an additional Director 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 Hudson Chua Jain	-	Chairman
2.	Mr Lew Oon Yew	-	Member
3.	Mr Chong Fook Choy, Christopher	-	Member

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 2011 are as follows:

Name	Salary (%)	Bonus (%)	Directors' Fee (%)	Professional Fees (%)	Total (%)
S$500,000 and above					
Dr Chong Lai Leong, William Executive Director & Ag Chief Executive Officer Note 1	6	8	NA	86	100
Dr Huang Hsiang Shui, Martin Executive Director Note 2	3	12	NA	85	100
>S$250,000 and <S$500,000					
Mr Kwan Benny Ahadi Note 3 Non-Independent Non-Executive Director	98	NA	2	NA	100
Below S$250,000					
Mr Lew Oon Yew Note 4 Non-Independent Non-Executive Chairman	NA	NA	100	NA	100
Mr Chong Fook Choy, Christopher Note 5 Independent Non-Executive Director	NA	NA	100	NA	100
Mr Hudson Chua Jain Note 5 Independent Non-Executive Director	NA	NA	100	NA	100
Mr Chee Hong Leong Note 6 Non-Independent Non-Executive Director	NA	NA	100	NA	100
Ms Sri Widati Ernawan Putri Note 7 Non-Independent Non-Executive Director	100	NA	NA	NA	100
Mr Wu Chin Loong, Paul Note 8 Alternate Director to Mr Chee Hong Leong	NA	NA	NA	NA	NA
Mr Lee Kiam Hwee, Kelvin Note 9	NA	NA	100	NA	NA
Mr Chandra Mohan s/o Rethnam Note 10	NA	NA	100	NA	NA
Mr Marcel Han Liong Tjia Note 11	NA	NA	100	NA	NA
Mr Sim Swee Yam, Peter Note 12	NA	NA	100	NA	NA

NA: Not Applicable

Note:
1. Dr Chong Lai Leong, William stepped down as Executive Director and Chief Executive Officer on 31 May, 2011 and remained as a non-executive director on the Board until 18 November, 2011 when he was appointed as executive director and Acting Chief Executive Officer.
2. Dr Huang Hsiang Shui, Martin retired at the AGM held on 29 April 2011 and was appointed as Director of the Company at an EGM held on 14 November 2011, and as Executive Director on 18 November 2011.
3. Mr Kwan Benny Ahadi was appointed as Executive Chairman on 1 February 2011. He was re-designated Non-Executive Director on 18 November 2011. Between 1 June 2011 and 17 November 2011, he was the sole Executive Director.
4. Mr Lew Oon Yew retired at the AGM held on 29 April 2011 and was appointed as Director of the Company at an EGM held on 14 November 2011, and as Non-Executive Chairman on 18 November 2011.
5. Mr Hudson Chua Jain and Mr Chong Fook Choy, Christopher were appointed as Directors at an EGM held on 14 November 2011. They are both Non-Executive Independent Directors.
6. Mr Chee Hong Leong was appointed as Director at an EGM held on 14 November 2011. He is a Non-Executive, Non-Independent Director.
7. Ms Sri Widati Ernawan Putri was appointed Executive Director on 1 February 2011. She was re-designated Non-Executive Director on 1 June 2011.
8. Mr Wu Chin Loong, Paul retired at the AGM held on 29 April 2011. He has been appointed as the alternate director to Mr Chee Hong Leong w.e.f. 27 February 2012.
9. Mr Kelvin Lee resigned as the Non-Executive and Independent Director w.e.f. 29 February 2012.
10. Mr Chandra Mohan s/o Rethnam was appointed as the Non-Executive and Independent Director, member to the AC, NC and RC w.e.f. 17 March 2011 and re-designated to Chairman of NC w.e.f. 27 May 2011. He resigned as the Non-Executive and Independent Director w.e.f. 29 February 2012.
11. Mr Marcel Han Liong Tjia was appointed as the Non-Executive and Independent Director on 29 November 2010, member of AC and NC and Chairman of RC w.e.f. 17 March 2011. He resigned as the Non-Executive and Independent Director w.e.f. 29 February 2012.
12. Mr Sim Swee Yam, Peter retired at the AGM held on 29 April 2011. He was appointed as our Non-Executive Chairman and Independent Director on 5 September 2005.

(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 2011.

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 current AC, appointed on 29 February 2012, are as follows:

1. Mr Hudson Chua Jain - Chairman
2. Mr Lew Oon Yew - Member
3. Mr Chong Fook Choy, Christopher - Member

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;
(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; and
(g) to review the adequacy of the Group's internal control, including financial, operational and compliance risk.

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.

The external auditors, Ernst & Young LLP did not provide any non-audit services to the Group during the year of 2011.

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.

The external and internal auditors has been engaged to review the adequacy of the Group’s system of internal controls, ensure internal control weaknesses are ratified and if necessary, update the SGX-ST on any findings and any follow-up action taken by the AC.

The AC will ensure that the review of the effectiveness of the Group’s material internal controls, including financial, operational and compliance controls and risk management is conducted annually. In this respect, the AC will review the audit plans and the findings of the auditors and will ensure that the Group follows up on the auditors’ recommendations raised, if any, during the audit process.

Based on the internal controls maintained by the Group and review conducted and reports by the Internal and External Auditors and the Management, the Board and the AC have reviewed and affirmed the adequacy of the Group’s internal control, including financial, operational and compliance risk.

The Board, with the concurrence of the Audit Committee members, having assessed, making reasonable enquiries as to the works performed by the external auditors, internal auditors and management team, are of the opinion that the system of internal controls in place is reasonable adequate in mitigating the financial, operational and compliance risks in the current scope of the Group's business operations. However, in view of administrative lapses, the Board will appoint appropriate professionals to review the system of control and make the necessary recommendations to avoid recurrences.

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 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 2011.

VI. DEALINGS IN SECURITIES

In line with Chapter 12, Rule 1207(19) 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.

VII. MATERIAL CONTRACT

Save for the Agreements which have been published in the SGX-ST, 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 2011.

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.

REPORT OF THE DIRECTORS

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 2011.

1. Directors

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

Mr Lew Oon Yew - Chairman
Dr Chong Lai Leong, William – Acting Chief Executive Officer
Dr Huang Hsiang Shui, Martin
Mr Chong Fook Choy, Christopher
Mr Hudson Chua Jain
Mr Chee Hong Leong
Mr Kwan Benny Ahadi
Ms Sri Widati Ernawan Putri
Mr Wu Chin Loong, Paul – Alternate Director to Mr Chee Hong Leong

In accordance with Article 91 of the Company's Articles of Association, Mr Kwan Benny Ahadi, Ms Sri Widati Ernawan Putri, and Dr Chong Lai Leong, William shall retire at the forthcoming Annual General Meeting of the Company.

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				
Dr Chong Lai Leong, William	7,398,684	8,087,684	22,822,000	23,022,000
Dr Huang Hsiang Shui, Martin	13,090,180	13,452,180	–	–
Mr Kwan Benny, Ahadi	-	-	115,343,042	117,627,042
Ms Sri Widati Ernawan Putri	-	-	115,343,042	117,627,042
Mr Marcel Han Liong Tjia	-	-	-	300,000

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

There was no changes in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2012, except for:-

(i) Mr Benny Kwan Ahadi disposed of his direct interest of 185,000 ordinary shares; and

(ii) Dr Chong Lai Leong, William increased his deemed interest by 1,167,000 ordinary shares

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).

6. Warrants

There were no outstanding warrants or new warrants issued by the Company during the year ended 31 December 2011.

7. Update on use of placement proceeds

On 30 June 2010, the Company completed the placement of 73,012,692 new ordinary shares at the issue price of S$0.11 for each share to Al-Faiz Fund I Limited, amounting to S$8,018,000 after deducting the related expenses.

During the financial year ended 31 December 2010, S$1,550,000 of the net proceeds was used for the development of a cancer centre and S$2,000,000 was used as general working capital.

7. Update on use of placement proceeds (cont'd)

As at 31 December 2011, the balance S$4,468,000 of the net proceeds from the placement was disbursed and utilized as follows:

Description of use of placement proceeds	Amount disbursed S$'000
Development of cancer centre	2,018
General working capital	1,845
Loan repayment	305
Other projects	300
	4,468

On 28 September 2010, the Company completed the placement of 54,163,609 new ordinary shares at the issue price of S$0.11 for each share to Affluent Healthcare Holdings Pte. Ltd. amounting to S$5,817,000 after deducting the related expenses.

Description of use of placement proceeds	Amount disbursed S$'000
Development of cancer centre	1,620
General working capital	1,408
Other projects	1,420
	4,448

8. Audit committee

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

Mr Hudson Chua Jain	- Chairman
Mr Lew Oon Yew	- Member
Mr Chong Fook Choy, Christopher	- Member

The Chairman and the majority of the members of the AC are independent. Mr Lew Oon Yew is a non-executive director. They were appointed on 1 March 2012.

Mr Lee Kiam Hwee, Kelvin was Chairman of the AC and independent director throughout the financial year and stepped down on 29 February 2012.

During the financial year, there were changes in the composition of the AC as follows:

- Dr Chong Lai Leong, William and Mr Sim Swee Yam, Peter ceased to be members on 17 March 2011 and 29 April 2011 respectively.
- Mr Chandra Mohan s/o Rethnam and Mr Marcel Han Liong Tjia were appointed on 17 March 2011, and ceased to be members on 29 February 2012.

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 during the financial year.

8. Audit committee (cont'd)

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 reappointment at the forthcoming Annual General Meeting of the Company.

