SMG
SINGAPORE MEDICAL GROUP

The Cancer Centre

THE LASiK SURGERY CLINIC

The Dental Studio

SMG VisionCentre

SMG UROLOGY CENTRE WITH BENG SURGERY

Cardiac Centre International

SMG SPECIALIST CENTRE

SMG Orthopaedic Group

LIFESCAN IMAGING

DELIVERING **EXCELLENCE** IN HEALTHCARE

ANNUAL REPORT 2017

Kids Clinic

LIFESCAN Medical Centre

Wellness & Gynaecology Centre by Dr Julinda Lee

THE OBSTETRICS & GYNAECOLOGY CENTRE

Astra Laparoscopic & Robotic Centre For Women and Fertility

Astra Women's Specialists

SMG WOMEN'S HEALTH
SINGAPORE MEDICAL GROUP

CONTENTS

VISION, MISSION, VALUES AND STRATEGIC SERVICE INTENT

VISION

Asia's Best Healthcare Network

SMG SINGAPORE MEDICAL GROUP

CORE VALUES

Service
Passion
Innovation
Respect
Integrity
Teamwork

MISSION

Excellent clinical outcomes

Great patient experience

SMG SINGAPORE MEDICAL GROUP

THE LASiK SURGERY CLINIC

THE CANCER CENTRE

SMG VisionCentre

LIFESCAN IMAGING

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Astra Laparoscopic & Robotic Centre For Women and Fertility

Astra Women's Specialists

SMG WOMEN'S HEALTH

We
Communicate
Anticipate
Responsive
Empathy
... because you matter

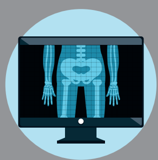
KEY DEVELOPMENTS **IN 2017**

5 JANUARY 2017

Subscribed shares in CityClinic Asia Investment Pte Ltd by SMG International (Vietnam) Pte Ltd

CityClinic Asia Investment Pte Ltd has a wholly-owned subsidiary, CityClinic Vietnam Co., Ltd, that operates a clinic in Vietnam.

8 FEBRUARY 2017



Completed the acquisition of Astra Women's Specialists Group of clinics

16 FEBRUARY 2017

Entered into a Strategic Collaboration Agreement and Placement Agreement with CHA Healthcare Co., Ltd

20 APRIL 2017

Signed the Framework Agreements to acquire Children's Clinic Central Pte Ltd and Kids Clinic @ Bishan Pte Ltd (the "Kids Clinics")

1 JULY 2017

Completed the acquisition of the Kids Clinics

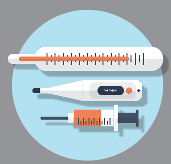
23 JULY 2017

Opened a multi-disciplinary clinic at OUE Downtown Gallery

8 AUGUST 2017

Opened a new obstetrics and gynaecology clinic at Toa Payoh Central

19 OCTOBER 2017



Entered into a Sale and Purchase Agreement to acquire Babies and Children Specialist Clinic Pte Ltd ("BCSC")

1 NOVEMBER 2017

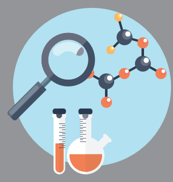
Completed the acquisition of BCSC

24 NOVEMBER 2017

Opened the new diagnostic imaging centre at Novena Medical Center

30 JANUARY 2018

Incorporated a new joint venture entity, CHA SMG (Australia) Pte Ltd ("CSA")



26 FEBRUARY 2018

Subscribed to additional shares in CSA

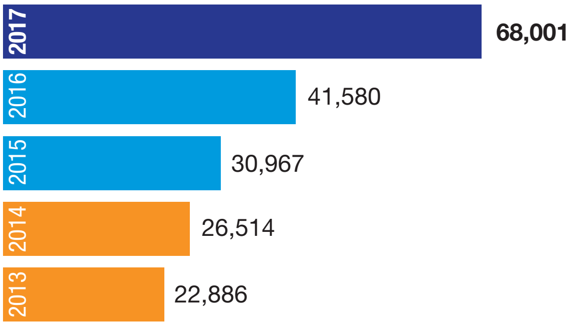
CSA acquires 65% equity interest in CFC Global Pty Ltd

1 MARCH 2018

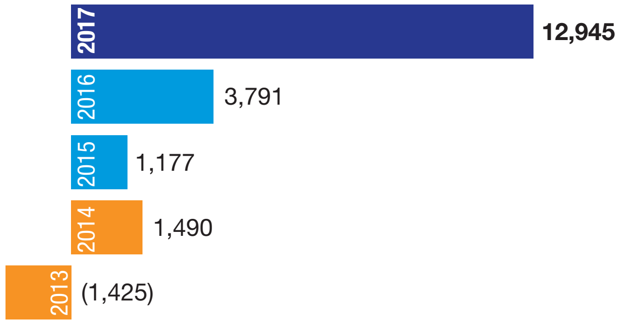
Entered into a binding Term Sheet for the proposed acquisition of an 85% equity interests in Pheniks Pte Ltd

FINANCIAL **HIGHLIGHTS**

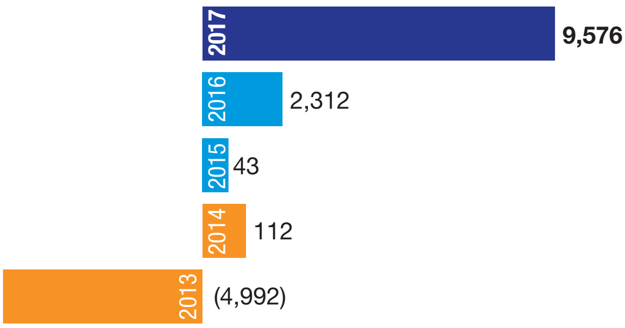
REVENUE (S$'000)



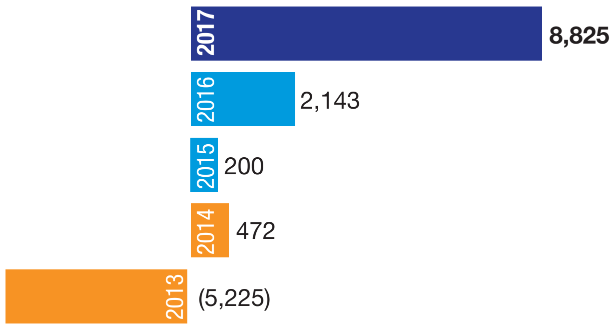
EBITDA (excluding other gains and expenses) (S$'000)



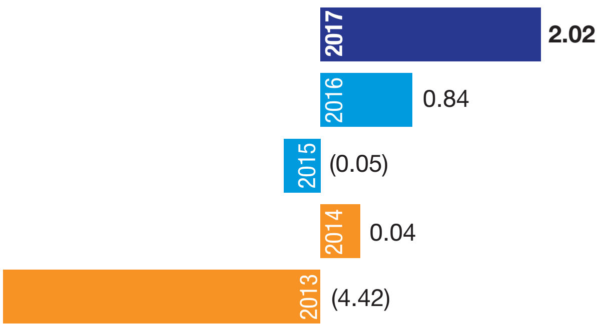
PROFIT/(LOSS) BEFORE TAX
(excluding other gains and expenses) (S$'000)



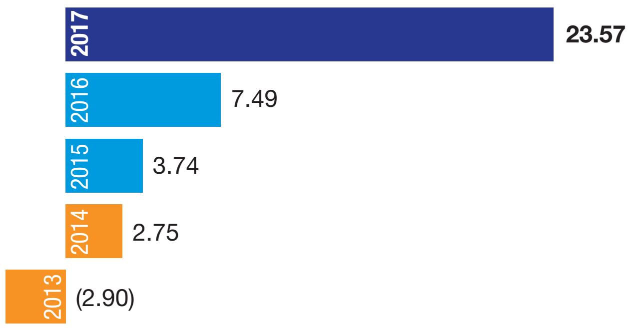
PROFIT/(LOSS) FOR THE YEAR
(excluding other gains and expenses) (S$'000)



EARNINGS PER SHARE (cents)

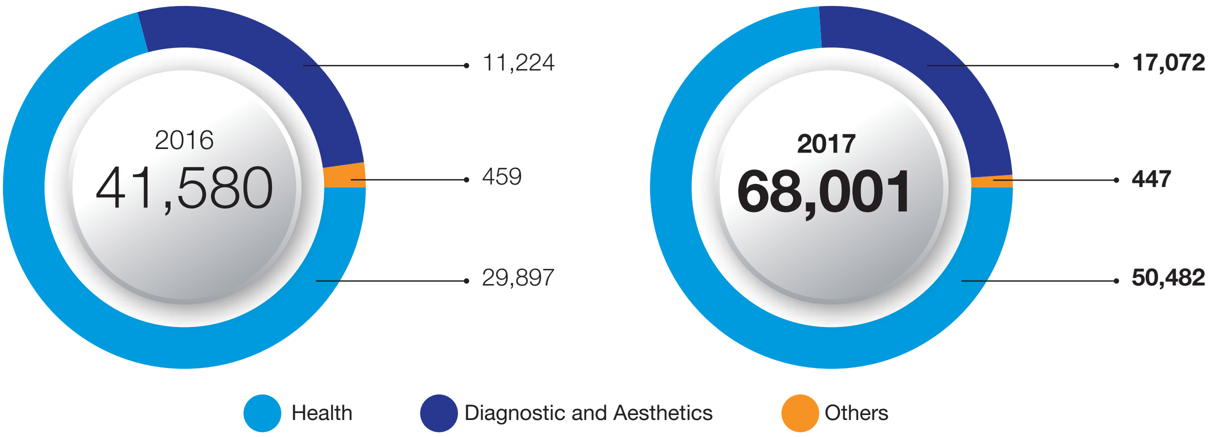


NET ASSET VALUE PER SHARE (cents)

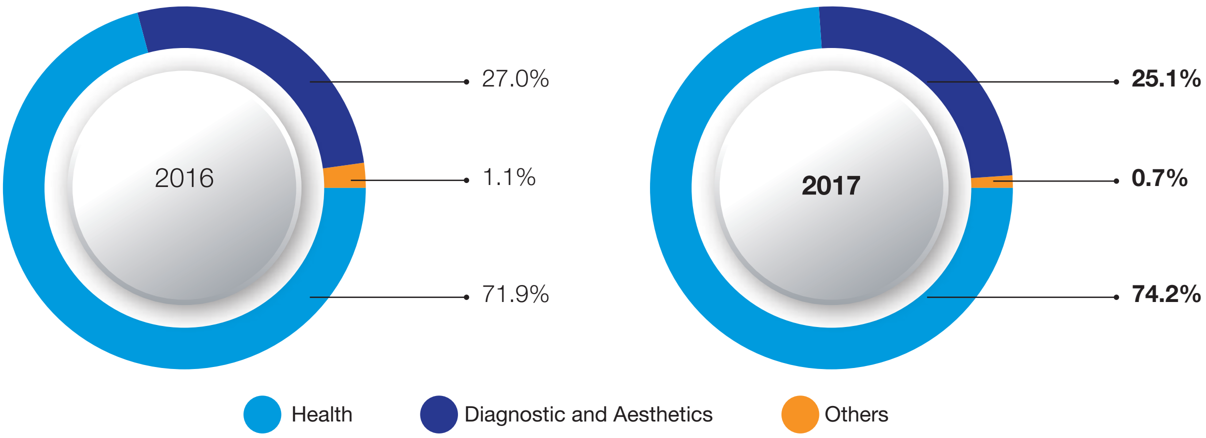


PERFORMANCE **AT A GLANCE**

SEGMENT REVENUE (S$'000)



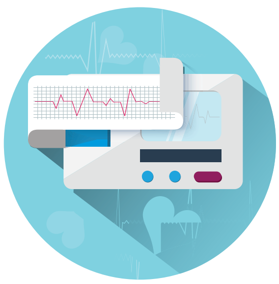
SEGMENT REVENUE (Composition %)



SEGMENT REVENUE (Y-O-Y Incremental %)

Health

69%



Diagnostic and Aesthetics

52%

Others

-3%

MESSAGE TO **SHAREHOLDERS**

MR TONY TAN CHOON KEAT
Non-Executive Chairman

DR BENG TECK LIANG
Chief Executive Officer

DEAR SHAREHOLDERS,

2017 was a monumental year for us as strong operational execution of our organic and inorganic growth strategies led to new records in terms of revenue and profitability. We expanded our outreach into new geographies while solidifying our presence in Singapore within key growth verticals. While we achieved new milestones this year, we look forward to your continued support as this is just the beginning of our growth trajectory. Having laid a strong foundation in Singapore and the region, our story as a pan-Asian specialist healthcare provider will continue to unfold as we remain poised to scale this burgeoning platform that we have built.

FROM CRADLE & BEYOND

For the first time, we have begun to crystallise our intent to address key milestones in our patient's journey from cradle and beyond. Starting with birth and paediatrics to areas such as health screening and other specialist fields, our overall strategy is starting to take shape as we intend to address and follow our patients' lifelong journey in health and wellness.

This year, we established our paediatrics division having completed the S$25.3 million acquisition of the Children's Clinic and Kids Clinic on 1 July 2017 and the S$7.9 million acquisition of a hospital-based clinic at Mount Alvernia Hospital on 1 November 2017. As our Obstetrics & Gynaecology ("O&G") segment is one of the largest in Singapore's private sector, our initial foray into paediatrics was a natural progression for us as it propelled us up the value chain in providing our O&G patients with comprehensive care for their children. We strongly believe in the synergies we will be able to reap within our women's health vertical as paediatrics is a highly complementary specialist vertical.

Our acquisitions are precedent on the ability to achieve further organic growth. With an established base and reputable doctors at the helm, we are intent on grooming the next generation of paediatric and O&G specialist leaders. Furthermore, our efforts in driving operational efficiencies in staffing and marketing allow our doctors to be free from the administrative burden they face on a day-to-day basis. This allows them to focus on what is most important to us, providing our patients with the highest quality of care.

CREATING A WORLD-CLASS REGIONAL PLATFORM

We are proud of the fact that Singapore's healthcare system is one of the best in the world. It is no secret that Singapore has world-class doctors who are frequently found giving talks in prestigious universities and research centres across the globe. While our healthcare ecosystem continues to be ranked amongst the best in the world, neighbouring countries have been improving their infrastructure and levels of service. This has translated to cost-competitive medical tourist hubs such as Thailand and Malaysia gaining traction on longstanding medical hubs such as Singapore. Against this backdrop, it has been our intention to export some of Singapore's best healthcare practices out into the region.

In 2017, we entered Vietnam's private healthcare market with an investment into CityClinic Asia. This investment transformed us into a pan-Asian private healthcare specialist provider and gave us access to two large clinics in Ho Chi Minh City. Already, a significant portion of our foreign medical patients in Singapore come from Vietnam and we are working with our Vietnamese partners to cross-sell our key specialist segments in areas such as oncology practices, O&G and health screening to reap cross-border synergies. In addition, oncology has been a core specialist vertical of ours and in Vietnam, there is much potential due to the country's rising consumer spending power coupled with alarming rates of cancer. The Vietnamese economy grew 6.8% in 2017 and there is rising demand for specialist healthcare, especially within women's health and paediatrics, specialist disciplines where we are looking to export our expertise.

Our partnership with Korea's CHA Healthcare Co., Ltd. ("CHA") was established in February 2017 as they became a major shareholder through a S$15.0 million placement. Established in 1960, CHA opened its first O&G practice in Seoul, South Korea and has developed over the past six decades into one of Asia's leading medical groups, encompassing the full healthcare spectrum from research and education to hospital and clinic care. In particular, CHA has received worldwide recognition and accolades for its excellence in clinical research and accomplishments in the fields of reproductive medicine and O&G.

Our collaboration with CHA was built upon the precedent of exploring near-term projects in Vietnam, Singapore and other key Asian markets. Together with CHA, we entered the Australian market in January 2018 with a majority stake acquisition of a leading IVF specialist group, City Fertility Centre ("CFC"). Through our joint venture CHA SMG (Australia) Pte. Ltd. of which we own a 20% equity interest, we acquired a 65% stake in CFC. Our effective stake in CFC is 13.0% and we are excited about the opportunities this earnings accretive investment will bring to the Group. CFC is Australia's fourth largest IVF clinic group, with seven IVF centres and nearly 50 doctors in major cities nationwide including Brisbane, Melbourne, Sydney, Adelaide and the Gold Coast.

Through a combination of CHA's renowned expertise in reproductive medicine, CFC's market presence in Australia and our exceptional network across Southeast Asia, we have created a leading specialist IVF platform that covers the entire Pacific Rim region. Plans are already in motion for us to scale this platform to frontier and developed markets in the future. Vietnam is a natural progression for us, given our existing footprint in the country. Looking ahead, we expect to reap cross-border synergies through technological knowledge share of best practices and an enlarged patient pool that will drive referrals within our network of specialties.

SW1, A ONE-STOP AESTHETIC DESTINATION

We have entered into an agreement on 1 March 2018 to acquire an 85.0% stake in the entity that operates SW1 clinic.

Highly synergistic and complementary to our women's health segment, this acquisition will be another monumental step in our growth story. Strategically located in Paragon Medical Centre, SW1 is one of the largest aesthetic, plastic surgery and medical spa clinics in Singapore with five medical aesthetics practitioners and one plastic surgeon at its 7,000 square feet aesthetics centre. The clinic offers a wide range of services and treatments spanning non-invasive dermatology to cutting edge plastic surgery.

Simply put, this clinic is stunningly beautiful. We have known its founders personally for many decades and have grown to admire the tremendous work they have done in the field of aesthetic medicine. Both Dr Low Chai Ling and Dr Kenneth Lee are trailblazers and it is a great privilege for us to work with them. As a Pan-Asian private healthcare specialist, we will empower SW1 with an established network to grow not just in Singapore but in the region. Our immediate next steps would be to scale the business starting with neighbouring countries such as Vietnam and Indonesia where we already have a footprint. We also have plans to penetrate into new geographies such as Malaysia which will serve as another gateway for regional expansion. This value-driven deal will accelerate our growth trajectory and profitability, while bringing further value-add to our patients by widening our scope of specialist healthcare offerings.

FIRING ON ALL CYLINDERS

While astute acquisitions in the past have fueled our high-growth trajectory, we are also spearheading organic growth initiatives to garner additional momentum. Lifescan Imaging, our 9,000 square foot diagnostic imaging centre in Paragon has been a beacon of success for us since its inception in 2016. In November 2017, we opened a new 5,500 square feet diagnostic centre at Novena Medical Center. This sprawling diagnostic facility is fully equipped and offers a comprehensive range of cross-disciplinary radiology services in a fast growing medical hub.

Furthering our organic growth initiatives within this segment, we opened another diagnostics centre at OUE Downtown Gallery in light of rising demand for convenient access to imaging and radiology services in the central business district. At both locations, we hope to replicate the success of our flagship diagnostic centre at Paragon.

Growing our specialist talent pool is vital as we continue to grow our suite of specialist services. In 2018, we will be kick starting a new specialist practice in cardiology with two new cardiologists who will join the Group. Additionally, a senior O&G doctor had joined us in the first quarter of 2018, bringing the total number of O&G specialists to 10, making us one of the largest women's specialists group in Singapore.

Complementing this growth will be the hiring of our fourth paediatrician who has joined us since January 2018. We are also planning to open a new paediatric clinic in the East of Singapore by April 2018. Within this vertical, we have also put in place a paediatric team of five doctors to spearhead the growth of this specialist segment in Vietnam.

APPRECIATION

On behalf of the Board of Directors, we would like to thank our shareholders for their unwavering support over the past year. Your support in us has provided us with the confidence to execute our vision of creating Asia's best healthcare network. While we set records in 2017, together, we look forward to achieving new heights in 2018.

MR TONY TAN CHOON KEAT
Non-Executive Chairman

DR BENG TECK LIANG
Chief Executive Officer

BOARD OF DIRECTORS

MR TONY TAN CHOON KEAT *Non-Executive Chairman*

Mr Tan is the Non-Executive Chairman of SMG and is responsible for providing leadership to the Board of Directors of the Group and overall strategic guidance. Mr Tan is also a Non-Independent Non-Executive Director of IGB Corporation Bhd since 15 July 2003. Mr Tan has vast experience in the healthcare industry. He was the founder and Managing Director of Parkway Holdings Limited, Singapore until 2000 and Deputy Chairman until his retirement in 2005. During his service, he initiated acquisitions and developments by Parkway Holdings Limited both in Singapore and overseas to build its healthcare franchise from initially a property developer to one of the largest private healthcare providers in Asia. He holds a Bachelor of Chemical Engineering from the University of Surrey, England and a Master's in Business Administration from the University of California, Berkeley, United States.

DR BENG TECK LIANG *Executive Director and Chief Executive Officer*

Dr Beng has been CEO and Executive Director of SMG since 2013. He previously led multi-billion dollar businesses and large teams in the information technology and healthcare sectors across Asia Pacific and Japan over the last decade as a senior manager in Multi-national corporations like Hewlett Packard (HP) and General Electric (GE). Dr Beng started his professional career as a Medical Officer with the Singapore Ministry of Health after graduating from the University of Manchester Medical School in the United Kingdom. He also holds a Master's in Business Administration from the Booth School of Business, University of Chicago and is an alumnus of Harvard Business School.

MR HO LON GEE *Independent Director*

Mr Ho Lon Gee is an Independent Director of the SMG's Board and the Chairman of the Audit Committee since June 2009. Mr Ho is currently the Chief Executive Officer of Tricor Singapore Pte Ltd, where he oversees the management of Tricor Group of companies in Singapore. From 1982 to 2004, he was an Auditor and Partner at PricewaterhouseCoopers Singapore where he headed the SME Enterprise Audit Group and the Corporate Services Practice. Mr Ho is a qualified Chartered Accountant with the Institute of Chartered Accountants in England and Wales. He is also a member of the Institute of Singapore Chartered Accountants and the Singapore Institute of Directors. In addition, Mr Ho also serves as Honorary Treasurer to the Singapore Children's Society as well as Chairman of its Investment Committee and a member of its Remuneration Committee.

MR JIMMY YIM WING KUEN *Independent Director*

Mr Jimmy Yim is an Independent Director and chairs the Nominating and Remuneration Committees. He has been a member of the Board of SMG since June 2009. Mr Yim is currently the Deputy Chairman and simultaneously the Managing Director of the Dispute Resolution practice of Drew and Napier LLC, a leading all-service legal practice in Singapore, established in 1889. He was admitted to the Singapore Bar in 1983 and is one of the earliest batches of Senior Counsel being appointed in January 1998. His practice covers a wide range of civil and commercial law, corporate law and international commercial arbitrations. Amongst his several appointments include being Fellow of the Singapore Institute of Arbitrators and Regional Arbitrator with the Singapore International Arbitration Centre (SIAC). Apart from SMG, Mr Yim also sits on the board of Low Keng Huat (Singapore) Limited and ARA-CWT Trust Management (CACHE) Limited. He is recommended by name in various professional journals and ranking agencies in the area of dispute resolution.

DR WONG SENG WENG *Executive Director*

Dr Wong Seng Weng is currently the Medical Director and Consultant Medical Oncologist of The Cancer Centre at SMG. He holds the appointments of Executive Director of the Board of Directors and Chairman of the Medical Board of SMG. Dr Wong obtained his basic medical degree from the National University of Singapore (NUS) under the Lim Boon Keng and Tan Siak Kew Scholarships and graduated on the Dean's List for outstanding academic achievement. He completed his post-graduate training in Internal Medicine and obtained his Membership of the Royal College of Physicians of the United Kingdom (MRCP UK). Thereafter, he achieved Specialist Accreditation with the Ministry of Health Singapore and was admitted as Fellow of the Academy of Medicine of Singapore (FAMS) and College of Physicians of Singapore. He was previously Consultant Medical Oncologist and Senior Partner of the Raffles Cancer Centre at Raffles Hospital. He is also an Adjunct Clinician Scientist at the Agency for Science, Technology and Research (A*STAR) and is part of the editorial advisory board of MIMS Oncology. Dr Wong is a member of the American Society of Clinical Oncology (ASCO) as well as the European Society for Medical Oncology (ESMO) and Singapore Society of Oncology.

MS STEFANIE YUEN THIO *Proposed Independent Director*

Stefanie Yuen Thio is the Joint Managing Director of TSMP Law Corporation and is the Head of its corporate practice. She was admitted to the Singapore Bar in 1994 and her areas of expertise include mergers and acquisitions, equity capital markets, corporate transactions and regulatory advice. Her clients include logistics companies, REITs and REIT managers. She is regularly named by legal journals as a leading practitioner in her areas of specialisation. Ms Thio has also been appointed by the Monetary Authority of Singapore to the Corporate Governance Council 2017 to review the Code of Corporate Governance (CG Code) and is a Fellow of the Singapore Institute of Directors. From 2014 to 2017, she was a member of the Expert Panel, Centre for Cross-Border Commercial Law in Asia (CEBCLA). She is also a member of the Singapore Governance and Transparency Index (SGTI) Advisory Panel from June 2016 to May 2018.

Ms Thio graduated from the National University of Singapore with an LL.B (Hons) degree in 1993.

SMG **MANAGEMENT TEAM**

DR BENG TECK LIANG
Executive Director and
Chief Executive Officer

MS WONG SIAN JING
Chief Financial Officer

MR MANFRED TEE
Financial Controller

MR ARIFIN NG
General Manager and
Senior Vice President
SMG International Partners

MS KAYLA CHUA
Director – Corporate Sales and
Marketing

MS CAROLYN GOH
Director – IT Operations

MR MAHATHIR JAMAH
Director – Business
Development, Procurement,
Facilities

MS KAREN CHUA
Senior Manager –
Clinic Management

SMG **MEDICAL DIRECTORS, DOCTORS AND SPECIALISTS**

DR ANDREW DUTTON
SMG Orthopaedic Group

DR CATHRYN CHAN WENG BUEN
Astra Women's Specialists

DR CHANG FU-GUI
The Dental Studio

DR DHARSHINI GOPALAKRISHNAKONE
The Obstetrics & Gynaecology
Centre

DR ETHAN HE YINGCI
Lifescan Medical Centre

DR EUGENE TAY
SMG Vision Centre
The Lasik Surgery Clinic

DR FONG YANG
Astra Women's Specialists

A/PROF FONG YOKE FAI
Astra Laparoscopic & Robotic
Centre for Women and Fertility
The Obstetrics & Gynaecology
Centre

SMG MEDICAL DIRECTORS, DOCTORS AND SPECIALISTS

DR HENG SIOK KHENG
Kids Clinic

DR HENRY H CHENG
Astra Women's Specialists

DR JAMES W S LEE
Astra Women's Specialists

DR JIMMY BENG
SMG Urology Centre with Beng Surgery

DR JOHN HUANG
Lifescan Imaging

DR JONATHAN LIU
The Dental Studio

DR JULINDA LEE
Wellness & Gynaecology Centre by Dr Julinda Lee

DR KANIKA CHAUDHURI
Astra Women's Specialists Centre

DR KENNETH SHEAH
Lifescan Imaging

DR LEE CHEE WAN
Cardiac Centre International
SMG Specialist Centre

DR LYNETTE NG
The Dental Studio

DR MARC TAY
The Lasik Surgery Clinic
SMG Vision Centre

DR MARK TAN
Lifescan Imaging

DR MAS SUHAILA ISA
Kids Clinic

DR NANDAKUMAR RAMASAMI
Cardiac Centre International
SMG Specialist Centre

NATALIE LIM
Registered Psychologist
SMG Specialist Centre

SMG MEDICAL DIRECTORS, DOCTORS AND SPECIALISTS

DR OH MENG CHOO
Kids Clinic

DR SAY TIAN LING
Lifescan Medical Centre

DR SIMON NG PAU LING
Kids Clinic

DR STEPHANIE YAP
The Dental Studio

DR TAN WAH CHING
The Dental Studio

DR THO CHIN KEONG
Astra Women's Specialists

DR TONY STANLEY
Lifescan Imaging

DR WATT WING FONG
The Obstetrics & Gynaecology Centre

DR WONG CHIUNG ING
The Cancer Centre
SMG Specialist Centre

DR WONG SENG WENG
The Cancer Centre
SMG Specialist Centre

DR WOO MEI YEE
The Dental Studio

VISITING CONSULTANTS

DR ARTHUR LIM
Visiting Orthodontist
The Dental Studio

DR GOH BEE TIN
Visiting Oral and Maxillofacial Surgeon
The Dental Studio

DR NOAH TEO
Visiting Oral & Maxillofacial Surgeon
The Dental Studio

DR TOH SIEW LUAN
Visiting Paedodontist
The Dental Studio

OPERATIONS REVIEW

In FY2017, Singapore Medical Group Limited continued its growth trajectory and further expansion in the women's health segment, foray into the paediatrics and cardiology business, and opening of a trio of new clinics at OUE Downtown Gallery in the Central Business District (CBD).