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

Other Matters

The Board of Directors wishes to highlight the differences of opinion between dissenting directors, who are also shareholders, on a wide range of issues including the choice and effectiveness of the management team, the composition of the Board of Directors of the parent company and its subsidiaries, the effectiveness and direction of the business turnaround plan, the budget, cost cutting measures, retention and remuneration of directors, senior doctors and staff, past and present investment decisions, including corporate governance issues related to them, issues relating to cash requirements including the necessity, method, quantum and timing of fund raising.

9. Independent Auditor

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

On behalf of the Board of Directors

Mr Lew Oon Yew Director	Dr Chong Lai Leong, William Director

STATEMENT BY DIRECTORS

We, Mr Lew Oon Yew 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 2011 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 as Valuecare Limited, a substantial shareholder, has committed to providing an interest-bearing shareholders' loan for a sum of up to $10,000,000 or subscribe to a Rights Issue for a sum of up to $12,000,000 if the cash balance of the Group were to fall below $8,000,000.

On behalf of the Board of Directors

Mr Lew Oon Yew
Director

Dr Chong Lai Leong, William
Director

INDEPENDENT AUDITORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011
TO THE MEMBERS OF PACIFIC HEALTHCARE HOLDINGS LTD.

Report on the financial statements

We were engaged to audit the accompanying financial statements of Pacific Healthcare Holdings Ltd (the Company) and its subsidiaries (collectively, the Group) set out on pages 33 to 108, which comprise the balance sheets the Group and the Company as at 31 December 2011, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

Basis for Disclaimer of Opinion

As set out in Note 2.1 of the financial statements, the Group incurred losses of $22,182,000 for the financial year ended 31 December 2011. As at that date, the Group and Company's current liabilities exceeded their current assets by $3,513,000 and $6,572,000 respectively. These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group and Company's ability to continue as going concerns.

As disclosed in Note 2.1, these financial statements have been prepared on the assumption that the Group and Company will be able to continue as going concerns, as the directors are exploring various options available and that Valuecare Limited, a substantial shareholder, has committed to provide a shareholders' loan for a sum of up to $10,000,000 or subscribe to a Rights Issue for a sum of up to $12,000,000 if the cash balance of the Group were to fall below $8,000,000, which will 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. However, we have been unable to obtain sufficient audit evidence to conclude as to the appropriateness of the use of the going concern assumption in the preparation of these financial statements.

Additionally, we draw attention to Note 2.1 in the financial statements which describes the differences in opinion between dissenting directors, who are also shareholders of the Company, on a wide range of issues. Based on information available to date, we are unable to determine if there will be any financial implications which may require adjustments to be made to the financial statements.

INDEPENDENT AUDITORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011
TO THE MEMBERS OF PACIFIC HEALTHCARE HOLDINGS LTD.

Disclaimer of opinion

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

Report on other legal and regulatory requirements

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

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore
4 May 2012

BALANCE SHEETS
AS AT 31 DECEMBER 2011

	Notes	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
ASSETS					
Current assets					
Cash and bank	4	9,810	16,936	1,907	10,657
Short term deposits, restricted in use	4	203	204	-	-
Trade and other receivables	5	8,303	9,127	10,849	7,036
Other assets	6	1,911	2,316	441	473
Inventories	7	2,476	2,635	18	18
		22,703	31,218	13,215	18,184
Non-current assets					
Investments in subsidiaries	8	-	-	9,905	14,758
Investments in associates	9	1,870	2,133	42	42
Other investments	10	171	986	360	675
Property, plant and equipment	11	15,699	19,031	3,469	4,266
Goodwill	12	-	11,333	-	-
Intangible assets	13	-	259	-	-
Other receivables	5	146	2,908	146	2,908
Other assets	6	3,754	5,336	-	-
		21,640	41,986	13,922	22,649
TOTAL ASSETS		44,343	73,204	27,137	40,833
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	14	15,229	15,679	13,975	12,916
Other liabilities	15	1,766	1,988	347	254
Derivatives	16	299	700	299	700
Income tax payable		895	896	-	-
Current portion of borrowings	17	7,597	9,457	5,001	6,109
Current portion of finance leases	18	430	1,054	165	604
		26,216	29,774	19,787	20,583
Net Current (Liabilities)/assets		(3,513)	1,444	(6,572)	(2,399)
Non-current liabilities					
Deferred tax liabilities	29	220	622	-	-
Provisions	19	916	1,070	389	368
Borrowings	17	1,202	2,920	37	123
Finance leases	18	133	469	-	165
		2,471	5,081	426	656
TOTAL LIABILITIES		28,687	34,855	20,213	21,239
Equity attributable to owners of the Company					
Share capital	20	53,093	53,093	53,093	53,093
Retained earnings		(38,575)	(16,393)	(46,169)	(33,499)
Other reserves	21	(843)	(808)	-	-
		13,675	35,892	6,924	19,594
Non-controlling interests		1,981	2,457	-	-
TOTAL EQUITY		15,656	38,349	6,924	19,594
TOTAL EQUITY AND LIABILITIES		44,343	73,204	27,137	40,833

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 2011

		Group	
	Notes	**2011**	**2010**
		$'000	$'000
Revenue	22	68,953	80,293
Other items of income			
Interest income	23	190	126
Other income	24	296	424
Items of expense			
Financial expense	25	(1,116)	(1,192)
Changes in inventories of consumables and medical supplies		(63)	(108)
Purchases of consumables and medical supplies		(15,377)	(17,559)
Employee benefits expense	26	(41,265)	(45,363)
Depreciation and amortisation	27	(3,883)	(4,646)
Rental expense		(8,360)	(9,593)
Other expenses	28	(22,896)	(15,105)
Share of results of associates		(113)	(451)
Loss before tax		(23,634)	(13,174)
Income tax credit	29	340	70
Loss for the year		(23,294)	(13,104)
Attributable to:			
Owners of the company		(22,182)	(12,803)
Non-controlling interests		(1,112)	(301)
		(23,294)	(13,104)
Loss per share attributable to owners of the company (cents per share)			
Basic	34	(5.44)	(3.86)
Diluted	34	(5.44)	(3.86)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Group	
	2011	**2010**
	$'000	$'000
Loss for the year	(23,294)	(13,104)
Other comprehensive expense:		
Translation differences relating to financial statements of foreign subsidiaries	(99)	(287)
Total comprehensive expense for the year	(23,393)	(13,391)
Total comprehensive expense attributable to:		
Owners of the company	(22,217)	(12,992)
Non-controlling interests	(1,176)	(399)
	(23,393)	(13,391)

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 2011

		Attributable to owners of the company						
Group	**Equity, total** S$'000	**Attributable to owners of the company, total** S$'000	**Share capital (Note 20)** S$'000	**Retained earnings** S$'000	**Other reserves, total (Note 21)** S$'000	**Foreign currency translation reserve** S$'000	**Premium paid on acquisition of non-controlling interests** S$'000	**Non-controlling interests** S$'000
Opening balance at 1 January 2011	38,349	35,892	53,093	(16,393)	(808)	(761)	(47)	2,457
Loss for the year	(23,294)	(22,182)	-	(22,182)	-	-	-	(1,112)
Other comprehensive expense								
Translation differences relating to financial statements of foreign subsidiaries	(99)	(35)	-	-	(35)	(35)	-	(64)
Other comprehensive expense for the year, net of tax	(99)	(35)	-	-	(35)	(35)	-	(64)
Total comprehensive expense for the year	(23,393)	(22,217)	-	(22,182)	(35)	(35)	-	(1,176)
Contributions by and distributions to owners								
Contribution from Non-controlling interests	700	-	-	-	-	-	-	700
Total contributions by and distributions to owners	700	-	-	-	-	-	-	700
Closing balance at 31 December 2011	15,656	13,675	53,093	(38,575)	(843)	(796)	(47)	1,981

Group	Equity, total S$'000	Attributable to owners of the company, total S$'000	Share capital (Note 20) S$'000	Retained earnings S$'000	Other reserves, total (Note 21) S$'000	Foreign currency translation reserve S$'000	Premium paid on acquisition of non-controlling interests S$'000	Non-controlling interests S$'000
		Attributable to owners of the company						
Opening balance at 1 January 2010	37,955	35,096	39,258	(3,590)	(572)	(572)	–	2,859
Loss for the year	(13,104)	(12,803)	–	(12,803)	–	–	–	(301)
Other comprehensive expense								
Translation differences relating to financial statements of foreign subsidiaries	(287)	(189)	–	–	(189)	(189)	–	(98)
Other comprehensive expense for the year, net of tax	(287)	(189)	–	–	(189)	(189)	–	(98)
Total comprehensive expense for the year	(13,391)	(12,992)	–	(12,803)	(189)	(189)	–	(399)
Contributions by and distributions to owners								
Issue of ordinary shares	13,835	13,835	13,835	–	–	–	–	–
Dividend paid to non-controlling interests	(50)	–	–	–	–	–	–	(50)
Total contributions by and distributions to owners	13,785	13,835	13,835	–	–	–	–	(50)
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Acquisition of non-controlling interests	–	(47)	–	–	(47)	–	(47)	47
Total changes in ownership interests in subsidiaries	–	(47)	–	–	(47)	–	(47)	47
Total transactions with owners in their capacity as owners	13,785	13,788	13,835	–	(47)	–	(47)	(3)
Closing balance at 31 December 2010	38,349	35,892	53,093	(16,393)	(808)	(761)	(47)	2,457

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 2011

Company	**Equity, total** S$'000	**Share capital** S$'000	**Retained earnings** S$'000
Opening balance at 1 January 2011	19,594	53,093	(33,499)
Loss for the year	(12,670)	-	(12,670)
Other comprehensive expense for the year, net of tax	-	-	-
Total comprehensive expense for the year	(12,670)	-	(12,670)
Total transactions with owners in their capacity as owners	-	-	-
Closing balance at 31 December 2011	6,924	53,093	(46,169)
Opening balance at 1 January 2010	30,211	39,258	(9,047)
Loss for the year	(24,452)	–	(24,452)
Other comprehensive expense for the year, net of tax	–	–	–
Total comprehensive expense for the year	(24,452)	–	(24,452)
Contributions by and distributions to owners			
Issue of ordinary shares	13,835	13,835	–
Total transactions with owners in their capacity as owners	13,835	13,835	–
Closing balance at 31 December 2010	19,594	53,093	(33,499)