Currently, the Group has 35 clinics strategically located at Paragon Medical Centre, Mount Elizabeth Medical Centre, Mount Elizabeth Specialist Centre, Novena Medical Center, OUE Downtown Gallery, Gleneagles Medical Centre, Farrer Park Medical Centre, and Mount Alvernia Hospital. The Group has also expanded its presence in heartland locations such as Toa Payoh, Bishan, Hougang, Jurong and Tiong Bahru. In addition, the Group has an extensive network of Specialist and Associate doctors situated across clinics in Singapore to cater to the needs of our patients.

The Group has achieved another significant milestone in 2017 as it was awarded the Singapore Quality Class (SQC) Service certification from SPRING Singapore in December 2017. This certification recognises the Group's robust business fundamentals and excellence, especially in the patient service sector. With this major achievement, the Group strives to continue upholding and improving on providing a better experience for every patient.

DIAGNOSTICS & AESTHETICS

Our Diagnostic and Imaging segment continued to be one of the Group's fastest growing businesses. In November 2017, we consolidated the two imaging centres at Novena into a 5,500 square feet imaging centre at Novena Medical Center. The new centre was officially opened on 10 February 2018 and houses the full suite of diagnostic imaging capabilities including bone density scan (DXA), computed tomography (CT scan), magnetic resonance imaging (MRI), digital mammography & breast ultrasound, general ultrasound, musculoskeletal ultrasound and a full range of x-ray examinations. With a comprehensive range of imaging-related services and an experienced team of radiologists and healthcare professionals, Lifescan Imaging is well-placed to support the needs of the medical community in Novena area, a fast growing medical hub in Singapore.

In addition, Lifescan Imaging has opened a new location at OUE Downtown Gallery in the fourth quarter of 2017. The expansion to this strategic location offers working professionals in the surrounding CBD a suite of imaging services such as mammogram, ultrasound and x-rays.

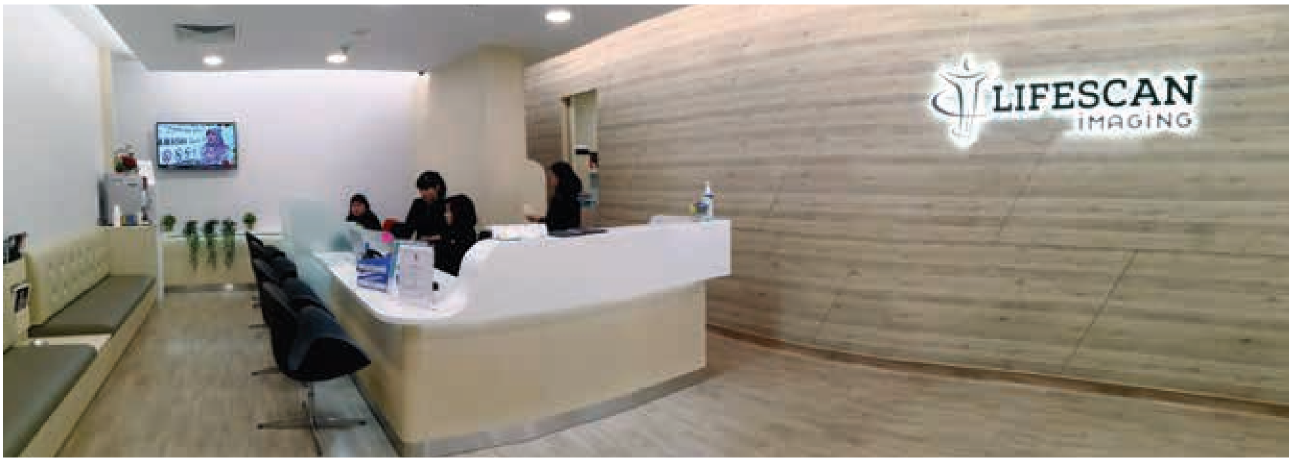
The Group's aesthetics business, mainly consisting of The Lasik Surgery Clinic and The Dental Studio, have continued to build on brand awareness and patient footfall.

In FY2017, The Lasik Surgery Clinic has moved to a new location as the Group consolidated its facilities to drive operational efficiency. The clinic has continued to build upon its long-standing presence as one of the largest and most established private vision correction centres in Singapore, offering a comprehensive suite of refractive surgeries including ReLEx® SMILE, LASIK and Advanced Surfaced Ablation (Epi-LASIK and LASEK).

The Dental Studio has continued to see a steady growth in patient numbers in FY2017, as it celebrated its 10th anniversary milestone in 2017. Our specialist centre at Paragon has relocated to a new space which has been upgraded with patient care and comfort as priority. The general dentistry clinic has also shifted to a new space at OUE Downtown, delivering family and general dentistry services for working professionals in Singapore's CBD.

HEALTHCARE

With the Group's acquisition of Astra Women's Specialists Group in February 2017, the SMG Women's Health network now comprises 4 group practices (Astra Women's Specialists, Astra Laparoscopic & Robotic Centre for Women and Fertility, The Obstetrics & Gynaecology Centre, and Wellness & Gynaecology Centre by Dr Julinda Lee), focusing



OPERATIONS **REVIEW**

on pregnancy and women's reproductive health. SMG Women's Health has continued to expand its footprint with the opening of a new Astra Women's Specialist Centre in Toa Payoh and The Obstetrics & Gynaecology Centre in OUE Downtown Gallery. The Group has also welcomed a senior O&G specialist to helm the Astra Laparoscopic & Robotic Centre for Women and Fertility, slated for opening in March 2018.

In the second half of FY2017, the Group embarked on a new speciality offering of paediatric services with the acquisition of several paediatric clinics and the subsequent launch of the Kids Clinic network of clinics. The Group's paediatric practice now consists of four experienced and dedicated paediatricians, with a sub-speciality focus on neonatology. SMG's foray into paediatrics is a natural progression which complements the Group's rapid growth in its Women's Health discipline, providing O&G patients with comprehensive care for their infants and children.

In addition, the Group has kick-started a new speciality practice in Cardiology with the opening of its first cardiology clinic, Cardiac Centre International, which will be driven by two cardiologists – an interventionist and electrophysiologist.

The Group continues to provide its executive and corporate health screening services under Lifescan Medical Centre, consisting of a flagship clinic at Paragon and a new centre at OUE Downtown Gallery which opened in July 2017, both co-located with Lifescan Imaging.

The Cancer Centre continues to build on its reputation as one of the most established private cancer clinics in Singapore, with highly skilled and experienced oncology specialists, innovative targeted treatments and a comforting patient-centred environment. This year, Medical Director Dr Wong Seng Weng lectured widely at international oncology conferences in Taiwan, Pakistan, the Philippines, China, Thailand and India.

Regionally, the Group entered Vietnam's private healthcare market with a joint venture investment in CarePlus Clinic Vietnam, a multi-disciplinary healthcare specialist clinic which offers health screening, women's health, paediatrics and diagnostic imaging for corporate and residential clientele in Ho Chi Minh City. Through this investment, the Group hopes to export its Singaporean brand and expertise and work towards enhancing the overall healthcare quality in the region.

In January 2018, the Group, alongside CHA Medical Group from Korea, entered the Australian market with the acquisition of City Fertility Centre, a leading IVF specialist group with seven IVF centres and nearly 50 doctors across Australia. This strategic move into the global IVF market signifies the Group's recognition of the rising demand in fertility treatments, driven by rapid technological advancements and an increase in medical tourism.

CORPORATE SOCIAL RESPONSIBILITY

The Recycling Vision campaign launched by The Lasik Surgery Clinic in 2016 was concluded this year as part of the Group's Corporate Social Responsibility efforts. Through a collaboration with the Charity@Work initiative by SingPost, The Lasik Surgery Clinic donated used spectacle frames and conducted eye tests for needy elderly in Singapore. In an initiative spearheaded by the Society of Opticianry Practitioners, Singapore and Tzu Chi Foundation, Singapore to improve eye health in rural communities, the Clinic also donated used spectacles for a mission trip to Sri Lanka in August 2017.

FINANCIAL **REVIEW**

CONSOLIDATED INCOME STATEMENT

The Group reported total revenue of $68.0 million for the financial year ended 31 December 2017 ("FY2017") as compared to $41.6 million for the financial year ended 31 December 2016 ("FY2016"). The increase in revenue of 63.5% was mainly attributed to the revenue growth of the Health Business segment by $20.6 million, which mainly arises from the 10 subsidiaries acquired in FY2017, and the Diagnostic & Aesthetics Business segment by $5.8 million, which was mainly contributed by the subsidiary acquired in September 2016.

Gross profit increased by 94.4% from $14.9 million for FY2016 to $29.0 million for FY2017 mainly due to increase in revenue and improvement in profit margin of the Health Business segment.

Distribution & selling expenses increased by 17.2% which were driven by increase in revenue while administrative expenses increased by 63.5% mainly due to the increase in staff headcount resulting from the acquisition of subsidiaries in FY2017, and a higher depreciation charge in FY2017. Finance expenses increased by 523.3% as a result of interest expenses incurred for new bank loan and new finance leases obtained in FY2017, and accretion of interest on deferred purchase consideration.

Share of loss of joint venture entities decreased by 28.2% mainly due to improved financial performance from a joint venture entity and the liquidation of a loss making joint venture entity.

The Group recorded other expense and other gains of $0.3 million and $0.2 million respectively. These are one-off items relating to transaction costs on acquisition of subsidiaries, and reversal of impairment loss on amounts due from joint venture entities and investment in joint ventures. In FY2016, the Group recorded other gain and other expenses of $1.6 million and $0.9 million, respectively and these relate to one-off items such as gain on re-measuring previously held equity interest in joint venture entity to fair value on business combination, impairment loss on property, plant and equipment, impairment loss on amounts due from joint venture entities and impairment loss on investment in joint ventures.

Income tax expense increased by 344.4% mainly due to improved profits of the Group, offset by recognition of deferred tax assets relating to unutilised capital allowance.

Overall, the Group registered a net profit of $8.7 million for FY2017 as compared to a net profit of $2.9 million for FY2016.

CONSOLIDATED BALANCE SHEET

Assets

Total assets of the Group increased to $167.6 million as at 31 December 2017 from $34.4 million as at 31 December 2016 due to increase in property, plant and equipment, intangible assets, deferred tax assets, inventories, trade and other receivables, prepayments, and cash and bank balances.

Net asset value per ordinary share was 23.6 cents as at 31 December 2017 compared to 7.5 cents as at 31 December 2016.

Net working capital had changed from a surplus of $6.1 million as at 31 December 2016 to a deficit of $2.7 million as at 31 December 2017. This is mainly due to the current portion of the deferred purchase consideration arising from the acquisition of subsidiaries in FY2017, increase in trade and other payables, the current portion of loans and borrowings and income tax payable, offset by the increase in inventories, trade and other receivables, prepayments, and cash and bank balances.

On 8 February 2018, $11.0 million of the current portion of the deferred purchase consideration was paid out of which $6.0 million was funded by a new bank loan drawn down from a financial institution.

Liabilities

Total liabilities increased from $10.5 million as at 31 December 2016 to $59.3 million as at 31 December 2017 mainly due to increase in loans and borrowings, higher trade and other payables balances which mainly arises from the deferred purchase consideration resulting from acquisition of subsidiaries in FY2017, increase in income tax payable and deferred tax liabilities, offset by decrease in obligations under finance leases.

Shareholders' Equity

Shareholders' equity increased from $23.3 million as at 31 December 2016 to $108.3 million as at 31 December 2017 due to the increase in share capital of the Company arising mainly from the issuance of shares for the Placement in February 2017 and acquisition of subsidiaries in FY2017, and also a higher profit recorded in FY2017.

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Mr Tony Tan Choon Keat (Non-Executive Chairman)

Dr Beng Teck Liang (Executive Director and Chief Executive Officer)

Mr Ho Lon Gee (Lead Independent Director)

Mr Jimmy Yim Wing Kuen (Independent Director)

Dr Wong Seng Weng (Executive Director)

AUDIT COMMITTEE

Mr Ho Lon Gee (Chairman)

Mr Jimmy Yim Wing Kuen (Member)

Mr Tony Tan Choon Keat (Member)

REMUNERATION COMMITTEE

Mr Jimmy Yim Wing Kuen (Chairman)

Mr Ho Lon Gee (Member)

Mr Tony Tan Choon Keat (Member)

NOMINATING COMMITTEE

Mr Jimmy Yim Wing Kuen (Chairman)

Mr Ho Lon Gee (Member)

Mr Tony Tan Choon Keat (Member)

COMPANY SECRETARIES

Chan Wan Mei

Lee Pay Lee

REGISTERED OFFICE

1004 Toa Payoh North
#06-03/07
Singapore 318995
T. (65) 6836 1000
F. (65) 6836 8385
W. www.smg.sg

SHARE REGISTRAR

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
80 Robinson Road #02-00
Singapore 068898

AUDITORS

Ernst and Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Audit Partner in charge: Mr Tan Soon Seng
(since financial year ended 31 December 2016)

PRINCIPAL BANKERS

CIMB Bank Berhad, Singapore Branch

DBS Bank Ltd

CATALIST SPONSOR

CIMB Bank Berhad, Singapore Branch
50 Raffles Place
#09-01 Singapore Land Tower
Singapore 048623

CORPORATE GOVERNANCE **REPORT**

Singapore Medical Group Limited (the "**Company**") is committed to achieving a high standard of corporate governance within the Group. The Company continues to evaluate and put in place effective self-regulatory corporate practices to protect its shareholders' interests and enhance long-term shareholders' value.

This report outlines the Company's corporate governance practices for the financial year ended 31 December 2017 ("**FY2017**") with specific reference made to the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**") issued in May 2012, which forms part of the continuing obligations of the Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") ("**Rules of Catalist**"). The Company has adhered to comply with the principles and guidelines as set out in the Code where appropriate.

Board Matters

Principle 1: Board's Conduct of its Affairs

The Board oversees the Group's overall policies, strategies and objectives, key operational initiatives, performance and measurement, internal control and risk management, major funding and investment proposals, financial performance reviews and corporate governance practices.

Apart from its statutory duties and responsibilities, the Board performs the following functions:–

(a) provide entrepreneurial leadership, set strategic aims and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;

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

(c) review management performance;

(d) identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;

(e) set the Group's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met;

(f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation;

(g) nomination of Directors to the Board;

(h) appointment of key personnel;

(i) review the financial performance of the Group and implementing policies relating to financial matters, which include risk management and internal controls and compliance; and

(j) assuming responsibility for corporate governance.

The Board objectively discharges their duties and responsibilities at all times as fiduciaries in the interests of the Group. The Board has delegated specific responsibilities to three committees whose actions are monitored and endorsed by the Board. These committees include the Audit Committee, the Nominating Committee and the Remuneration Committee, all of which operate within clearly defined terms of reference and functional procedures and are reviewed on a regular basis. Each of these committees reports its activities regularly to the Board.

Matters which are specifically reserved to the full Board for decision are those involving a conflict of interest for a substantial shareholder or a Director, material acquisitions and disposal of assets, corporate or financial restructuring, share issuance and dividends, and financial results and corporate strategies. The Board will provide directions to the Management team of the Group's business divisions through presentations at Board and Board Committee meetings.

CORPORATE GOVERNANCE
REPORT

Formal Board meetings are held at least once every quarter to oversee the business affairs of the Group, and to approve, if applicable, any financial or business objectives and strategies. Ad-hoc meetings are convened when the circumstances require. The Company's Constitution allows a Board meeting to be conducted by way of tele-conference and video-conference.

During the financial year under review, the Board held four meetings and the attendance of each Director at every Board and Board Committee meeting is as follows:–

		Board	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
No. of meetings held		**4**	**4**	**1**	**1**
Name	**Designation**	**No. of meetings attended**			
Mr Tony Tan Choon Keat	Non-Executive Chairman	4	4	1	1
Mr Ho Lon Gee	Lead Independent Director	4	4	1	1
Mr Jimmy Yim Wing Kuen	Independent Director	3	3	1	1
Dr Beng Teck Liang	Executive Director/ Chief Executive Officer	4	N.A.	N.A.	N.A.
Dr Wong Seng Weng	Executive Director	4	N.A.	N.A.	N.A.

All Directors are provided with regular updates on changes in the relevant laws, regulations and changing commercial risks to enable them to make well-informed decisions and to ensure that the Directors are competent in carrying out their expected roles and responsibilities.

Management would conduct briefings and orientation programmes to familiarise newly appointed Directors with the various businesses, operations and processes of the Group. Upon appointment, the newly appointed Directors will be provided a formal letter setting out their duties and obligations.

Principle 2: Board Composition and Guidance

The Board comprises five Directors, of whom two are Executive Directors, one is a Non-Executive Director and two are Independent Directors. While Independent Directors make up less than half of the Board and given the Chairman is not an Independent Director, the Company has identified a suitable candidate to be appointed as an additional Independent Director of the Company. The new Independent Director has been recommended by the Nominating Committee for appointment by the Board at the Company's forthcoming Annual General Meeting ("**AGM**"), subject to shareholders' approval.

The Board and its board committees comprise directors who as a group provide an appropriate balance and diversity of skills, experience, and knowledge of the Company. They also provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge.

The independence of each Director has been and will be reviewed annually by the Nominating Committee. The Nominating Committee adopts the Code's definition of what constitutes an Independent Director in its review. The Board considers an Independent Director as one who has no relationship with the Group, its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interest of the Company and Group's affairs.

The Independent Directors have confirmed that they do not have any relationship with the Company or its related companies, its 10% substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment in the best interests of the Company. The Nominating Committee has reviewed and determined that the said Directors are independent in character and judgement.

CORPORATE GOVERNANCE **REPORT**

The Nominating Committee noted that Mr Ho Lon Gee and Mr Jimmy Yim Wing Kuen will serve on the Board for a period exceeding nine years from June 2018, as they were first appointed to the Board on 22 June 2009. For the purpose of evaluating the independence of directors who will serve beyond nine years from the date of their first appointment, a special committee comprising Mr Tony Tan Choon Keat, Dr Beng Teck Liang and Dr Wong Weng Seng was formed in the last Nominating Committee meeting.

The special committee had, after their evaluation, opined that Mr Ho Lon Gee and Mr Jimmy Yim Wing Kuen have each continued to demonstrate independence in character and judgement in deliberations at the Board and Board Committee level and are always seen to act in the best interests of the Company in discharging their director's duties. The special committee had therefore recommended to the Nomination Committee and the Board that both Mr Ho Lon Gee and Mr Jimmy Yim Wing Kuen be considered independent despite their length of service. The Nomination Committee and the Board, after due review, consider both Mr Ho Lon Gee and Mr Jimmy Yim Wing Kuen as independent.

The Board will constantly examine its size and, with a view to determining the impact of the number upon effectiveness, decide on what it considers an appropriate size for the Board, which facilitates effective decision-making. The composition of the Board is reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate mix of expertise and experience.

The Board, taking into account the nature of operations of the Group, the requirement of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board committees, considers its current size to be adequate for effective decision-making. No individual or small group of individuals dominate the board's decision making process.

Non-Executive Directors constructively challenge and help develop proposals on strategy, and review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. Independent directors and the Non-Executive Chairman meet regularly without Management's presence to discuss matters such as the Group's financial performance, current and future operations, board processes and the remuneration of the Executive Directors. The Non-Executive Chairman ensures that these discussions are addressed to the Board for consideration and action.

The Nominating Committee is of the view that the current Board comprises persons who as a group provide capabilities required for the Board to be effective. Key information regarding the Directors is set out on pages 8 and 9 of the Annual Report.

Principle 3: Chairman and Chief Executive Officer

The Board recognises the Code's recommendation that the Chairman and the Chief Executive Officer ("**CEO**") should be separate persons to ensure that there is an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The Non-Executive Chairman of the Company is Mr Tony Tan Choon Keat and the CEO is Dr Beng Teck Liang. The Chairman bears the responsibility for the effective conduct of the Board whilst the CEO bears the executive responsibility for the operation of the Group's business. The Chairman and the CEO are not related to each other.

The Chairman schedules Board meetings as and when required and sets the agenda for the Board meetings. He sets guidelines on and ensures quality, quantity, complete, adequate, and timeliness of information flow between the Board and Management of the Company. The Chairman also builds constructive relations within the Board and between the Board and Management, and facilitates the effective participation of non-executive directors by promoting a culture of openness and debate at the Board. The Chairman further ensures effective communication with shareholders and promotes high standards of corporate governance.

All the Board committees are chaired by Independent Directors and at least one-third of the Board consist of Independent Directors.

As recommended by the Code, the Board has appointed Mr Ho Lon Gee as the Lead Independent Director of the Company to address the concerns of the shareholders and employees in the event the normal interactions with the Non-Executive Chairman, CEO or Chief Financial Officer ("**CFO**") could not satisfactorily resolve their concerns or where such channel of communications is considered inappropriate.

CORPORATE GOVERNANCE **REPORT**

Board Committees

Nominating Committee ("NC")

Principle 4: Board Membership
Principle 5: Board Performance

The current NC comprises the following 3 members, majority of whom (including the Chairman), are Independent Directors:

(a) Mr Jimmy Yim Wing Kuen (Chairman);
(b) Mr Tony Tan Choon Keat; and
(c) Mr Ho Lon Gee.

The Board has approved the written terms of reference of the NC. Its functions are as follows:–

a) review and assess candidates for directorships (including executive directorships) before making recommendations to the Board for the appointment of directors;

b) re-nominate directors for re-election in accordance with the Constitution at each annual general meeting and having regard to the director's contribution and performance;

c) determine annually whether or not a director of the Company is independent;

d) decide whether or not a director is able to and has been adequately carrying out his duties as a director; and

e) assess the performance of the Board as a whole and contribution of each director to the effectiveness of the Board.

Where a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the NC, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position.

A formal assessment process is in place to assess the effectiveness of the Board as a whole. Assessment parameters include evaluation of the Board's access to information, accountability, the quality of Board processes, Board's performance in relation to discharging its principal responsibilities, and the business performance of the Group in terms of the financial indicators as set out in the Code. The Board assessment also takes into consideration both qualitative and quantitative criteria, such as return on equity, success of the strategic and long-term objectives set by the Board.

The evaluation of the Board is conducted annually. As part of the process, the Directors will complete the evaluation forms which are collated by the Company Secretary. The Company Secretary will then summarise the results of the evaluation and present it to the NC for review. Areas where the Board's performance and effectiveness could be enhanced and recommendations for improvement are then submitted to the Board for discussion and for implementation. The Chairman, in consultation with the NC, proposes when appropriate, new members to be appointed or seek the resignation of Directors.

The NC has assessed the current Board's performance to-date and is of the view that the performance of the Board as a whole was satisfactory. Although some of the Board members have multiple board representations, the multiple board representations do not hinder them from carrying out their duties as directors. The NC is satisfied that sufficient time and attention has been given by the Directors to the Group. The Company's current policy stipulated that a director should not hold more than 5 listed board representations concurrently. The Board believes that the prescribed amount is reasonable in order to ensure the directors are able to dedicate sufficient time and effort to discharge their duties and perform their roles in the best interests to the Company.

CORPORATE GOVERNANCE **REPORT**

With regard to the responsibility of determining annually, and as and when circumstances require, if a director is independent, each NC member will not take part in determining his own re-nomination or independence. Each director is required to submit a return of independence to the Company Secretary as to his independence, who will submit the returns to the NC. The NC shall review the returns and determine the independence of each of the Directors and recommend to the Board. An Independent Director shall notify the NC immediately, if as a result of a change in circumstances, he no longer meets the criteria for independence. The NC shall review the change in circumstances and make its recommendations to the Board. During the year, the NC has reviewed and determined that Mr. Ho Lon Gee and Mr. Jimmy Yim Wing Kuen are independent directors of the Company.

All Directors are subject to the provisions of Article 94 of the Constitution whereby one-third of the Directors are required to retire and subject themselves to re-election by shareholders at every annual general meeting of the Company.

All the newly appointed Directors are subject to the provisions of Article 99 of the Constitution whereby the appointed Directors shall hold office only until the next AGM and shall then be eligible for re-election, but shall not be taken into account in determining the numbers of Directors who are retire by rotation at such meeting.

The NC recommended to the Board that Mr Jimmy Yim Wing Kuen and Dr Wong Seng Weng be nominated for re-election at the forthcoming AGM. The retiring Directors have offered themselves for re-election. The Board has accepted the recommendation of the NC. Mr Jimmy Yim Wing Kuen will, upon re-election as a Director, remain as an Independent Director, the Chairman of Nominating Committee and Remuneration Committee and Member of Audit Committee.

Mr Jimmy Yim Wing Kuen will be considered independent for the purposes of Rule 704(7) of the Rules of Catalist.

The NC recommended to the Board the appointment of Ms Stefanie Yuen Thio as an additional Independent Director of the Company and Ms Stefanie Yuen Thio's appointment will be subject to shareholders' approval at the Company's forthcoming AGM.

In making the recommendation for re-election of the retiring Directors at the forthcoming AGM and the appointment of the new director, the NC had considered the Directors' overall contributions and performance and the new director's skillset and past experience.

The details of the Board member's directorship are disclosed as follows:

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Past Directorships in other listed companies and other major appointments over the preceding three years	Present Directorships in other listed companies and other major appointments
Tony Tan Choon Keat	2 December 2013	25 April 2016	Non-Executive Chairman	Chairman of the Board of Directors, Member of Nominating Committee, Member of Remuneration Committee and Member of Audit Committee.	Nil	Non-Independent and Non-Executive Director, IGB Corporation Bhd
Dr Beng Teck Liang	2 December 2013	28 April 2017	Executive Director and Chief Executive Officer	N/A	Nil	Nil
Ho Lon Gee	22 June 2009	28 April 2017	Independent Director	Chairman of Audit Committee; Member of Nominating Committee and Member of Remuneration Committee	Nil	Chief Executive Officer, Tricor Singapore Pte Ltd

CORPORATE GOVERNANCE REPORT

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Past Directorships in other listed companies and other major appointments over the preceding three years	Present Directorships in other listed companies and other major appointments
Jimmy Yim Wing Kuen	22 June 2009	21 April 2015	Independent Director	Chairman of Nominating Committee; Chairman of Remuneration Committee and Member of Audit Committee	Nil	Independent Director: 1. Low Keng Huat (Singapore) Limited 2. ARA-CWT Trust Management (CACHE) Limited
Dr Wong Seng Weng	14 August 2015	N/A	Executive Director	N/A	Nil	Nil
Ms Stefanie Yuen Thio*	27 April 2018	N/A	Independent Director	N/A	Nil	Independent Director, ARA-CWT Trust Management (CACHE) Limited

* subject to shareholders' approval at the forthcoming AGM.