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 2011

	Group	
	2011	**2010**
	$'000	$'000
Cash flows from operating activities:		
Loss before tax	(23,634)	(13,174)
Adjustments for:		
Depreciation expense	3,830	4,593
Interest income	(190)	(126)
Interest expense	1,116	1,192
Fair value adjustment on financial assets and financial liabilities	6	6
Net fair value (gain)/loss on derivatives	(401)	433
Bad trade receivables written off	102	114
Provision for doubtful debts	775	811
Share of results of associates	113	451
Impairment loss on goodwill	11,333	3,108
Impairment loss on investments in associates	-	623
Impairment loss on other investments	815	939
Impairment loss on plant and equipment	1,245	59
Impairment loss on intangible assets	206	-
Amortisation of intangible assets	53	53
Loss on disposal of plant and equipment	49	401
Loss on disposal of subsidiaries/business units	99	-
Gain on disposal of associates	-	(10)
Unrealised exchange loss, net	27	57
Operating cash flows before changes in working capital	(4,456)	(470)
Cash restricted in use	1	101
Trade and other receivables	4,492	3,067
Inventories	159	108
Trade and other payables	(432)	1,687
Cash flows (used in)/from operations	(236)	4,493
Income tax (paid)/refunded	(55)	6
Net cash flows (used in)/from operating activities	(291)	4,499
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment	96	188
Purchase consideration paid for purchase of subsidiaries	-	(30)
Purchase of property, plant and equipment (Note 4)	(1,935)	(1,254)
Net cash outflow on disposal of subsidiaries/business units (Note 30)	(184)	-
Dividend received from associates	150	75
Interest received	113	55
Net cash flows used in investing activities	(1,760)	(966)

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 2011

	Group	
	2011	**2010**
	$'000	$'000
Cash flows from financing activities:		
Proceeds from issuance of ordinary shares	-	13,835
Proceeds from borrowings	-	1,750
Repayment of borrowings	(3,578)	(5,705)
Repayment of obligation under finance leases	(1,066)	(1,563)
Interest paid	(1,116)	(1,192)
Dividend paid to non-controlling interests of a subsidiary	-	(50)
Capital contribution from non-controlling interests	700	-
Net cash flows (used in)/from financing activities	(5,060)	7,075
Net (decrease)/increase in cash and cash equivalents	(7,111)	10,608
Effect of exchange rate changes on cash and cash equivalents	(15)	4
Cash and cash equivalents at beginning of year	16,936	6,324
Cash and cash equivalents at end of year (Note 4)	9,810	16,936

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 Company at $22,177,000 and $12,665,000 respectively for the year ended 31 December 2011. As at that date, the Group and Company were in a net current liability position of $3,513,000 (2010: net tangible asset position of $1,444,000) and $6,572,000 (2010: net tangible liability position of $2,399,000) respectively.

The directors are currently exploring various options available to the Company and are of the opinion that the financial statements of the Group and Company can be prepared on a going concern basis as Valuecare Limited, a substantial shareholder, has committed to providing a interest-bearing shareholders' loan for a sum of up $10,000,000 or subscribe to a Rights Issue for a sum of up to $12,000,000 if the cash balance of the Group were to fall below $8,000,000, which will 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 Board of Directors wishes to highlight the differences of opinion between dissenting directors, who are also shareholders, on a wide range of issues including the choice and effectiveness of the management team, the composition of the Board of Directors of the Company and its subsidiaries, the effectiveness and direction of the business turnaround plan, the budget, cost cutting measures, retention and remuneration of directors, senior doctors and staff, past and present investment decisions, including corporate governance issues related to them, issues relating to cash requirements including the necessity, method, quantum and timing of fund raising.

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 in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2011. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

2.3 ***Standards issued but not yet effective***

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendment to FRS 107: *Transfers of Financial Assets*	1 July 2011
Amendment to FRS 12: *Deferred Tax: Recovery of Underlying Assets*	1 January 2012
Amendments to FRS 1: *Presentation of Items of Other Comprehensive Income*	1 July 2012
FRS 110 *Consolidated Financial Statements*	1 January 2013
FRS 111 *Joint Arrangements*	1 January 2013
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2013
FRS 113 *Fair Value Measurements*	1 January 2013
Revised FRS 19: *Employee Benefits*	1 January 2013
Revised FRS 27: Separate Financial Statements	1 January 2013
Revised FRS 28: *Investments in Associates and Joint Ventures*	1 January 2013

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 except for those described below.

Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*

The Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income* (OCI) is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

FRS 110 *Consolidated Financial Statements* and FRS 27 *Separate Financial Statements* (Revised)

FRS 110 and the revised FRS 27 are effective for financial periods beginning on or after 1 January 2013.

FRS 110 establishes a single control model that applies to all entities (including special purpose entities). The changes introduced by FRS 110 will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by the Group, compared with the requirements that were in FRS 27. Therefore, FRS110 may change which entities are consolidated within a group. The revised FRS 27 was amended to address accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The Group does not expect adoption of these standards to have material impact to the financial statements.

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

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

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 is effective for financial periods beginning on or after 1 January 2013.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. The Group is currently determining the impact of the disclosure requirements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2013.

2.4 ***Basis of consolidation and business combinations***

(a) ***Basic of consolidation***

Business combinations from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. 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.

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.

Losses within a subsidiary are attributed to the non- controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

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

2.4 ***Basis of consolidation and business combinations (cont'd)***

(a) ***Basic of consolidation (cont'd)***

Business combinations from 1 January 2010 (cont'd)

Certain of the above-mentioned requirements were applied on a prospective basis. The Following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests, prior to 1 January 2010, was accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognized in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying values of such investments as at 1 January 2010 have not been restated.

(b) ***Business combinations***

Business combinations from 1 January 2010

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with FRS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not to be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquire are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognized in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.8(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

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

2.4 ***Basis of consolidation and business combinations (cont'd)***

(b) ***Business combinations (cont'd)***

Business combinations prior to 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2.5 ***Transactions with non-controlling interests***

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

2.6 ***Functional and foreign currency***

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) ***Transactions and balances***

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 end of the reporting period. 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.

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

2.6 ***Functional and foreign currency (cont'd)***

(a) ***Transactions and balances (cont'd)***

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognized in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, 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 on disposal of the foreign operation.

(b) ***Consolidated financial statements***

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognized in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.7 ***Property, plant and equipment***

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing cost is set out in Note 2.20. The cost of an item of property, plant and equipment is recognized 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.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognizes such part as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation of an asset begins when it is available for use and is computed on a straight line basis over the estimated useful life of the assets as follow:

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

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

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

2.7 ***Property, plant and equipment (cont'd)***

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 arising 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 is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

The cash-generating units 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. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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 2.4.

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.

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

2.8 ***Intangible assets (cont'd)***

(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. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in the year in which this expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

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. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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.

2.9 ***Impairment of non-financial assets***

The Group assesses at each reporting period 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 or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

2.9 ***Impairment of non-financial assets (cont'd)***

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized 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 recognized. 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 recognized previously. Such reversal is recognized in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

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 carried on the statement of financial position 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 and is neither amortised nor tested individually for impairment. 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 included as income in the determination of the Group's share of results of the associate in the period in which the investment is acquired.

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates is shown on the face of profit or loss after tax and non-controlling interests in the subsidiaries of associates.

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

2.11 ***Associates (cont'd)***

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.

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 reporting 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 profit or loss.

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

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognized in profit or loss.

2.12 ***Financial assets***

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

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.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

Subsequent 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.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

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

2.12 ***Financial assets*** **(cont'd)**

(b) ***Held-to-maturity investments***

Non-derivative 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, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

(c) ***Loans and receivables***

Non-derivative 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, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(d) ***Available-for-sale financial assets***

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently 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.

Derecognition

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.

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

2.13 ***Impairment of financial assets***

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

(a) ***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has 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. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in 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 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) ***Financial 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.

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

2.13 ***Impairment of financial assets (cont'd)***

(c) ***Available-for-sale financial assets***

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.14 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash at banks on hand demand deposits and short term, highly liquid investments 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 resources embodying economic benefit will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period 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. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

2.17 ***Government grants***

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments. Where the grant relates to income, the grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants relating to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other Income". Alternatively, they are deducted in reporting the related expenses.

2.18 ***Financial liabilities***

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities 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 liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 profit or loss.

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

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 in accordance with the terms of debt instalment.

Financial guarantees are recognised initially at fair value, 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 ***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. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.21 ***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 end of the reporting period.

2.22 ***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 even if that right is not explicitly specified in an arrangement. 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.

(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.

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

2.22 ***Leases (cont'd)***

(a) ***As lessee (cont'd)***

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 2.23(e).

Contingent rents are recognised as revenue in the period in which they are earned.

2.23 ***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 regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangement to determine if it is acting as principal or agent. The Group has concluded that it is acting a principle in all of its revenue arrangement. The following specific recognition criteria must also be met before revenue is recognised.

(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.

(d) ***Dividend income***

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

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

2.23 ***Revenue*** **(cont'd)**

(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.

2.24 ***Income taxes***

(a) ***Current income tax***

Current income 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 end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income 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. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) ***Deferred tax***

Deferred 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 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 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 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

- 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.

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

2.24 ***Income taxes (cont'd)***

(b) ***Deferred tax (cont'd)***

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 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 tax assets and deferred 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.