The Board member's shareholding in the Company and its related companies are set out on page 31 of the Annual Report.

Principle 6: Access to Information

To assist the Board in fulfilling its responsibilities, the Board is provided with management reports which include board papers and related materials containing relevant background or explanatory information required to support the decision-making process. The Management will continue to improve its process in providing complete, adequate and timely information to the Directors prior to each Board meeting so as to enable them to make decisions to discharge their duties and responsibilities. The Board is also provided with management accounts of the Group's performance, position and prospects on a quarterly basis.

The Directors are entitled to request from Management and should be provided with additional information as needed to make informed choices. The Board has separate and independent access to senior management and the Company Secretary at all times. The Company Secretary or its representative attends all Board and Board Committees meetings and ensures that all Board procedures are followed. The Company Secretary also ensures that the Company complies with the requirements of the Companies Act and the Rules of Catalist. The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Company Secretary's responsibility include ensuring good information flows within the Board and its board committees and between Management and Non-Executive Directors and advising the Board on corporate governance matters.

If any of the Directors require independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

Remuneration Committee ("RC")

Principle 7: Procedures for Developing Remuneration Policies
Principle 8: Level and Mix of Remuneration
Principle 9: Disclosure of Remuneration

The current RC comprises the following 3 members, majority of whom (including the Chairman) are Independent Directors:

(i) Mr Jimmy Yim Wing Kuen (Chairman);
(ii) Mr Tony Tan Choon Keat; and
(iii) Mr Ho Lon Gee.

The Board has approved the written terms of reference of the RC. Its functions are as follows:–

a) recommend to the Board a framework of remuneration for the directors and executive officers;

b) determine specific remuneration packages for each executive director;

c) review annually the remuneration of employees related to the directors and substantial shareholders to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities;

d) review and approve any bonuses, pay increases and/or promotions for the senior management; and

e) other acts as may be required by the SGX-ST and the Code from time to time;

In addition, the RC has been tasked to administer the SMG Employee Share Option Scheme and SMG Share Plan.

In carrying out the above, the RC may obtain independent external legal and other professional advice as it deems necessary. The expenses of such advice shall be borne by the Company.

The RC reviews the Company's obligations arising in the event of termination of Executive Directors and key executives' contracts of service to ensure such contracts of service contain fair and reasonable termination clauses.

The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the Company successfully but the Company should avoid paying more for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

The Company sets remuneration packages which:

(a) align interests of Executive Directors with those of shareholders and promote long-term success of the Company;

(b) link rewards to corporate and individual performance;

(c) are competitive and sufficient to attract, retain and motivate Directors and senior management with adequate experience and expertise to manage the business and operations of the Group; and

(d) take into account the risk policies of the Company, be symmetric with risk outcomes and be sensitive to the time horizon of risks.

There are, at present, no contractual provisions allowing the Company to reclaim incentive components of remuneration from Executive Directors and Executive Officers in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Company should be able to avail itself to remedies against the Executive Directors and Executive Officers in the event of such breach of fiduciary duties.

CORPORATE GOVERNANCE **REPORT**

The remuneration paid and payable to the Directors and Executive Officers during the financial year under review are as follows:

Remuneration Bands	Salary	Performance Bonus	Director's fee	Others	Fair value of share options	Total
Directors						
Above S$500,000*						
Dr Wong Seng Weng	98%	–	–	–	2%	100%
S$250,000 – S$500,000						
Dr Beng Teck Liang	72%	–	–	14%	14%	100%
Below S$250,000						
Mr Ho Lon Gee	–	–	100%	–	–	100%
Mr Jimmy Yim Wing Kuen	–	–	100%	–	–	100%
Mr Tony Tan Choon Keat	–	–	–	–	–	–

* For competitive reasons, remuneration above S$500,000 is not disclosed in bands of S$250,000.

Remuneration Bands	Salary	Performance Bonus	Others	Fair value of share options	Total
Executive Officers					
Below S$250,000					
Arifin Ng	70%	–	26%	4%	100%
Carolyn Goh	93%	–	7%	–	100%
Kayla Chua	100%	–	–	–	100%
Mahathir Jamah	84%	–	12%	4%	100%
Manfred Tee	91%	–	6%	3%	100%
See-Toh Zhiping, Amara	98%	–	2%	–	100%
Wong Sian Jing	83%	–	4%	13%	100%

To maintain confidentiality of staff remuneration matters and for competitive reasons, the Company is not disclosing each individual Director's and Executive Officer's remuneration, and the aggregate total remuneration of the above Executive Officers. Instead, the Company is disclosing the remuneration of each Director and Executive Officer in bands of S$250,000.

The RC ensures that a formal and transparent procedure is in place for fixing the remuneration packages of individual Directors and Executive Officers. No Director is involved in determining his own remuneration. The remuneration of the Non-Executive and Independent Directors is appropriate to their individual contribution and is in the form of a fixed fee.

The Executive Directors have service agreements with the Company. Their compensation consists of salary, bonus and performance award that is dependent on the Group's performance. The service agreements allow termination by either party giving three to six months' notice in writing to the other. The RC is responsible for the review of compensation commitments, if any, in the event of early termination.

Additionally, in setting remuneration packages, the Company has taken into account the remuneration and employment conditions within the industry.

The Directors' fees, as a lump sum, will be subject to the approval by shareholders at the forthcoming AGM.

Saved as disclosed below, no other employee whose remuneration exceeded S$50,000 during the financial year under review is an immediate family member of a Director or CEO.

Remuneration Bands	Salary/ Professional Fees	Performance Bonus	Director's fee	Others	Fair value of share options	Total
Immediate family members of Director or CEO						
S$250,000 – S$300,000						
Dr Jimmy Beng Keng Siew[a]	100%	–	–	–	–	100%

a Dr Jimmy Beng Keng Siew is the father of Executive Director and CEO, Dr Beng Teck Liang.

The Company has a share option scheme known as SMG Employee Share Option Scheme (the "**ESOS**") which was approved by shareholders of the Company on 30 April 2014. The ESOS comply with the relevant rules as set out in Chapter 8 of the Rules of Catalist. The ESOS will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The scheme is administered by the RC. Further information on the ESOS can be found on pages 32 to 33 of the Annual Report.

The Company also implements a performance share plan known as SMG Share Plan (the "**Share Plan**") to complement the ESOS which was approved by shareholders of the Company on 30 April 2014. The Share Plan comply with the relevant rules as set out in Chapter 8 of the Rules of Catalist. With both ESOS and Share Plan in place, the Company will have a more comprehensive and flexible set of remuneration tools to better motivate, retain and recruit talent. The Share Plan will provide an opportunity for employees (including Executive Directors) to participate in the equity of the Company.

Accountability and Audit

Principle 10: Accountability and Audit

The Board takes adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the securities exchange, for instance, by establishing written policies where appropriate.

In line with the Rules of Catalist, the Board provided a negative assurance statement confirming to the best of its knowledge that nothing has come to the attention of the Board which may render the unaudited financial results of the Group for the six-month financial period ended 30 June 2017 ("**HY2017**") to be false or misleading in any material aspect.

In addition, all Directors and Executive Officers of the Company have provided letters of undertaking (in the format set out in Appendix 7H of the Rules of Catalist) under Rule 720(1) of the Rules of Catalist.

In presenting the annual financial statements, half-year results and full-year results announcements to shareholders, it is the aim of the Board to provide the shareholders with a detailed analysis, explanation and balance and understandable assessment of the Group's financial position and prospects. The Board is accountable to the shareholders and is mindful of its obligations to furnish timely information and to ensure full disclosure of material information in compliance with statutory requirements and the Rules of Catalist. The management currently provides the Board with management accounts of the Group's performance, position and prospects at least on a quarterly basis.

Principle 11: Risk Management and Internal Controls

The Board, assisted by the Audit Committee ("**AC**"), has oversight of the internal controls and risk management system in the Group.

The Company does not have a Risk Management Committee. However, the management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC. The details of the Group's financial and business risks can be found on pages 91 to 94 of this Annual Report.

CORPORATE GOVERNANCE REPORT

The Group's internal controls and systems are designed to provide reasonable, but not absolute assurance to the integrity and reliability of the financial information and to safeguard and maintain the accountability of the assets.

The AC examines the effectiveness of the Group's internal control systems. The numbers of assurance mechanisms currently operating are supplemented by the Company's internal and external auditors' annual reviews of the effectiveness of the Company's material internal controls, including financial, operational, compliance and information technology controls and risk management systems. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC in a timely fashion. The Board received assurance in writing from CEO and CFO that financial records have been properly maintained and financial statements of the Company give a true and fair view of the Company's operations and finance. The assurance from CEO and CFO also includes effectiveness of the Company's risk management and internal control systems. The AC also reviews the effectiveness of the actions taken by the management on the recommendations made by the internal and external auditors in this respect.

The Board is of the opinion that the system of internal controls maintained by the Group's management, and that was in place throughout FY2017 and up to the date of this Report, is adequate to meet the needs of the Group in its current business environment.

The Board of Directors and the AC review annually, the adequacy of the Group's internal controls, including financial, operational, compliance and information technology controls and the Board, with the concurrence of the AC is of the opinion that the system of internal controls are in place and adequate to meet its needs in addressing the financial, operational, compliance risks and information technology controls. The Board is also of the view that the Company maintains a robust and effective system of internal controls in addressing financial, operational and compliance risks.

Audit Committee ("AC")

Principle 12: Audit Committee

The current AC comprises the following 3 members, majority of whom (including Chairman) are Independent Directors:

(i) Mr Ho Lon Gee (Chairman);

(ii) Mr Tony Tan Choon Keat; and

(iii) Mr Jimmy Yim Wing Kuen.

The members of the AC are appropriately qualified to discharge their responsibilities and have recent and relevant accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgment.

The Board has approved the written terms of reference of the AC. Its functions are as follows:–

(a) assist the Board in fulfilling its responsibilities in respect of the Company's accounting policies, internal controls and financial reporting practices;

(b) monitor management's commitment to the establishment and maintenance of a satisfactory control environment with an effective system of internal control and review the effectiveness of the internal audit function (including any arrangements for internal audit);

(c) maintain a channel of communication among members of the Board, the financial management team, and the internal and external auditors on matters arising out of the internal and external audits and to consider the adequacy of arrangements for audit;

(d) monitor and review the scope and results of external audit and its cost effectiveness and the independence and objectivity of the external auditors;

CORPORATE GOVERNANCE **REPORT**

(e) review with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to management and the management's response;

(f) review the quarterly and annual financial statements and results announcements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major financial risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Rules of Catalist and any other relevant statutory or regulatory requirements;

(g) review the internal control procedures and ensure co-ordination between the external auditors and the management, and review the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from audits, and any matters which the auditors may wish to discuss (in the absence of the management, where necessary);

(h) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;

(i) consider and recommend the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the auditors;

(j) review interested person transactions (if any) falling within the scope of Chapter 9 of the Rules of Catalist;

(k) review potential conflicts of interest (if any);

(l) review the integrity of any financial information presented to the Company's shareholders;

(m) review all hedging policies and instruments to be implemented by the Company, if any;

(n) review and evaluate the Group's administrative, operating and internal accounting controls and procedures;

(o) review the Group's financial risk and any oversight of the Group's financial risk management processes and activities to mitigate and manage financial risk at acceptable levels determined by the Board;

(p) review the Group's key financial risk areas, with a view to provide an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or where the findings are material, immediately announced via SGXNET;

(q) undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and

(r) generally undertake such other functions and duties as may be required by statute or the Rules of Catalist, or by such amendments as may be made thereto from time to time.

The AC meets regularly and also holds informal meetings and discussions with the management from time to time. The AC has full discretion to invite any Director or Executive Officer to attend its meetings.

The AC has been given full access to and is provided with the cooperation of the Company's management. In addition, the AC has independent access to the external auditors of the Company, Ernst & Young LLP (the "**External Auditors**") and the internal auditor of the Company, RSM Risk Advisory Pte Ltd (the "**Internal Auditors**"). The AC meets with the External Auditors and Internal Auditors on an annual basis without the presence of management to review matters that might be raised privately. The AC has reasonable resources to enable it to discharge its functions properly.

The AC is kept abreast by management and the external auditors of changes to accounting standards, Rules of Catalist and other regulations which could have an impact on the Group's business and financial statements.

CORPORATE GOVERNANCE REPORT

Audit and Non-Audit Fees

The audit and non-audit services that were rendered by the Company's auditors, Ernst & Young LLP, to the Group and their related fees for FY2017 are as follows:

	S$'000
Audit fees	232
Tax fees	111
Total	343

The AC has reviewed the volume of non-audit services to the Group by the External Auditors and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the External Auditors, is pleased to recommend their re-appointment at the forthcoming AGM.

The Company is in compliance with Rules 712 and 715 of the Rules of Catalist in relation to the proposed re-appointment of the External Auditors.

Whistle-blowing Policy

The AC has established and put in place a whistle-blowing policy and procedures to provide employees with well-defined and accessible channels within the Group for reporting suspected fraud, corruption, dishonest practices or other similar matters or raise serious concerns about possible incorrect financial reporting or other matters that could have an adverse impact on the Company. The aim of this policy is to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be treated fairly and, to the extent possible, be protected from reprisal. In promoting and creating awareness, the whistle-blowing policy and procedures are circulated to all existing and newly recruited employees.

The AC exercises the overseeing function over the administration of the policy. Quarterly reports will be submitted to the AC stating the number and nature of complaints received, the results of the investigation, follow-up actions and the unresolved complaints.

Principle 13: Internal Audit

RSM Risk Advisory Pte Ltd is currently engaged as the internal auditors of the Group and report directly to the Chairman of AC on audit matters and to the CEO on administrative matters. The internal auditor has full access to all the Company's documents, records, properties and personnel, including access to the AC. The internal auditor is guided by the Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors. The AC review the adequacy and effectiveness of the internal audit function annually.

The objective of the internal audit function is to provide an independent review of the effectiveness of the Group's internal controls and provide reasonable assurance to the AC and the management that the Group's risk management, controls and governance processes are adequate and effective. The AC has reviewed the annual internal audit plan for FY2017. The AC is satisfied that the internal audit is adequately resourced and has the appropriate standing within the Group.

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

The Board is accountable to the shareholders and is mindful of its obligation to provide timely and fair disclosure of material information to shareholders, investors and public. The Board treats all shareholders fairly and equitably and seeks to protect and facilitate exercise of shareholder's rights.

CORPORATE GOVERNANCE REPORT

The Company provides updated information including changes (if any) in the Company or its businesses which are likely to materially affect the price or value of its shares, in a timely and consistent manner to its shareholders via SGXNET announcements, news releases and the Company's website. Price-sensitive information is publicly released on an immediate basis where required under the Rules of Catalist. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that shareholders and the public have a fair access to the information.

The Group does not have a concrete dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. There is no dividend payment to shareholders for the financial year ended 31 December 2017 in view of funding needs for future business developments and expansion.

The Company recognises that effective communication can highlight transparency and enhance accountability to its shareholders. The annual general meeting of the Company is a principal forum for dialogue and interaction with all shareholders. All shareholders will receive the annual report and the notice of annual general meeting. At the annual general meeting, shareholders will be given the opportunity to voice their views and to direct questions regarding the Group to the Directors including the Chairman of the Board and respective Chairman for each of the Board Committees. The External Auditors are also present to assist the Directors in addressing any relevant queries from the shareholders. Additionally, the Company prepares minutes of general meetings, which are made available to shareholders upon their request. Shareholders are encouraged to attend the AGM of the Company to ensure a high level of accountability and to stay informed of the Company's strategy and goals. The Board allows all shareholders to exercise its voting rights by participation and voting at general meetings. The Company conducted poll voting for all resolutions tabled at the general meetings. The rules and procedures of the poll voting, were clearly explained by the appointed independent scrutineers at such general meetings.

The Company ensures that there are separate resolutions at general meetings on each distinct issue.

The Company's Constitution allow a member of the Company to appoint one or two proxies to attend and vote at its general meetings.

Securities Transactions

In line with Rule 1204(19) of the Rules of Catalist, the Group has adopted a policy with respect to dealings in securities by the Directors and its Executive Officers. Directors, management and officers of the Group who have access to price-sensitive, financial or confidential information are not permitted to deal in the Company's shares during the periods commencing one month before the announcement of the Group's half-year or full-year results and ending on the date of announcement of such results, or when they are in possession of unpublished price-sensitive information on the Group. In addition, Directors, management and officers of the Group are not allowed to deal in the Company's shares on short-term considerations. To provide further guidance to employees on dealings in the Company's shares, the Company has adopted a code of conduct on transactions in the Company's shares.

Material Contracts

Save for the service agreements between the Executive Directors and the Company, there were no material contracts of the Company or its subsidiaries involving the interest of any Director or controlling shareholder, which are either still subsisting at the end of FY2017 or if not then subsisting, entered into since the end of the previous financial year.

Interested Person Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC for review and approval. The AC has reviewed the interested person transactions for FY2017 conducted whereby the shareholders' approval is exempted under Rule 916(1) of the Rules of Catalist and is satisfied that the transactions were carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders. When a potential conflict of interest arises, the Director concerned takes no part in discussions or exercises any influence over other members of the Board.

CORPORATE GOVERNANCE **REPORT**

The aggregate value of recurrent interested persons transactions entered into by the Company during FY 2017 is as follows:–

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (S$'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) (S$'000)
K S Beng Pte Ltd[1]	163	–
MW Medical Pte Ltd[2]	9	–
MW Medical Holdings Pte Ltd[2]	177	–
BB Ventures Pte Ltd[3]	42	–

1 K S Beng Pte Ltd is wholly-owned by the immediate family member of Dr Beng Teck Liang, the Company's Executive Director and CEO and substantial shareholder of the Company.
2 MW Medical Pte Ltd and MW Medical Holdings Pte Ltd are owned by Dr Wong Seng Weng, the Executive Director of the Company.
3 BB Ventures Pte Ltd is owned by Dr Beng Teck Liang, the Company's Executive Director and CEO and substantial shareholder of the Company.

Non-Sponsor Fees

No non-sponsor fees were paid to the Company's sponsor, CIMB Bank Berhad, Singapore Branch for FY2017.

DIRECTORS' STATEMENT

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Singapore Medical Group Limited (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 2017.

Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, 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.

Directors

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

Tony Tan Choon Keat
Dr Beng Teck Liang
Ho Lon Gee
Jimmy Yim Wing Kuen
Dr Wong Seng Weng

Arrangements to enable directors to acquire shares and debentures

Except as disclosed 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 object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in shares or 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, Chapter 50 (the "Act"), an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		**Deemed interest**	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares of the Company				
Tony Tan Choon Keat	60,960,070	60,960,070	199,900	199,900
Dr Beng Teck Liang	54,571,484	57,371,484	–	–
Jimmy Yim Wing Kuen	1,225,000	1,360,300	–	–
Dr Wong Seng Weng	10,539,813	16,732,241	–	–
Share options of the Company				
Dr Beng Teck Liang	4,600,000	2,100,000	–	–
Dr Wong Seng Weng	2,400,000	1,600,000	–	–

By virtue of Section 7 of the Act, Tony Tan Choon Keat and Dr Beng Teck Liang are deemed to have an interest in the shares of the subsidiaries of the Company.

DIRECTORS' STATEMENT

There was no change in any of the above mentioned interests between the end of the financial year and 21 January 2018.

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

Options

At the Extraordinary General Meeting held on 30 April 2014, shareholders approved the SMG Share Option Scheme and SMG Performance Share Plan (collectively, the "Scheme"). The Scheme is administered by the Remuneration Committee, comprising Messrs Jimmy Yim Wing Kuen (Chairman), Ho Lon Gee and Tony Tan Choon Keat.

SMG Share Option Scheme ("SSOS")

The SSOS applies to all employees of the Group (including Executive Directors who are Controlling Shareholders and their associates) who have attained the age of 21 years on or before the relevant grant of the options, provided that none shall be an undischarged bankrupt.

Other information regarding the SSOS is set out below:

(a) The exercise price of the options is set at a price (the "Market Price") equal to the average of the last dealt prices for the Company's shares on the SGX-ST for the five consecutive market days immediately preceding the date of grant of such options.

(b) The options expire 5 years after the grant date, unless they have been cancelled or have lapsed prior to that date.

SMG Performance Share Plan ("PSP")

The PSP applies to all employees of the Group (including Executive Directors who are Controlling Shareholders and their associates) who have attained the age of 21 years on or before the relevant grant of the options, provided that none shall be an undischarged bankrupt. The awards granted under PSP are conditional on Performance Targets set based on medium-term corporate objectives. Awards represent the right of a participant to receive fully paid shares, free of charge, upon the Company achieving prescribed Performance Target(s). Awards are released once the Remuneration Committee is satisfied that the prescribed target(s) have been achieved. There is no vesting periods beyond the performance periods.

No award under the PSP has been granted during the financial year.

Options granted/exercised

At the end of the financial year, details of the options granted under the SSOS on the unissued ordinary shares of the Company, are as follows:

Date of grant of options	Exercise price per share	Options outstanding at 1 January 2017	Options granted	Options exercised	Options forfeited/ expired	Options outstanding at 31 December 2017	Exercise period
12/05/2014	S$0.173	3,034,000	–	(3,034,000)	–	–	12/05/2015 to 11/05/2019
20/08/2014	S$0.185	160,000	–	(160,000)	–	–	20/08/2015 to 19/08/2019
10/07/2015	S$0.145	370,000	–	(145,000)	–	225,000	10/07/2016 to 09/07/2020
22/09/2016	S$0.303	6,840,000	–	(1,180,000)	(80,000)	5,580,000	22/09/2017 to 21/09/2021
03/04/2017	S$0.544	–	765,000*	–	(90,000)	675,000	03/04/2017 to 02/04/2022
		10,404,000	765,000	(4,519,000)	(170,000)	6,480,000	

* Options granted during the financial year has been announced via SGXNET on 3 April 2017

DIRECTORS' STATEMENT

Details of options granted to directors and controlling shareholders (or their associates) and key executives of the Company under the SSOS are as follows:

Name of director and controlling shareholder and key executive	Options granted for the financial year ended 31 December 2017	Aggregate options granted since commencement of Scheme to 31 December 2017	Aggregate options exercised since commencement of Scheme to 31 December 2017	Aggregate options outstanding as at 31 December 2017
Director of the Company				
Dr Beng Teck Liang	–	4,600,000	2,500,000	2,100,000
Dr Wong Seng Weng	–	2,400,000	800,000	1,600,000
Key executive of the Company				
Wong Sian Jing	–	2,020,000	780,000	1,240,000

Since the commencement of the Scheme, no participant other than the directors and key executive mentioned above has been granted 5% or more of the total options available under the SSOS.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

Audit Committee

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Act. Further details regarding the audit committee are disclosed in the Corporate Governance Report.

Auditor

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

On behalf of the board of directors:

Tony Tan Choon Keat
Director

Dr Beng Teck Liang
Director

28 March 2018

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017

Independent auditor's report to the members of Singapore Medical Group Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Singapore Medical Group Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2017, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Acquisition of subsidiaries

During the current financial year, the Group acquired ten wholly-owned subsidiaries for a total purchase consideration of S$110.6 million. The acquisition of subsidiaries were accounted for using the acquisition method. Given the quantitative materiality of these acquisitions, significant management judgements required in the purchase price allocation ("PPA") exercise, we determined this to be a key audit matter.

Management engaged external valuation experts to assist them with the PPA exercise for the acquisition of these subsidiaries. As at 31 December 2017, the PPAs of three subsidiaries are provisional as the results of the fair valuation had not been finalised at the date these financial statements were authorised for issue.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017

In responding to this area of focus, we performed the following procedures, amongst others:

- reviewed the sale and purchase agreements to obtain an understanding of the transactions and the key terms;
- reviewed the scope of work of external valuation experts engaged by the management;
- assessed the competence, objectivity and capabilities of the external valuation experts;
- tested the identification and fair value measurement of the acquired assets and liabilities based on our discussion with management and our understanding of the acquired companies; and
- involved our internal valuation specialists to assist us in assessing the valuation methodologies, the nature, as well as the basis of the identification and fair value adjustments made to the acquired assets and liabilities.

The Group's disclosures relating to the acquisition of subsidiaries are included in Note 16 to the financial statements.

Impairment assessment of goodwill

As at 31 December 2017, the goodwill was carried at S$119.2 million, which represents 87.2% of the Group's total non-current assets and 110.1% of total equity. Management allocated goodwill to the respective cash-generating units ("CGUs") as disclosed in Note 16 to the financial statements. The recoverable amounts of the identified CGUs have been determined based on value-in-use calculations. Based on the annual impairment test, management assessed that goodwill was not impaired as at 31 December 2017. We considered the audit of management's impairment assessment of these assets to be a key audit matter due to the magnitude of the amounts recognised in the financial statements. In addition, this area was significant to our audit because the impairment assessment process involves significant management judgement and required the management to make various assumptions in the underlying cash flow forecasts.

In response to this area of focus, we performed the following procedures, amongst others:

- obtained an understanding of management's impairment assessment process;
- reviewed the robustness of management's budgeting process by comparing the actual financial results against previous projections;
- assessed the valuation method used by management and evaluated the key assumptions used in the impairment analysis, in particular the discount rates, long-term growth rates and budgeted revenue;
- involved our internal valuation specialists to assist us in evaluating the reasonableness of discount rates used;
- evaluated the reasonableness of budgeted revenue by comparing the actual revenue achieved in the past against previous projections and discussing with management to understand the rationale for the variances; and
- reviewed management's analysis of the sensitivity of the value-in-use calculations to changes in the key assumptions.

The Group's disclosures relating to goodwill are included in Note 16 to the financial statements.

Impairment assessment of property, plant and equipment

As at 31 December 2017, the carrying value of the Group's property, plant and equipment ("PPE") was S$13.5 million. The Group operates clinics in Singapore. Two subsidiaries of the Group have indicators of impairment and the carrying amount of the PPE for these subsidiaries amounted to S$1.1 million as at 31 December 2017. Management performed impairment tests on the PPE of these clinics and determined their recoverable amounts based on value-in-use calculations. This area was significant to our audit because the impairment assessment involved significant management judgement and required the management to make various assumptions in the underlying cash flow forecasts. Accordingly, we have identified this as a key audit matter.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017

In response to this area of focus, we performed the following procedures, amongst others:

– obtained an understanding of management's impairment assessment process;

– reviewed the robustness of management's budgeting process by comparing the actual financial results against previous projections;

– assessed the valuation method used by management and evaluated the key assumptions used in the impairment analysis, in particular the discount rates and budgeted revenue;

– involved our internal valuation specialists to assist us in evaluating the reasonableness of discount rates used;

– evaluated the reasonableness of long-term growth rates by benchmarking them to the industry growth rates and the competitors' growth rates;

– evaluated the reasonableness of budgeted revenue by comparing the actual revenue achieved in the past against previous projections and discussing with management to understand the rationale for the variances; and

– reviewed management's analysis of the sensitivity of the PPE's value-in-use calculations to changes in the key assumptions.

The Group's disclosures relating to PPE are included in Note 14 to the financial statements.

Impairment assessment of receivables due from subsidiaries

As at 31 December 2017, the carrying amount of receivables due from subsidiaries amounted to S$79.4 million. This amount represents 70.4% of the total assets of the Company. In view of the continued losses suffered by certain subsidiaries which provides an indication that some of these receivable amounts may not be fully recoverable, management performed impairment assessment and estimated the recoverable amounts of the receivables due from these subsidiaries using the value-in-use calculations. This area was significant to our audit because the impairment assessment involved significant management judgement and required management to make various assumptions in the underlying cash flow forecasts. Accordingly, we have identified this as a key audit matter.