2.25 ***Derivative financial instruments***

Derivative financial instruments are classified as financial assets or liabilities at fair value through profit or loss and are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at the end of reporting period. Any gains or losses arising from changes in fair value on derivative financial instruments are taken to profit or loss for the year.

2.26 ***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 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

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

2.27 ***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.

2.28 ***Contingencies***

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

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

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.29 ***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 (2010: 5 years to 20 years).

2.30 ***Related parties***

A related party is defined as follow:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company;

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

2.30 ***Related parties (cont'd)***

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plank, the sponsoring employers are also related to the Company;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.31 ***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.

(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.

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

2.31 ***Significant accounting estimates and judgements (cont'd)***

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

(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 $9,905,000 (2010: $14,758,000) and $42,000 (2010: $42,000) respectively. The carrying value of the investment in associates for the Group as at the balance sheet date was $1,870,000 (2010: $2,133,000).

(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.

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

2.31 ***Significant accounting estimates and judgements (cont'd)***

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

(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 $4,568,000 (2010: $6,528,000) 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***

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. 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:

(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 $895,000 (2010: $896,000) and $220,000 (2010: $622,000) respectively.

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)*

(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. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in Note 38.

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**	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Director - rental expense	(47)	(46)	-	–
Associates of the Group:				
- Management fee income	83	88	83	88
- Utilities	-	37		–
- Rental income	587	587	503	497
- Rendering of services	1	1	-	–
- Facility charge	(10)	(9)	-	–
Other related parties:				
- Management fee income	120	412	120	412
- Rental income	406	406	406	406
- Agent fee	79	–	-	–

3. Related party transactions (cont'd)

3.3 ***Compensation of key management personnel***

	Group	
	2011	**2010**
	$'000	$'000
Short-term employee benefits	5,770	6,095
Central Provident Fund contributions	51	59
	5,821	6,154
Comprise amounts paid to:		
Directors of the Company	5,217	5,558
Other key management personnel	604	596
	5,821	6,154

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	
	2011	**2010**
	$'000	$'000
Fees to directors of the Company	164	102
Remuneration of directors of the Company +	5,053	5,456

\+ Includes professional fees paid to directors in their capacity as doctors as well as sign-on bonuses of $403,000 charged to the income statement (2010:$403,000)

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.

3.4 ***Commitments and contingencies***

	Company	
	2011	**2010**
	$'000	$'000
Financial guarantees given by the Company to banks for loans granted to subsidiaries	3,761	6,144

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 other restricted cash

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Cash and bank				
Cash at banks and on hand	8,757	6,600	854	321
Short term deposits, not restricted in use	1,053	10,336	1,053	10,336
	9,810	16,936	1,907	10,657

Short term deposits, restricted in use - Definition

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

Cash Management

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 0.06% to 0.7% (2010: 0.06% to 0.7%) per annum.

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	
	2011	**2010**
	$'000	$'000
Cash and cash equivalents at end of year	9,810	16,936
Purchase of property, plant and equipment:		
Aggregate cost of property, plant and equipment acquired (Note 11)	2,041	1,320
Adjustments:		
Under finance leases and borrowings	(106)	(66)
Cash payments to acquire property, plant and equipment	1,935	1,254

5. Trade and other receivables

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Trade and other receivables (current):				
Trade receivables:				
Outside parties	4,575	5,471	-	–
Less: Allowance for impairment	(1,205)	(1,117)	-	–
Subsidiaries		–	2,619	2,455
Other receivables:				
Amounts due from associates	1,897	1,454	1,259	916
Less: Allowance for impairment	(1,831)	(1,373)	(1,242)	(866)
Deposits				
- Rental	1,846	1,579	1,076	898
- Related party	12	12	-	–
- Others	136	1,288	23	23
Amounts due from doctors/former doctors	1,203	816	-	–
Less: Allowance for impairment	(622)	(403)	-	–
Amounts due from a former owner of a business unit	-	127	-	–
Less: Allowance for impairment	-	(127)	-	–
Consideration receivables for disposal of associates	37	145	37	145
Less: Allowance for impairment	(37)	(145)	(37)	(145)
Other receivables	1,671	1,428	871	844
Less: Allowance for impairment	(1,455)	(1,343)	(836)	(836)
Other related parties				
- Consideration receivable for disposal of subsidiaries and a business unit and dividends receivable	1,690	512	1,690	300
- Others	112	273	112	113
Less: Allowance for impairment	(8)	(16)	–	–
Amounts due from former associate	269	531	269	531
Amounts due from subsidiaries	-	–	5,008	2,656
Employee loans	13	15		2
	8,303	9,127	10,849	7,036
Other receivables (non-current):				
Amounts due from doctors/ former doctors	125	125	-	–
Less: Allowance for impairment	(125)	(125)	-	–
Other related parties				
- Consideration receivable for disposal of subsidiaries and a business unit and dividends receivable	146	2,908	146	2,908
	146	2,908	146	2,908

5. Trade and other receivables (cont'd)

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Total trade and other receivables (current and non-current)	8,449	12,035	10,995	9,944
Add				
Cash and short-term deposits (Note 4)	9,810	16,936	1,907	10,657
Short term deposits, restricted in use (Note 4)	203	204	-	–
Total loans and receivables	18,462	29,175	12,902	20,601

The credit periods generally granted to non-related trade receivable customers for the Group range from 30 to 90 days (2010: 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 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 $37,000 (2010: $145,000) 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 $1,836,000 (2010: $3,208,000) owing from Radlink-Asia Pte Ltd for the disposal of certain subsidiaries on 1 December 2006 and dividends receivable. This amount is recorded at fair value. On 6th May 2011, a Deed of Settlement was signed with Radlink-Asia Pte Ltd ("Radlink") to set out the repayment terms for the balance owing from Radlink. This amount will be repayable over 22 monthly instalments commencing 15th April 2011.

The loans to employees are unsecured and 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 $1,286,000 (2010: $1,029,000) and other receivables amounting to $1,319,000 (2010: $1,398,000) 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	
	2011	**2010**
	$'000	$'000
Trade receivables past due:		
Lesser than 30 days	424	276
30-60 days	245	127
61-90 days	87	200
91-120 days	98	123
More than 120 days	432	303
	1,286	1,029
Other receivables past due:		
Lesser than 30 days	190	245
30-60 days	2	44
61-90 days	4	45
91-120 days	2	45
More than 120 days	1,121	1,019
	1,319	1,398

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	
	2011	**2010**
	$'000	$'000
Trade receivables – nominal amounts	1,205	1,117
Less: Allowance for impairment	(1,205)	(1,117)
	-	–
Movements in allowance accounts:		
At 1 January	1,117	1,348
Charge/(write back) for the year	93	(155)
Written off	(5)	(76)
At 31 December	1,205	1,117

5. Trade and other receivables (cont'd)

Receivables that are impaired (cont'd)

	Group	
	2011	**2010**
	$'000	$'000
Amounts due from associates – nominal amounts	1,831	1,373
Less: Allowance for impairment	(1,831)	(1,373)
	-	–
Movements in allowance accounts:		
At 1 January	1,373	1,718
Charge for the year	458	292
Written off	-	(637)
At 31 December	1,831	1,373
Amounts due from doctors/former doctors – nominal amounts (current and non-current)	765	546
Less: Allowance for impairment	(747)	(528)
	18	18
Movements in allowance accounts:		
At 1 January	528	464
Charge for the year	219	64
At 31 December	747	528
Amounts due from a former owner of a business unit – nominal amounts	-	127
Less: Allowance for impairment	-	(127)
	-	–
Movements in allowance accounts:		
At 1 January	127	127
Written off	(127)	–
At 31 December	-	127

5. Trade and other receivables (cont'd)

Receivables that are impaired (cont'd)

	Group	
	2011	**2010**
	$'000	$'000
Other related parties – nominal amounts	8	16
Less: Allowance for impairment	(8)	(16)
	-	–

Movements in allowance accounts:		
At 1 January	16	346
Written off	(8)	(330)
At 31 December	8	16

Other receivables – nominal amounts	1,492	1,497
Less: Allowance for impairment	(1,492)	(1,488)
	-	9

Movements in allowance accounts:		
At 1 January	1,488	1,121
Charge for the year	5	610
Written off	(2)	(233)
Exchange differences	1	(10)
At 31 December	1,492	1,488

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 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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Other assets (current):				
Prepayments	614	511	107	78
Sign-on bonuses	824	1,248	-	-
Deferred lease expenses	473	557	334	395
	1,911	2,316	441	473
Other assets (non-current):				
Prepayments	10	56	-	-
Sign-on bonuses	3,744	5,280	-	-
	3,754	5,336	-	-

7. Inventories

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Balance sheet:				
Medical supplies at cost	2,476	2,635	18	18
Income statement:				
Inventories recognised as an expense	15,440	17,667		

8. Investments in subsidiaries

	Company	
	2011	2010
	$'000	$'000
Unquoted equity shares at cost	25,032	25,492
Less: Allowance for impairment	(21,449)	(18,656)
Costs incurred in relation to acquisition of subsidiaries	335	335
Quasi-equity loans	11,088	11,088
Less: Allowance for impairment	(5,101)	(3,501)
Total cost	9,905	14,758
Movements in above allowance:		
At 1 January	22,157	10,123
Impairment loss charged to income statement	4,393	12,034
At 31 December	26,550	22,157

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.

8. Investments in subsidiaries (cont'd)

During the financial year, management performed an impairment test for the investment in subsidiaries which have been persistently making losses. An impairment loss of $4,393,000 (2010: $12,034,000) was recognised for the year ended 31 December 2011 to write down these subsidiaries to their recoverable amounts.