In response to this area of focus, we performed the following procedures, amongst others:

– obtained an understanding of management's impairment assessment process;

– reviewed the robustness of management's budgeting process by comparing the actual financial results against previous projections;

– assessed the method used by management to determine the ability of subsidiaries to repay the receivables and evaluated the key assumptions used in the impairment analysis, in particular the discount rates, long-term growth rates and budgeted revenue;

– involved our internal valuation specialists to assist us in evaluating the reasonableness of discount rates used;

– evaluated the reasonableness of long-term growth rates by benchmarking them to the industry growth rates and the competitors' growth rates;

– evaluated the reasonableness of budgeted revenue by comparing the actual revenue achieved in the past against previous projections and discussing with management to understand the rationale for the variances;

– reviewed management's analysis of the sensitivity of the value-in-use calculations to changes in the key assumptions;

– discussed with management to understand current and future business plans of the subsidiaries; and

– reviewed management's assessment of collectability of the receivables due from subsidiaries and adequacy of allowance of impairment loss provided, if any.

The Company's disclosures relating to receivables due from subsidiaries are included in Note 21 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017

Other Information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors 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 Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT **AUDITOR'S REPORT**

For the financial year ended 31 December 2017

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

The engagement partner on the audit resulting in this independent auditor's report is Tan Soon Seng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

28 March 2018

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

For the financial year ended 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000
Revenue	4	**68,001**	41,580
Cost of sales		**(39,027)**	(26,675)
Gross profit		**28,974**	14,905
Finance income	5	**59**	12
Other income	6	**360**	85
Other gains	7	**236**	1,612
Other expenses	8	**(329)**	(881)
Distribution and selling expenses		**(2,890)**	(2,466)
Administrative expenses		**(15,950)**	(9,754)
Finance expenses	5	**(723)**	(116)
Share of results of joint venture entities		**(254)**	(354)
Profit before tax	9	**9,483**	3,043
Income tax expense	12	**(751)**	(169)
Profit for the year		**8,732**	2,874
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		**(93)**	12
Other comprehensive income for the year, net of tax		**(93)**	12
Total comprehensive income for the year		**8,639**	2,886
Profit attributable to:			
Owners of the Company		**8,499**	2,423
Non-controlling interests		**233**	451
		8,732	2,874
Total comprehensive income attributable to:			
Owners of the Company		**8,406**	2,435
Non-controlling interests		**233**	451
		8,639	2,886
Earnings per share attributable to owners of the Company (cents per share)			
Basic	13	**2.02**	0.84
Diluted	13	**1.99**	0.84

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

BALANCE **SHEETS**

As at 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	**13,506**	7,350	**1,922**	78
Intangible assets	15	**119,199**	9,593	**–**	–
Investment in subsidiaries	16	**–**	–	**17,813**	14,065
Investment in joint ventures	17	**1,532**	1,589	**1,840**	1,624
Other receivables	20	**1,495**	887	**1,082**	644
Deferred tax assets	28	**1,039**	722	**170**	170
		136,771	20,141	**22,827**	16,581
Current assets					
Inventories	18	**1,521**	1,126	**–**	–
Trade receivables	19	**4,749**	3,460	**–**	–
Prepayments		**1,142**	517	**691**	320
Other receivables	20	**2,122**	1,376	**1,137**	80
Due from related companies	21	**–**	–	**79,401**	9,145
Cash and bank balances	22	**21,326**	7,824	**8,772**	1,329
		30,860	14,303	**90,001**	10,874
Total assets		**167,631**	34,444	**112,828**	27,455
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables	23	**1,912**	1,841	**2**	2
Other payables and accruals	24	**9,241**	4,437	**1,103**	428
Deferred purchase consideration	25	**17,379**	–	**–**	–
Due to related companies	21	**–**	–	**8,156**	3,272
Obligations under finance leases	26	**883**	880	**–**	–
Loans and borrowings	27	**2,327**	608	**359**	608
Income tax payable		**1,776**	400	**–**	–
		33,518	8,166	**9,620**	4,310
Non-current liabilities					
Other payables and accruals	24	**1,737**	270	**15**	15
Deferred purchase consideration	25	**15,668**	–	**–**	–
Obligations under finance leases	26	**897**	1,502	**–**	–
Loans and borrowings	27	**7,375**	573	**214**	573
Deferred tax liabilities	28	**103**	7	**–**	–
		25,780	2,352	**229**	588
Total liabilities		**59,298**	10,518	**9,849**	4,898
Net assets		**108,333**	23,926	**102,979**	22,557
Equity attributable to owners of the Company					
Share capital	29	**108,738**	29,197	**108,738**	29,197
Accumulated losses		**(869)**	(6,216)	**(6,285)**	(6,965)
Share option reserve	30	**526**	325	**526**	325
Foreign currency translation reserve	31	**(112)**	(19)	**–**	–
		108,283	23,287	**102,979**	22,557
Non-controlling interests		**50**	639	**–**	–
Total equity		**108,333**	23,926	**102,979**	22,557
Total equity and liabilities		**167,631**	34,444	**113,254**	27,455

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 2017

	Attributable to owners of the Company						
Group	**Share capital (Note 29) $'000**	**Accumulated losses $'000**	**Share option reserve (Note 30) $'000**	**Foreign currency translation reserve (Note 31) $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
2017							
Balance at 1 January 2017	**29,197**	**(6,216)**	**325**	**(19)**	**23,287**	**639**	**23,926**
Profit for the year	**–**	**8,499**	**–**	**–**	**8,499**	**233**	**8,732**
Other comprehensive income							
Foreign currency translation differences	**–**	**–**	**–**	**(93)**	**(93)**	**–**	**(93)**
Other comprehensive income for the year, net of tax	**–**	**–**	**–**	**(93)**	**(93)**	**–**	**(93)**
Total comprehensive income for the year	**–**	**8,499**	**–**	**(93)**	**8,406**	**233**	**8,639**
Contributions by and distributions to owners							
Issue of shares	**15,933**	**–**	**–**	**–**	**15,933**	**–**	**15,933**
Share issuance expenses	**(401)**	**–**	**–**	**–**	**(401)**	**–**	**(401)**
Share-based payment transactions	**–**	**–**	**201**	**–**	**201**	**–**	**201**
Dividends paid by subsidiaries	**–**	**–**	**–**	**–**	**–**	**(226)**	**(226)**
Total contributions by and distributions to owners	**15,532**	**–**	**201**	**–**	**15,733**	**(226)**	**15,507**
Changes in ownership interests in subsidiaries							
Shares issued for acquisition of subsidiaries (Note 16)	**60,261**	**–**	**–**	**–**	**60,261**	**–**	**60,261**
Acquisition of non-controlling interests without a change in control (Note 16)	**3,748**	**(3,152)**	**–**	**–**	**596**	**(596)**	**–**
Total changes in ownership interests in subsidiaries	**64,009**	**(3,152)**	**–**	**–**	**60,857**	**(596)**	**60,261**
Total transactions with owners in their capacity as owners	**79,541**	**(3,152)**	**201**	**–**	**76,590**	**(822)**	**75,768**
Balance at 31 December 2017	**108,738**	**(869)**	**526**	**(112)**	**108,283**	**50**	**108,333**
2016							
Balance at 1 January 2016	18,705	(8,552)	189	(31)	10,311	651	10,962
Profit for the year	–	2,423	–	–	2,423	451	2,874
Other comprehensive income							
Foreign currency translation differences	–	–	–	12	12	–	12
Other comprehensive income for the year, net of tax	–	–	–	12	12	–	12
Total comprehensive income for the year	–	2,423	–	12	2,435	451	2,886
Contributions by and distributions to owners							
Issue of shares	285	–	–	–	285	–	285
Share issuance expenses	(136)	–	–	–	(136)	–	(136)
Share-based payment transactions	–	–	136	–	136	–	136
Dividends paid by subsidiaries	–	–	–	–	–	(460)	(460)
Total contributions by and distributions to owners	149	–	136	–	285	(460)	(175)
Changes in ownership interests in subsidiaries							
Shares issued for acquisition of subsidiary (Note 16)	10,343	–	–	–	10,343	71	10,414
Acquisition of non-controlling interests without a change in control (Note 16)	–	(87)	–	–	(87)	(74)	(161)
Total changes in ownership interests in subsidiaries	10,343	(87)	–	–	10,256	(3)	10,253
Total transactions with owners in their capacity as owners	10,492	(87)	136	–	10,541	(463)	10,078
Balance at 31 December 2016	29,197	(6,216)	325	(19)	23,287	639	23,926

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 2017

	Share capital (Note 29) $'000	Accumulated losses $'000	Share option reserve (Note 30) $'000	Total $'000
Company				
2017				
Balance at 1 January 2017	29,197	(6,965)	325	22,557
Profit for the year	–	680	–	680
Contributions by and distributions to owners				
Issue of shares	15,933	–	–	15,933
Share issuance expenses	(401)	–	–	(401)
Share-based payment transactions	–	–	201	201
Shares issued for acquisition of subsidiaries (Note 16)	60,261	–	–	60,261
Acquisition of non-controlling interests without a change in control (Note 16)	3,748	–	–	3,748
Total transactions with owners in their capacity as owners	79,541	–	201	79,742
Balance at 31 December 2017	108,738	(6,285)	526	102,979
2016				
Balance at 1 January 2016	18,705	(7,229)	189	11,665
Profit for the year	–	264	–	264
Contributions by and distributions to owners				
Issue of shares	285	–	–	285
Share issuance expenses	(136)	–	–	(136)
Share-based payment transactions	–	–	136	136
Shares issued for acquisition of subsidiary (Note 16)	10,343	–	–	10,343
Total transactions with owners in their capacity as owners	10,492	–	136	10,628
Balance at 31 December 2016	29,197	(6,965)	325	22,557

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 2017

	Note	Group 2017 $'000	Group 2016 $'000
Cash flows from operating activities			
Profit before tax		**9,483**	3,043
Adjustments for:			
Depreciation of property, plant and equipment	14	**2,646**	1,363
Share-based compensation expense	10	**201**	136
Impairment loss on trade receivables	9	**40**	–
Interest income	5	**(59)**	(12)
Interest expenses		**485**	116
Amortisation of loan costs	5	**38**	–
Accretion of interest on deferred purchase consideration	5	**200**	–
Loss on disposal of property, plant and equipment	9	**85**	2
Gain on remeasuring previously held equity in joint venture entity to fair value on business combination	7	**–**	(1,612)
Loss on dilution of interest in joint venture entity	8	**–**	16
(Gain)/Loss on liquidation of subsidiary	7	**(4)**	21
Impairment loss on property, plant and equipment	8	**–**	52
(Reversal of)/Impairment loss on amounts due from joint ventures	20	**(45)**	408
(Reversal of)/Impairment loss on investment in joint ventures		**(187)**	384
Share of results of joint venture entities		**254**	354
Total adjustments		**3,654**	1,228
Operating cash inflows before changes in working capital		**13,137**	4,271
Changes in working capital:			
(Increase)/decrease in:			
Inventories		**(164)**	(60)
Trade and other receivables		**(2,121)**	(665)
Prepayments		**(622)**	(205)
Increase/(decrease) in:			
Trade payables		**52**	416
Other payables and accruals		**3,009**	884
Total changes in working capital		**154**	370
Cash flows generated from operations		**13,291**	4,641
Interest received		**59**	12
Interest paid		**(471)**	(116)
Income tax paid		**(91)**	–
Net cash flows generated from operating activities		**12,788**	4,537
Cash flows from investing activities			
Purchase of property, plant and equipment		**(5,014)**	(1,127)
Proceeds from disposal of property, plant and equipment		**97**	21
Investment in joint venture entities		**(103)**	(1,857)
Convertible loan to a joint venture		**(314)**	–
Net cash (outflow)/inflow from acquisition of subsidiaries	16	**(16,889)**	446
Net cash outflow from liquidation of subsidiary	16	**–**	(28)
Net cash flows used in investing activities		**(22,223)**	(2,545)
Cash flows from financing activities			
Dividends paid to non-controlling interests		**(226)**	(160)
Issuance of shares		**15,933**	285
Share issuance expenses		**(401)**	(136)
Proceeds from loan from joint venture entity		**–**	172
Proceeds from loans and borrowings		**11,766**	500
Repayment of loans and borrowings		**(3,244)**	(668)
Repayment of obligations under finance leases		**(891)**	(626)
Net cash flows generated from/(used in) financing activities		**22,937**	(633)
Net increase in cash and cash equivalents		**13,502**	1,359
Cash and cash equivalents at beginning of financial year		**7,799**	6,440
Cash and cash equivalents at end of financial year	22	**21,301**	7,799

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

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

1. CORPORATE INFORMATION

Singapore Medical Group Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and listed on the official list of SGX-Catalist.

The registered office and principal place of business of the Company is located at 290 Orchard Road, #13-01 Paragon, Singapore 238859. With effect from 16 March 2018, the registered office of the Company has been changed to 1004 Toa Payoh North, #06-03/07, Singapore 318995.

The principal activities of the Company are those relating to the operation of medical clinics and provision of general medical services and investment holdings. The principal activities of the subsidiaries are disclosed in Note 16.

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

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

<u>Convergence with International Financial Reporting Standards</u>

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018.

The Group has performed an assessment of the impact of adopting SFRS(I). The Group expects that adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects that the impact of adopting the new standards that are effective on 1 January 2018 will be similar to that as disclosed in Note 2.3.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017, including the Amendments to FRS 7 *Disclosure Initiative*. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective

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

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 102: *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 40 *Transfers of Investment Property*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019
Improvements to FRSs (December 2016):	
Amendments to FRS 28 *Investments in Associates and Joint Ventures*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to FRS 109 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to FRS 28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Improvements to FRSs (March 2018):	
Amendments to FRS 103 *Business Combinations*	1 January 2019
Amendments to FRS 111 *Joint Arrangements*	1 January 2019
Amendments to FRS 12 *Income Taxes*	1 January 2019
Amendments to FRS 23 *Borrowing Costs*	1 January 2019
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

Except for FRS 116, the directors expect that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of FRS 116 are described below.