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**	
	2011	**2010**
	%	%
Pacific Surgical and Endoscopy Centre Pte Ltd formerly known as (Specialist Surgery and Laser Centre Pte Ltd)[a] Singapore Provision of day surgical facilities	100	100
Pacific Cancer Centre 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
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 [a] Singapore Investment holding	100	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 (disposed on 8 July 2011) Provision of cosmetic surgical services	-	80
Pacific Healthcare Limited [c] Hong Kong Investment holding and provision of management services	100	100
Pacific Dental Implant Centre Pte Ltd [a] [g] 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 2011 %	2010 %
Pacific Specialist Services Pte Ltd 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
Pacific Healthcare (Indonesia) Pte Ltd Singapore Provision of dental training	100	100
PacHealth Medical Services Pte Ltd [(f)] India Provision of cosmetic surgery & dentistry services	92.5	92.5
Rejuvemed Pte Ltd [(b) (g)] Singapore (liquidated on 12 February 2011)	-	100
Customized Health Solutions Pte Ltd [(e)] Singapore Compounding of pharmaceutical & biological products	100	100
<u>Held by Atria Pan Dental Group Pte Ltd</u> Cross Marketing Services Pte Ltd Singapore Trading of implants	100	100
<u>Held by Pacific Healthcare Asia Pte Ltd</u> Asia Lifeline Medical Services Pte Ltd [(b) (i)] Singapore Provision of medical assistance services	100	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

8. Investments in subsidiaries (cont'd)

Name of subsidiaries, country of incorporation and principal activities	Percentage of equity held by the Group 2011 %	2010 %
<u>Held by Pacific Healthcare Indonesia Pte Ltd</u>		
PT Pacific Healthcare Services Indonesia (acquired on 25 March 2011) Indonesia Provision of specialist medical and dental services	51	-
<u>Held by Pacific Healthcare Limited</u>		
Health Concepts Limited [c] Hong Kong Provision of medical and health schemes services	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 [c] Hong Kong Investment holding	100	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

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

(b) Audited by BDO Limited, Hong Kong.

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

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

(e) In the process of liquidation.

9. Investments in associates

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Unquoted equity shares at cost to the Company	-	-	807	807
Share of net assets of associates	1,870	2,133	-	-
Less: Allowance for impairment	-	-	(765)	(765)
	1,870	2,133	42	42

	Group	
	2011	2010
	$'000	$'000
Movements in above allowance:		
At 1 January	727	104
Impairment loss charged to income statement	-	623
At 31 December	727	727

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	
	2011	2010
	%	%
Held by the Company		
The Wellness Lounge Pte Ltd [(a)] Singapore Provision of services and products related to wellness and beauty	48	48
Pacific Health Therapies Pte Ltd [(a)] Singapore Provision of non-medical wellness services	40	40
Mediplex Asia Co. Ltd [(b)] Thailand Provision of investment and management services relating to health and wellness business	49	49
Thai Mediplex Co. Ltd [(b)] Thailand Management and operations of health and wellness specialist centre	30	30
Held by Pacific Healthcare Specialist Services Pte Ltd		
iKids Paediatric Practice Pte Ltd [(a)] Singapore Provision of specialised medical and paediatric services	50	50
Held by Pacific Healthcare Asia Pte Ltd		
Synergy Healthcare Investments Pte Ltd [(a)] Singapore Investment holding	40	40

9. Investments in associates (cont'd)

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

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

[(c)] 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 $1,171,000(2010: $951,000), of which $223,000 (2010: $290,000) was the share of the current year's losses. The Group has no obligation in respect of these losses.

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

	Group	
	2011	**2010**
	$'000	$'000
Assets and liabilities:		
Total assets	6,075	9,055
Total liabilities	(2,699)	(2,421)
Results:		
Revenue	1,645	2,162
Loss for the year	(216)	(1,734)

10. Other investments

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Available-for-sale financial assets:				
Unquoted equity shares at cost	3,243	3,243	2,635	2,635
Less: Allowance for impairment	(3,072)	(2,257)	(2,275)	(1,960)
	171	986	360	675

	Group	
	2011	**2010**
	$'000	$'000
Movements in above allowance:		
At 1 January	2,257	1,318
Impairment loss charged to income statement included in other expenses	815	939
At 31 December	3,072	2,257

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	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Pacific Healthcare Nursing Home Pte Ltd [(a)] Singapore Provision of nursing home services	120	120	360	360
Prestige Healthcare Investments Private Limited [(b)] Singapore Investment holding	353	353	-	-
Cure Heart Ltd. [(c)] Mauritius Investment holding	1,930	1,930	1,930	1,930
Pacific Eldercare and Nursing Pte Ltd [(d)] Singapore Provision of nursing home services	289	289	345	345
Birla-Pacific MedSpa Private Limited [(e)] India Management and operations of medical spas	551	551	-	-
	3,243	3,243	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 $315,000 (2010: $650,000). 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. During the financial year, the Group recognised an impairment loss of $500,000 (2010: $345,000). The impairment loss provided reflects the fair value of an investment which is less than its cost.

During the financial year, the Group recognised an impairment loss of $500,000 (2010: Nil). The impairment loss provided reflects the fair value of an investment which is less than its cost.

(e) During the financial year, Birla-Pacific MedSpa Private Limited allocated new shares to outside parties resulting in dilution of the Group's interest in the former associate from 10% to 5%.

11. Property, plant and equipment

Group	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Cost:			
At 1 January 2010	16,645	21,297	37,942
Exchange differences	(158)	(145)	(303)
Additions (Note 4)	319	1,001	1,320
Disposals	(354)	(890)	(1,244)
At 31 December 2010 and 1 January 2011	16,452	21,263	37,715
Exchange differences	137	133	270
Additions (Note 4)	976	1,065	2,041
Disposals	(273)	(289)	(562)
Disposal of subsidiary	(72)	(40)	(112)
At 31 December 2011	17,220	22,132	39,352
Accumulated depreciation and impairment loss:			
At 1 January 2010	6,384	8,401	14,785
Exchange differences	(34)	(71)	(105)
Depreciation charge for the year	1,634	2,959	4,593
Disposals	(118)	(530)	(648)
Impairment loss	–	59	59
At 31 December 2010 and 1 January 2011	7,866	10,818	18,684
Exchange differences	91	113	204
Depreciation charge for the year	1,203	2,627	3,830
Disposals	(25)	(196)	(221)
Disposals of a subsidiary	(54)	(35)	(89)
Impairment loss	834	411	1,245
At 31 December 2011	9,915	13,738	23,653
Net carrying amount:			
At 31 December 2010	8,586	10,445	19,031
At 31 December 2011	7,305	8,394	15,699

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

Company	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Cost:			
At 1 January 2010	5,170	1,946	7,116
Additions	14	209	223
Disposals	-	(8)	(8)
At 31 December 2010 and 1 January 2011	5,184	2,147	7,331
Additions	43	62	105
At 31 December 2011	5,227	2,209	7,436
Accumulated depreciation:			
At 1 January 2010	1,321	835	2,156
Depreciation charge for the year	516	401	917
Disposals	-	(8)	(8)
At 31 December 2010 and 1 January 2011	1,837	1,228	3,065
Depreciation charge for the year	513	389	902
At 31 December 2011	2,350	1,617	3,967
Net carrying amount:			
At 31 December 2010	3,347	919	4,266
At 31 December 2011	2,877	592	3,469

Assets held under finance leases and borrowings

During the financial year, the Group and Company acquired, plant and equipment with an aggregate cost of $106,000 (2010: $66,000) by means of finance leases. The cash outflow on acquisition of leasehold improvements, plant and equipment of the Group amounted to $1,935,000 (2010: $1,254,000).

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

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Leasehold improvements	658	2,149	626	1,748
Plant and equipment	1,291	1,892	256	563
At 31 December	1,949	4,041	882	2,311

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 $1,586,000 (2010: $2,130,000) are mortgaged to secure the Group's bank loans (Note 17).

Impairment of assets

During the financial year ended 31 December 2011, a subsidiary of the Group within the Medical and Dentistry segments, Pacific Healthcare Limited carried out a review of the recoverable amount of its equipment because it has been idle for a year. An impairment loss of $1,245,000, representing the write-down of these 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 2011.

12. Goodwill

	Group
	$'000
Cost:	
At 1 January 2010	24,446
Exchange differences	(123)
At 31 December 2010, 1 January 2011 and 31 December 2011	24,323
Accumulated impairment:	
At 1 January 2010	9,965
Impairment loss	3,108
Exchange differences	(83)
At 31 December 2010 and 1 January 2011	12,990
Impairment loss	11,333
At 31 December 2011	24,323
Net carrying amount:	
At 31 December 2010	11,333
At 31 December 2011	-

12. Goodwill (cont'd)

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 the Medical division is the general practice medical clinics which emphasises 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.

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

	Group	
	2011	**2010**
	$'000	$'000
Medical segment	-	7,243
Dentistry segment	-	4,090
	-	11,333

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.

12. Goodwill (cont'd)

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

		Medical	Dentistry
2010:			
Growth rates	:	9% for FY2010 to FY2015; 3% in perpetuity	9% for FY2010 to FY2015; 3% in perpetuity
Pre-tax discount rates	:	13.6%	14.3%
2011:			
Growth rates	:	3% for FY2011 to FY2016; 0% in perpetuity	3% for FY2010 to FY2015; 0% in perpetuity
Pre-tax discount rates	:	14.6%	14.6%

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.

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, which are calculated based on the median of comparable companies' indications, after adjustments for differences in risks and growth. 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 marketability discount and small capitalisation discount have been derived based on the size of the Company, industry attractiveness and the Company dividend payout. The control premium was calculated based on the investment climate, industry dynamic and recent comparable transactions.

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

Impairment loss

During the financial year, an impairment loss was recognised to write-down the carrying amount of goodwill relating to the Medical and Dentistry segments. The impairment loss of $11,333,000 (2010: $3,108,000) 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 2010, 31 December 2010, 1 January 2011 and 31 December 2011	5,879	752	6,631
Accumulated amortisation and impairment:			
At 1 January 2010	5,724	595	6,319
Amortisation	14	39	53
At 31 December 2010 and 1 January 2011	5,738	634	6,372
Amortisation	14	39	53
Impairment loss	127	79	206
At 31 December 2011	5,879	752	6,631
Net carrying amount:			
At 31 December 2010	141	118	259
At 31 December 2011	-	-	-

Brands

Brands relate to the subsidiaries' brand names for their specialised imaging services and dental services that were acquired in business combinations. Brands have finite useful lives, and have net carrying amount of $ Nil (2010: $141,000).

Customer relationship

Customer relationship relates to the clientele base that was acquired in business combinations. The net carrying amounts are Nil (2010: $37,000) and Nil (2010: $81,000).

Amortisation

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

During the financial year, an impairment loss was recognised to write-down the carrying amount of brand and customer relationship. The impairment loss of $206,000 (2010: Nil) was charged to the income statement under the line item 'Other expenses' (Note 28).

14. Trade and other payables

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Trade and other payables (current):				
Trade payables:				
Outside parties	4,997	5,912	237	210
Other payables:				
Amounts due to associates	667	235	276	-
Subsidiaries	-	-	10,698	10,064
Directors	1,100	727	-	-
For purchase of investments				
- to be settled by cash	2,123	2,123	2,123	2,123
Amounts payable to doctors	3,461	4,574	-	-
Deposits received	450	502	494	464
Amount due to minority shareholder of a subsidiary	180	300	-	-
Others	2,251	1,306	147	55
	15,229	15,679	13,975	12,916
Total trade and other payables	15,229	15,679	13,975	12,916
Add:				
- Accrued liabilities (Note 15)	1,764	1,980	322	198
- Loans and borrowings (Note 17)	8,799	12,377	5,038	6,232
- Finance leases (Note 18)	563	1,523	165	769
Total financial liabilities carried at amortised cost	26,355	31,559	19,500	20,115

The average credit period taken by the Group to settle non-related trade payables range from 90 to 120 days (2010: 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.

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	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Accrued liabilities	1,764	1,980	322	198
Deferred lease income	2	8	25	56
	1,766	1,988	347	254

16. Derivatives

	Group			
	2011		**2010**	
	$'000		$'000	
	Contract/ Notional Amount	**Liabilities**	**Contract/ Notional Amount**	**Liabilities**
Interest rate swap, representing total held for trading liabilities	20,000	299	20,000	700

The interest rate swap is used to hedge cash flow interest rate risk arising from a floating rate SGD bank loan amounting to $4,915,000 (Notes 17 and 37(c)). This interest rate swap receives floating interest equal to SIBOR + 2.50% p.a. (2010: SIBOR + 2.50% p.a.), pays a floating interest equal to 6.60% - SIBOR + 2.50% p.a. (2010: SIBOR + 2.50% p.a.) pay a bloating interest equal to 6.60% - (1.5*SIBOR)% p.a. (2010: 6.60% - (1.5*SIBOR)% p.a.), subject to a minimum of zero. The interest rate swap terminates on 1 April 2012.

17. Borrowings

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Bank loans	8,799	12,377	5,038	6,232

The borrowings are repayable as follows:-				
Not later than one year	7,597	9,457	5,001	6,109
Later than one year but not later than five years	1,202	2,920	37	123
	8,799	12,377	5,038	6,232

17. Borrowings (cont'd)

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Bank loans comprise:				
Loan 1	–	1,113		1,113
Loan 2	4,915	4,915	4,915	4,915
Loan 3	1,979	3,229		–
Loan 4	819	1,182		–
Loan 5	963	1,734		–
Loan 6	123	204	123	204
	8,799	12,377	5,038	6,232

Loan 1: 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 revoiving term loan limit of $1,500,000. The effective interest rate is 6.50% (2010: 6.50%) per annum. Interest is repriced based on a fixed percentage above prime rate. The loan has been fully repaid during the year.

Loan 2: 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 4.50% to 4.53% (2010: 4.50% to 4.85%) per annum. Interest is repriced based on a fixed percentage above cost funds. The monthly repayment of $200,000 will be effective from January 2012.

Loan 3: The SGD bank loan is secured by a charge over a subsidiary's assets and covered by 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.

Loan 4: The SGD bank loan is covered by joint and several guarantees from certain directors of the Company and a corporate guarantee by the Company. The loan is repayable over 48 monthly instalments from February 2010. The effective interest rate is fixed at 5% per annum.

Loan 5: The SGD bank loan is secured by a charge over the plant and equipment of a subsidiary and covered by a corporate guarantee by the Company. The loan is repayable over 36 monthly instalments from April 2010. The effective interest rate is fixed at 5.50% per annum.

Loan 6: The SGD bank loan is unsecured and repayable over 36 monthly instalments from June 2010. The effective interest rate is fixed at 5.25% per annum.

The carrying amounts of borrowing approximate their respective fair value.

During the current financial year, the Group has breached certain financial covenant for two of its bank loans. The Group did not fulfil the requirement to maintain the consolidated tangible net worth of not less than $15,000,000 for a credit line of $4,915,000 and to maintain the gearing ratio of less than 0.5 times for a credit line of $963,000. 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 3 May 2012, one bank has granted a waiver of the above breach. The other bank has not requested for immediate repayment of the outstanding loan amount as at the date when these financial statements are authorized for issue. Management has commenced monthly repayment $200,000 of this loan effective from January 2012.

18. Finance leases

Group	Minimum lease payments 2011 $'000	Present value of payments 2011 $'000	Minimum lease payments 2010 $'000	Present value of payments 2010 $'000
Not later than one year	449	430	1,108	1,054
Later than one year but not later than five years	138	133	486	469
Total minimum lease payments	587	563	1,594	1,523
Less: Amounts representing finance charges	(24)	-	(71)	-
Present value of minimum lease payments	563	563	1,523	1,523

Company	Minimum lease payments 2011 $'000	Present value of payments 2011 $'000	Minimum lease payments 2010 $'000	Present value of payments 2010 $'000
Not later than one year	169	165	630	604
Later than one year but not later than five years			170	165
Total minimum lease payments	169	165	800	769
Less: Amounts representing finance charges	(4)	-	(31)	-
Present value of minimum lease payments	165	165	769	769

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 (2010: 2 to 4 years). The effective borrowing rates range from 2.1% to 4.65% (2010: 2.6% to 3.7%) 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.

19. Provisions

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Provision for restoration cost:				
At 1 January	1,070	982	368	346
Arose during the financial year	40	109	21	43
Unused amounts reversed	(194)	(21)	-	(21)
At 31 December	916	1,070	389	368

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			
	2011		2010	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares:				
At 1 January	407,994	53,093	280,818	39,258
Issue of ordinary shares	-	-	127,176	13,835
At 31 December	407,994	53,093	407,994	53,093

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.

21. Other reserves

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 2011 $'000	Group 2010 $'000
Rendering of services	67,728	78,694
Management fee income	203	502
Rental income	1,022	1,097
	68,953	80,293

23. Interest income

	Group 2011 $'000	Group 2010 $'000
Interest income from loans and receivables	190	126

24. Other income

	Group 2011 $'000	Group 2010 $'000
Other Income	296	285
Grant income from jobs credit scheme [a]	-	129
Gain on disposable of associates	-	10
	296	424

[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. During the financial year ended 31 December 2011, the Group received grant income of $ Nil (2010: $129,000) under the Scheme.

25. Financial expense

	Group 2011 $'000	Group 2010 $'000
Interest expense:		
- Bank loans	534	835
- Obligations under finance leases	56	130
- Interest rate swap	526	227
Total financial expense	1,116	1,192

26. Employee benefits expense

	Group 2011 $'000	Group 2010 $'000
Salaries and bonuses	39,625	43,777
Central Provident Fund Contribution	1,413	1,294
Other short-term benefits	227	292
	41,265	45,363

27. Depreciation and amortisation

	Group 2011 $'000	Group 2010 $'000
Depreciation of property, plant and equipment	3,830	4,593
Amortisation of intangible assets	53	53
	3,883	4,646

28. Other expenses

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

	Group 2011 $'000	Group 2010 $'000
Foreign exchange transaction losses	29	58
Provision for impairment of doubtful receivables, net of amount recovered from director/doctor		
- Trade receivables	93	(155)
- Amounts due from associates	458	292
- Other receivables	224	674
Bad trade receivables written off	102	114
Fair value adjustment on financial assets and financial liabilities carried at amortised cost	6	6
Net fair value (gain)/loss on derivatives	(401)	433
Impairment loss on goodwill	11,333	3,108
Impairment loss on intangilbe asset	206	-
Impairment loss on investments in associates	-	623
Impairment loss on other investments	815	939
Impairment loss on plant and equipment	1,245	59
Loss on disposal of plant and equipment	49	401
Audit fees		
- Auditors of the Company	264	364
- Other auditors	34	70
Non-audit fees	-	401
Auditors of the Company	-	-
Other auditors	40	48
Advertising and marketing expenses	1,932	1,756
Credit cards commission	944	1,010
Professional fees	548	599
Loss on disposal of subsidiaries	99	-

29. Income tax expense and deferred tax

The major components of income tax expense for the years ended 31 December 2011 and 2010 are:

	Group 2011 $'000	Group 2010 $'000
Income statement:		
Current income tax		
- Current income taxation	167	175
- Over provision in respect of previous years	(109)	(152)
	58	23
Deferred income tax		
- Origination and reversal of temporary differences	(429)	(179)
- Effect of changes in tax rate	31	86
Income tax credit recognised in profit or loss	(340)	(70)

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 2011 and 2010 are as follows:

	Group 2011 $'000	Group 2010 $'000
Loss before tax	(23,634)	(13,174)
Income tax expense at the statutory rate	(4,018)	(2,240)
Effect of different tax rates in other countries	(91)	68
Non-deductible expenses	2,044	1,389
Share of results of associates	19	77
Effect of changes in tax rate [a]	-	86
Effect of tax exemptions	(46)	(68)
Over provision in respect of previous years	(109)	(152)
Income not subject to tax	(150)	(123)
Benefits from previously unrecognised deferred tax assets	-	(8)
Deferred tax assets not recognised	2,091	991
Other items	(80)	(90)
	(340)	(70)

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

In accordance with the new PRC Enterprise Income Tax Law which became effective from 1 January 2008, a unified enterprise income tax rate of 25% will be applied to both domestic-invested enterprises and foreign-invested enterprises. Enterprises established prior to 16 March 2007 eligible for preferential tax treatment in accordance with the currently prevailing tax laws and administrative regulations shall, under the regulations of the State Council, gradually be subject to the new tax rate over a five-year transitional period until 2012. Accordingly, the Shen Zhen Marsa Pacific Chain Enterprise Limited can continue to enjoy the preferential tax rates during the transitional period and are subject to EIT rate of 24% for the year (2010: 22%).

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

	Group				Company	
	Consolidated balance sheet		Consolidated income statement		Balance sheet	
	2011	2010	2011	2010	2011	2010
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax liabilities:						
Intangible assets	-	(86)	(86)	(10)	-	-
Excess of net book value over tax base of plant and equipment	(220)	(549)	(312)	(83)	-	-
Exchange difference	-	13	-	-	-	-
Total deferred tax liabilities	220	(622)			-	-
Deferred tax credit			(398)	(93)		

Presented in the balance sheet as follows:

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Deferred tax liabilities	220	622	-	-

<u>Unrecognised tax losses and unabsorbed capital allowances</u>

At the balance sheet date, the Group has tax losses and unabsorbed capital allowances of approximately $18,431,000 (2010: $8,217,000) and $425,000 (2010: $62,000) 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.

<u>Unrecognised temporary differences relating to investments in subsidiaries</u>

At the balance sheet date, no deferred tax liability (2010: $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.

30. Acquisition and disposal of subsidiaries/business units

Disposal of subsidiaries/business unit

On 12 February 2011 the wholly owned subsidiary, Rejuvemed Pte Ltd has completed its voluntarily liquidation.

On 8 July 2011 the Group entered into a settlement agreement to dispose its 80% equity stake in Aesthetic & Reconstructive Centre Pte Ltd for a consideration of $298,500.

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

	Group	
	2011	**2010**
	$'000	$'000
Cash and cash equivalents	478	12
Trade and other receivables	190	-
Inventories	6	-
Plant and equipment	24	-
Goodwill	-	-
Trade and other payables	(200)	-
Income tax payable	(7)	-
Deferred tax liabilities	-	-
Borrowings	-	-
Finance leases	-	-
Non-controlling interests	(98)	-
Net assets at date of disposal	393	12
Gain on disposal recognised in income statement	(99)	-
Cash consideration	294	12
Cash balance disposed off	(478)	(12)
Net cash inflow on disposal of subsidiaries/business units	(184)	-

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

	Group	
	2011	**2010**
	$'000	$'000
Revenue	640	-
Profit for the year	96	-

31. 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 2011.

32. Capital expenditure commitments

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Estimated amounts committed for future capital expenditure but not provided for in the financial statements	4,149	333	-	87

33. 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 2011 amounted to $ 8,360,000 (2010: $9,593,000).

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

	Group	
	2011	**2010**
	$'000	$'000
Not later than one year	8,403	10,219
Later than one year but not later than five years	14,186	24,897
Later than five years	370	20,514
	22,959	55,630

33. Operating lease payment commitments (cont'd)

(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 1 and 3 years.

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

	Group	
	2011	**2010**
	$'000	$'000
Not later than one year	588	638
Later than one year but not later than five years	472	286
	1,060	924

34. Earnings per share

The basic and diluted earnings per share are calculated based on the Group's loss attributable to owners of the company of $22,182,000 (2010: loss attributable to owners of the Company of $12,803,000 divided by the weighted average number of shares outstanding during the financial year of 407,994,347 (2010: 331,921,857).

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

For the purpose of calculating the fully diluted earnings per share for the financial year ended 31 December 2010, the effect of the warrants are anti-dilutive and is disregarded.

35. Banking facilities

	Group	
	2011	**2010**
	$'000	$'000
Bank overdraft facilities available	595	1,165
Performance guarantee	85	85

36. 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.

36. Segment information (cont'd)

	Dentistry		Medical		Adjustments and eliminations		Notes	Per consolidated financial statements	
	2011	2010	2011	2010	2011	2010		2011	2010
	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
Revenue:									
External customers	16,655	17,339	52,298	62,954	–	–		68,953	80,293
Inter-segment	717	707	9,622	9,745	(10,339)	(10,452)	A	–	–
Total revenue	17,372	18,046	61,920	72,699	(10,339)	(10,452)		68,953	80,293
Results:									
Interest income	9	7	181	119	–	–		190	126
Depreciation	271	501	3,216	3,723	343	369	B	3,830	4,593
Amortisation of intangible assets	48	48	5	5	–	–		53	53
Share of results of associates	–	–	113	451	–	–		113	451
Impairment loss on goodwill	4,900	220	7,243	2,888	–	–		11,333	3,108
Impairment loss on intangible assets	174	–	32	–	–	–		(206)	–
Impairment loss on investments in associates	–	–	–	623	–	–		–	623
Impairment loss on other investments	–	–	815	939	–	–		815	939
Impairment loss on plant and equipment	–	57	1,245	2	–	–		1,245	59
Other non-cash expenses	31	28	317	2,174	–	–	C	348	2,202
Segment (loss)/profit	(1,015)	(169)	(8,690)	(6,430)	(13,929)	(6,575)	D	(23,634)	(13,174)
Assets:									
Investment in associates	–	–	1,870	2,133	–	–		1,870	2,133
Additions to non-current assets	1,148	164	789	958	104	198	E	2,041	1,320
Segment assets	9,955	8,166	29,986	48,782	4,402	16,256	F	44,343	73,204
Segment liabilities	1,695	1,453	12,620	14,227	14,372	19,175	G	28,687	34,855

36. Segment information (cont'd)

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.

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:

	2011	**2010**
	$'000	$'000
Finance costs	(1,116)	(1,192)
Unallocated corporate expenses	(357)	(713)
Loss on disposal of subsidiaries/business units	(98)	–
Other non-cash expenses	(12,353)	(4,670)
	(13,924)	(6,575)

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:

	2011	**2010**
	$'000	$'000
Unallocated assets	4,402	16,256

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

	2011	**2010**
	$'000	$'000
Deferred tax liabilities	220	622
Income tax payable	895	896
Borrowings	8,799	12,377
Finance leases	563	1,523
Unallocated liabilities	3,890	3,757
	14,367	19,175

36. Segment 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	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Singapore	58,337	68,619	15,960	20,114
Overseas	10,616	11,674	3,493	4,512
	68,953	80,293	19,453	24,626

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 $ 5,623,000_(2010: $7,603,000), arising from sales by the medical segment.

37. 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 ongoing basis with the results that the Group's exposure to bad debts is not significant.

37. 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 ongoing basis.

Exposure to credit risk

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 $3,761,000 (2010: $6,144,000) relating to a corporate guarantee provided by the Company to banks on subsidiaries' bank loan.

Credit risk concentration profile

The Group has no significant concentrations of credit risk.

At balance sheet date, approximately:

- 36% (2010: 43%) of the Group's trade receivables were due from 5 major corporate customers who are located in Singapore.
- 64% (2010: 36%) 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.

Financial assets that are neither past due nor impaired

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.

Financial assets that are either past due or impaired

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).

37. 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.

		2011			**2010**	
	1 year or less $'000	**1 to 5 years** $'000	**Total** $'000	**1 year or less** $'000	**1 to 5 years** $'000	**Total** $'000
Group						
Financial assets:						
Trade and other receivables	8,776	146	8,922	9,730	2,908	12,638
Cash and bank	9,810	-	9,810	16,936	-	16,936
Total undiscounted financial assets	18,586	146	18,732	26,666	2,908	29,574
Financial liabilities:						
Trade and other payables	15,229	-	15,229	15,679	-	15,679
Other liabilities	1,764	-	1,591	1,980	-	1,980
Borrowings	7,922	1,229	9,201	10,021	4,160	14,181
Finance leases	449	138	587	1,108	486	1,594
Derivatives	299	-	299	700	-	700
Total undiscounted financial liabilities	25,713	1,367	27,080	29,488	4,646	34,134
Total net undiscounted financial liabilities	(7,127)	(1,221)	(8,348)	(2,822)	(1,738)	(4,560)

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

(b) ***Liquidity risk (cont'd)***

	2011 1 year or less $'000	2011 1 to 5 years $'000	2011 Total $'000	2010 1 year or less $'000	2010 1 to 5 years $'000	2010 Total $'000
Company						
Financial assets:						
Trade and other receivables	11,183	146	11,329	7,463	2,908	10,371
Cash and bank	1,907	-	1,907	10,657	-	10,657
Total undiscounted financial assets	13,090	146	13,236	18,120	2,908	21,028
Financial liabilities:						
Trade and other payables	13,975	-	13,975	12,916	-	12,916
Other liabilities	322	-	322	198	-	198
Borrowings	5,237	37	5,274	6,375	1,233	7,608
Finance leases	169	-	169	630	170	800
Derivatives	299	-	299	700	-	700
Total undiscounted financial liabilities	20,002	37	20,039	20,819	1,403	22,222
Total net undiscounted financial (liabilities)/ assets	(6,912)	109	(6,803)	(2,699)	1,505	(1,194)

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.

	2011 1 year or less $'000	2011 1 to 5 years $'000	2011 Total $'000	2010 1 year or less $'000	2010 1 to 5 years $'000	2010 Total $'000
Company						
Financial guarantees	2,596	1,166	3,761	3,347	2,797	6,144

37. 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 Notes 17 and 18. The Group's policy is to obtain the most favourable interest rates available for its borrowings.

<u>Sensitivity analysis for interest rate risk</u>

As at 31 December 2011, it is estimated that a general increase/decrease of 75 (2010: 75) basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss net of tax by approximately $37,000 (2010: increase/decrease the Group's loss net of tax by approximately $37,000).

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 2010.

(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 0% (2010: 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 $49,000 and $23,000 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.

37. 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 exchange rates (against SGD), with all other variables held constant, of the Group's (loss)/profit net of tax.

	Group	
	2011	**2010**
	$'000	$'000
	Loss net of tax Decrease/(increase)	Loss net of tax Decrease/(increase)
HKD – strengthened 3% (2010: 3%)	16	16
– weakened 3% (2010: 3%)	(15)	(16)

38. 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 2011 $'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	-	299	-	299
At 31 December 2011	-	299	-	299

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

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

	Group 2010 $'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	-	700	-	700
At 31 December 2010	-	700	-	700

<u>Fair value hierarchy</u>

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)

<u>Determination of fair value</u>

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.

38. 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:

	Note	Group				Company			
		2011		2010		2011		2010	
		$'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	171	*	986	*	360	*	675	*
Financial liabilities:									
Finance leases	18	(563)	(550)	(1,523)	(1,484)	(165)	(161)	(769)	(751)
Fixed rate bank loans	17	(3,884)	(3,785)	(7,462)	(7,138)	(5,038)	(4,874)	(1,317)	(1,310)

* 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) and fixed rate bank loans (Note 17)

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.

39. 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, finance leases, trade and other payables plus other liabilities less cash and cash equivalents. Total capital is calculated as equity attributable to owners of the company plus net debt.

39. Capital management (cont'd)

	Group 2011 $'000	Group 2010 $'000
Net debt	16,547	14,631
Equity attributable to the owners of the company	13,972	35,892
Total capital	30,222	50,523
Gearing ratio	55%	29%

40. Events occurring after the balance sheet date

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

(a) On 31 January 2012, Synergy Healthcare Investments Pte Ltd, an associated company , sold its entire 20.84% equity interest in Radlink Asia Pte Ltd for a consideration of S$5,877,175.

(b) On 26 March 2012, Pacific Healthcare Ltd., a wholly owned subsidiary, entered into an agreement of disposal of its equity interest of a subsidiary – Health Concepts Limited at a consideration of HK$3,400,000 equivalent to S$550,120 (based on an exchange rate of S$1:HK$6.1805) to the non-controlling shareholder of that subsidiary.

41. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 4 May 2012.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	13	0.98	2,760	0.00
1,000 - 10,000	733	55.15	2,669,056	0.65
10,001 - 1,000,000	554	41.69	45,067,846	11.05
1,000,001 AND ABOVE	29	2.18	360,254,685	88.30
TOTAL	**1,329**	**100.00**	**407,994,347**	**100.00**

TWENTY LARGEST SHAREHOLDERS

	NAME	NO. OF SHARES	%
1.	HSBC (SINGAPORE) NOMINEES PTE LTD	130,406,042	31.96
2.	VALUECARE LIMITED	92,512,692	22.67
3.	BANK OF SINGAPORE NOMINEES PTE LTD	21,127,000	5.18
4.	SING INVESTMENTS & FINANCE NOMINEES PTE LTD	15,000,000	3.68
5.	MARTIN HUANG HSIANG SHUI	13,452,180	3.30
6.	CITIBANK NOMINEES SINGAPORE PTE LTD	9,061,000	2.22
7.	CHONG LAI LEONG WILLIAM	8,500,684	2.08
8.	TAI HUI ENG	7,000,000	1.72
9.	UNITED OVERSEAS BANK NOMINEES PTE LTD	6,961,000	1.71
10.	SANDRA AYE AYE HAN CHU	5,414,667	1.33
11.	PACIFIC INVESTMENTS PTE LTD	5,400,000	1.32
12.	TAY TZE HSIN MARC	5,365,733	1.32
13.	DBS NOMINEES PTE LTD	4,620,000	1.13
14.	ENTRUST HEALTHCARE PTE LTD	3,800,000	0.93
15.	ANN TAN SIAN ANN	3,707,000	0.91
16.	UOB KAY HIAN PTE LTD	3,045,000	0.75
17.	LEE SUI HEE	2,628,000	0.64
18.	BOYKE GOZALI	2,485,000	0.61
19.	TEXWELL INDUSTRIES PTE LTD	2,441,000	0.60
20.	CHONG AI-LEI IRIS	2,335,280	0.57
	TOTAL	**345,262,278**	**84.63**

STATISTICS OF SHAREHOLDINGS
AS AT 23 APRIL 2012

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders	No. of Shares Direct	No. of Shares Deemed	Total	%
Chong Lai Leong William	8,500,684	27,272,000[(1)]	35,772,684	8.77
Valuecare Limited	92,512,692	-	92,512,692	22.67
Al-Faiz Fund I Limited	-	92,512,692[(2)]	92,512,692	22.67
Affluent Healthcare Holdings Pte. Ltd.	-	117,627,042[(3)]	117,627,042	28.83
Heartline Holdings Pte. Ltd.	-	117,627,042[(4)]	117,627,042	28.83
Kwan Benny Ahadi	-	117,627,042[(4)]	117,627,042	28.83
Sri Widati Ernawan Putri	-	117,627,042[(4)]	117,627,042	28.83

Note:

(1) The deemed interest in 27,272,000 shares includes:

- i) 15,000,000 shares held through Sing Investments & Finance Nominees (Pte.) Ltd
- ii) 5,650,000 shares held through Pacific Investments Pte Ltd (wholly owned by Chong Lai Leong William)
- iii) 2,822,000 shares held through United Overseas Bank Nominees (Pte) Ltd
- iv) 3,800,000 shares held through Entrust Healthcare Pte. Ltd. (wholly owned by Chong Lai Leong William)

(2) Deemed to be interested in the 92,512,692 shares held by Valuecare limited.

(3) The 117,627,042 shares is held through HSBC (Singapore) Nominees Pte. Ltd.

(4) Affluent Healthcare Holdings Pte. Ltd. is 45% owned by Heartline Holdings Pte. Ltd. (which in turn is 100% owned by Kwan Benny Ahadi) and 55% owned by Sri Widati Ernawan Putri.

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, 36.3% of the issued ordinary shares of the Company was held in the hands of the public as at 23 April 2012. The Company did not hold any treasury shares as at 23 April 2012.

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

PACIFIC HEALTHCARE HOLDINGS LTD.

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

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Orchard Hotel Singapore, 442 Orchard Road, Singapore 238879 on Monday, 28 May 2012 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 2011 and the Reports of the Directors and the Auditors thereon. **(Resolution 1)**

2. To re-elect the following Directors who are retiring by rotation pursuant to Article 91 of the Company's Articles of Association:

   a) Dr Chong Lai Leong William **(Resolution 2)**
   b) Mr Kwan Benny Ahadi **(Resolution 3)**
   c) Ms Sri Widati Ernawan Putri **(Resolution 4)**

3. To approve the payment of Directors' fees of S$169,652 for the financial year ending 31 December 2012 quarterly in arrears.
   (Resolution 5)

4. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

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 (b) 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 (b) 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) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) 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;

(c) 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 7)

6. **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 2] **(Resolution 8)**

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

By Order of the Board

Teo Meng Keong
Company Secretary

Singapore
Date: 11 May 2012

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.

Explanatory Notes:

(1) Resolution 7
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 7 (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. 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 7, 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 7, 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 8
This is to authorise the Directors to offer and grant options in accordance with the provisions of 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.

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PROXY FORM

PACIFIC HEALTHCARE HOLDINGS LTD.
(Incorporated in the Republic of Singapore
– Company Registration No. 200100544H)

Important :
1 For investors who have used their CPF monies to buy PACIFIC HEALTHCARE HOLDINGS LTD shares, this Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely For Information Only.
2 This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3 CPF investors who wish to vote should contact their CPF Approved Nominees.

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 Hotel Singapore, 442 Orchard Road, Singapore 238879 on Monday, 28 May 2012 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 2011 and the Reports of the Directors and the Auditors thereon		
Resolution 2	To re-elect Dr Chong Lai Leong William (under Article 91 of the Company's Articles of Association)		
Resolution 3	To re-elect Mr Kwan Benny Ahadi (under Article 91 of the Company's Articles of Association)		
Resolution 4	To re-elect Ms Sri Widati Ernawan Putri (under Article 91 of the Company's Articles of Association)		
Resolution 5	To approve payment of Directors' Fees for financial year ending 31 December 2012 quarterly in arrears.		
Resolution 6	To re-appoint Messrs Ernst & Young LLP as auditors and authorise the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
	Ordinary Resolutions:		
Resolution 7	To approve Share Issue Mandate.		
Resolution 8	To authorise the Directors to offer and grant options and to issue shares pursuant to the Pacific Healthcare Employee Share Option Scheme.		

Date this ________ day of ____________ 2012

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

____
Signature(s) of members(s) or Common Seal

NOTES:
IMPORTANT

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.

Designed
& Produced by
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PACIFIC
HEALTHCARE
HOLDINGS

Pacific Healthcare Holdings Ltd.
Registration No. 200100544H

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