<u>FRS 116 *Leases*</u>

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of FRS 116 and expects that the adoption of FRS 116 will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying FRS 116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption.

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation and business combinations

(a) *Basis of consolidation*

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 and dividends 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 recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) *Business combinations and goodwill*

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 recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised 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 recognised in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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. 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.

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to 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 acquiree are assigned to those units.

The cash generating units to which goodwill have 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.

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's 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 Foreign currency

The Group's consolidated financial statements are presented in SGD, 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.

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

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Foreign currency (cont'd)

(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 exchange rates prevailing at the date of the transactions. 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 recognised in 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 recognised 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 measured at cost less accumulated depreciation and any 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 costs is set out in Note 2.18. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

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

	Years
Office equipment	1 – 5
Medical equipment	5 – 10
Furniture and fittings	3 years or remaining lease term of clinics/office premise (whichever is lower)

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

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

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

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.

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 de-recognition 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 profit or loss when the asset is derecognised.

Computer software

Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company and will probably generate economic benefits exceeding beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of software. Computer software recognised as assets are amortised using the straight-line method over their estimated useful lives of 3 years. Where an indication of impairment exists, the carrying amount of computer software is assessed and written down to its recoverable amount.

2.9 Impairment of non-financial assets

The Group assesses at the reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing 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 a 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.

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

2.11 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

Joint ventures

The Group account for its investments in joint ventures using the equity method from the date on which it becomes a joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures. The profit or loss reflects the share of results of the operations of the joint ventures. Distributions received from joint ventures reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and joint venture are eliminated to the extent of the interest in the joint ventures.

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

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 joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition 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.

2.13 Impairment of financial assets

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

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses 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 been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. 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 been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand which are subject to an insignificant risk of changes in value.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted for on a weighted average basis.

Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

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 benefits 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. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.17 Financial liabilities

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

After initial recognition, financial liabilities not at fair value through profit or loss 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.

De-recognition

A financial liability is de-recognised 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 de-recognition 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)

2.18 Borrowing 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.

2.19 Government grants

Government grants 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 related to income may be presented as a credit in profit or loss, either separately or under heading such as "Other income". Alternatively, they are deducted in reporting the related expenses.

2.20 Employee benefits

(a) *Defined contribution plans*

The Group participates in the national scheme as defined by the laws of 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 contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Employee share-based compensation*

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled share-based payment transactions with employees are measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in personnel expense.

No expense is recognised for shares that do not ultimately vest, except for shares where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the share does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Leases

(a) *As lessee*

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

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

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

(b) *As lessor*

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22(c). Contingent rent are recognised as revenue in the period in which they are earned.

2.22 Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised.

(a) *Rendering of services*

Revenue from the provision of consultations, clinical treatments, medical tests and operations are recognised upon the completion of the services rendered. Revenue from rendering of package services are recognised by reference to the stage of completion of the transaction at the balance sheet date, determined by the number of sessions utilised as a percentage of the total sessions sold in a package.

(b) *Sale of medicine and related products*

Revenue from the sales of medicine and related products is recognised upon the transfer of significant risk 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.

(c) *Facility rental income*

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms.

NOTES TO THE
FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Revenue (cont'd)

(d) *Interest income*

Interest income is recognised using the effective interest method.

(e) *Dividend income*

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

2.23 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 at 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 end of the reporting period 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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Taxes (cont'd)

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 end of each reporting period.

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.

(c) *Sales tax*

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

– Where the sales tax incurred on 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.

2.24 Share capital and share issuance 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.

2.25 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.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. 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 periods.

3.1 Judgements made in applying accounting policies

Management is of the view that there is no significant judgment made in applying accounting policies.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Impairment of goodwill

As disclosed in Note 15 to the financial statements, the recoverable amounts of the cash generating units which goodwill has been allocated to are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow models. 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. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 15 to the financial statements.

The carrying amount of the goodwill as at 31 December 2017 is $119,199,000 (2016: $9,593,000).

(ii) Impairment of non-financial assets

The Group assesses impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets requires assessment as to whether the carrying amount of assets exceeds the recoverable amount. Recoverable amount is defined as the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. The Group evaluates the value in use which is supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate.

Forecasts of future cash flows are based on the Group's estimates using historical and industry trends, general market and economic conditions, changes in technology and other available information.

4. REVENUE

	Group	
	2017	**2016**
	$'000	**$'000**
Rendering of services	**46,650**	23,444
Sale of medicine and related products	**21,063**	17,871
Facility rental income	**259**	–
Management fee from joint venture entities	**29**	265
	68,001	41,580

NOTES TO THE
FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

5. FINANCE INCOME/(EXPENSES)

	Group	
	2017	2016
	$'000	$'000
Interest income from:		
– bank balances	**59**	12
Interest expense on:		
– loans and borrowings	**(359)**	(56)
– finance lease obligations	**(126)**	(60)
Accretion of interest on deferred purchase consideration	**(200)**	–
Amortisation of loan costs	**(38)**	–
	(723)	(116)

6. OTHER INCOME

	Group	
	2017	2016
	$'000	$'000
Grants income	**59**	41
Sponsorship from suppliers	**35**	5
Others	**266**	39
	360	85

7. OTHER GAINS

	Note	Group	
		2017	2016
		$'000	$'000
Gain on remeasuring previously held equity interest in joint venture entity to fair value on business combination	16	**–**	1,612
Reversal of impairment loss on investment in joint ventures	17	**187**	–
Reversal of impairment loss on amounts due from joint ventures	20	**45**	–
Gain on liquidation on subsidiary		**4**	–
		236	1,612

8. OTHER EXPENSES

	Note	Group	
		2017	2016
		$'000	$'000
Loss on dilution of interest in joint venture entity	17	**–**	16
Loss on liquidation of subsidiary		**–**	21
Impairment loss on property, plant and equipment	14	**–**	52
Impairment loss on amounts due from joint ventures	20	**–**	408
Impairment loss on investment in joint ventures	17	**–**	384
Transaction costs incurred in business combinations		**329**	–
		329	881

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

9. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

		Group	
	Note	2017	2016
		$'000	$'000
Depreciation of property, plant and equipment	14	**2,646**	1,363
Loss on disposal of property, plant and equipment		**85**	2
Operating lease expenses		**4,599**	3,232
Audit fees paid to auditors of the Company		**232**	140
Non-audit fees:			
– auditors of the Company		**111**	60
– other auditors		**21**	20
Allowance for impairment loss on trade receivables	19	**40**	–
Personnel expenses*	10	**17,092**	12,912

* Includes directors' remuneration and remuneration of key management personnel as disclosed in Note 11.

10. PERSONNEL EXPENSES

	Group	
	2017	2016
	$'000	$'000
Salaries and bonuses	**15,284**	11,484
Central Provident Fund contributions	**1,226**	877
Share-based compensation expense	**201**	136
Short-term employee benefits	**381**	415
	17,092	12,912

11. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

	Group	
	2017	2016
	$'000	$'000
Remuneration paid to key management personnel		
Salaries and bonuses	**3,409**	2,837
Central Provident Fund contributions	**106**	87
Share-based compensation expense	**181**	115
	3,696	3,039
Comprises amounts paid to:		
– Directors of the Company *	**2,704**	2,205
– Other key management personnel	**992**	834
	3,696	3,039

* Included in amounts paid to directors of the Company are directors' fees of $100,000 (2016: $100,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

11. RELATED PARTY TRANSACTIONS (CONT'D)

Compensation of key management personnel (cont'd)

Key management personnel interests' in SMG Share Option Scheme

There was no share option granted to key management personnel during the year. In 2016, share options with an exercise price of $0.303 each had been granted to key management personnel as follows:

	Group and Company	
	2017 No. of share options '000	2016 No. of share options '000
Share options granted to:		
– Directors of the Company	–	4,500
– Other key management personnel	–	1,950
	–	6,450

During the financial year, the key management personnel exercised options for 4,064,000 (2016: 1,056,000) ordinary shares of the Company at a price of $0.145 to $0.303 (2016: $0.145 to $0.187) each, with a total consideration of $840,000 (2016: $186,000) paid to the Company.

At the end of the reporting period, the total number of outstanding share options granted by the Company to the key management personnel under the SMG Share Option Scheme amounted to 5,360,000 (2016: 9,504,000).

Other 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	
	2017 $'000	2016 $'000
Sale of medicine and related products to joint ventures	–	6
Purchase of medicine and related products from joint ventures	–	22
Purchase of radiology services from joint venture	–	774
Rental paid to companies related to directors	**382**	383
Professional fees paid to a company related to a director	**279**	299
Nursing services paid to a company related to a director	**9**	8

11. RELATED PARTY TRANSACTIONS (CONT'D)

Other related party transactions (cont'd)

Company/Companies related to a director:

The Group had the following transactions with companies related to a director:

(i) The Group had entered into lease agreements with K S Beng Pte. Ltd. ("KSB"), a company owned by an immediate family member of one of the directors of the Company, to lease commercial premises for rental of $163,000 (2016: $157,000). The Group also paid professional fees of $279,000 (2016: $299,000) in relation to medial services rendered by the same entity. Other than the security deposits of $33,000, there is no balance outstanding with KSB as at the reporting date (2016: $Nil).

(ii) The Group had entered into a lease agreement with MW Medical Holdings Pte. Ltd. ("MWMH"), a company owned by one of the directors of the Company, to lease a commercial premise for rental of $177,000 (2016: $184,000). Other than the security deposits of $28,000, there is no balance outstanding with MWMH as at the reporting date (2016: $Nil).

(iii) The Group had entered into a lease agreement with BB Ventures Pte. Ltd. ("BBV"), a company owned by one of the directors of the Company, to lease a commercial premise for rental of $42,000 (2016: $42,000). Other than the security deposits of $7,000, there is no balance outstanding with BBV as at the reporting date (2016: $Nil).

12. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	Group	
	2017	**2016**
	$'000	**$'000**
Statement of comprehensive income:		
Current income tax		
– current income taxation	**1,332**	304
– (over)/under provision in respect of previous years	**(264)**	89
	1,068	393
Deferred income tax		
– origination and reversal of temporary differences	**(317)**	(224)
	(317)	(224)
Income tax expense recognised in statement of comprehensive income	**751**	169

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12. INCOME TAX EXPENSE (CONT'D)

Relationship between tax expense and accounting profit

A reconciliation of the tax expense and the product of accounting profit multiplied by the applicable tax rate are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Accounting profit before tax	**9,483**	3,043
Tax at the applicable tax rate of 17% (2016: 17%)	**1,612**	517
Tax effects of:		
– non-deductible expenses	**196**	174
– income not subject to taxation	**(44)**	(277)
– tax incentives	**(88)**	(105)
– deferred tax assets not recognised	**(369)**	–
– effect of partial tax exemption and tax relief	**(268)**	(52)
– utilisation of tax losses previously not recognised	**(24)**	(177)
– (over)/under provision in respect of prior years	**(264)**	89
Income tax expense recognised in statement of comprehensive income	**751**	169

13. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

Diluted earnings per share is calculated by dividing the net profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2017	**2016**
	$'000	**$'000**
Profit for the year attributable to owners of the Company	**8,499**	2,423
	No. of shares '000	**No. of shares '000**
Weighted average number of ordinary shares for basic earnings per share computation	**420,773**	286,945
Effects of dilution:		
– Share options	**7,022**	751
Weighted average number of ordinary shares for diluted earnings per share computation	**427,795**	287,696

All share options granted to employees under the existing employee share option plan have been included in the calculation of diluted earnings per share as they are dilutive. In 2016, 6,840,000 share options granted to employees under the existing employee share option plan had not been included in the calculation of diluted earnings per share because they were anti-dilutive.

There have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

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14. PROPERTY, PLANT AND EQUIPMENT

	Office equipment $'000	Medical equipment $'000	Furniture and fittings $'000	Total $'000
Group				
Cost:				
At 1 January 2016	586	6,536	3,456	10,578
Additions	91	1,472	264	1,827
Acquisition of subsidiaries (Note 16)	8	4,108	230	4,346
Disposals	(1)	(78)	(3)	(82)
Written off	(30)	(268)	(284)	(582)
At 31 December 2016 and 1 January 2017	654	11,770	3,663	16,087
Additions	457	4,260	3,269	7,986
Acquisition of subsidiaries (Note 16)	85	621	323	1,029
Disposals	(112)	(350)	(673)	(1,135)
At 31 December 2017	**1,084**	**16,301**	**6,582**	**23,967**
Accumulated depreciation and impairment:				
At 1 January 2016	511	4,715	2,724	7,950
Depreciation charge for the year	68	942	353	1,363
Impairment loss	–	52	–	52
Disposals	(1)	(58)	–	(59)
Written off	(30)	(255)	(284)	(569)
At 31 December 2016 and 1 January 2017	548	5,396	2,793	8,737
Depreciation charge for the year	209	1,790	647	2,646
Disposals	(67)	(224)	(631)	(922)
At 31 December 2017	**690**	**6,962**	**2,809**	**10,461**
Net carrying amount:				
At 31 December 2016	106	6,374	870	7,350
At 31 December 2017	**394**	**9,339**	**3,773**	**13,506**
Company				
Cost:				
At 1 January 2016	324	2,595	949	3,868
Additions	39	–	45	84
At 31 December 2016 and 1 January 2017	363	2,595	994	3,952
Additions	127	510	1,325	1,962
Disposal	(23)	–	(89)	(112)
At 31 December 2017	**467**	**3,105**	**2,230**	**5,802**
Accumulated depreciation:				
At 1 January 2016	302	2,592	933	3,827
Depreciation charge for the year	34	3	10	47
At 31 December 2016 and 1 January 2017	336	2,595	943	3,874
Depreciation charge for the year	50	9	52	111
Disposal	(22)	–	(83)	(105)
At 31 December 2017	**364**	**2,604**	**912**	**3,880**
Net carrying amount:				
At 31 December 2016	27	–	51	78
At 31 December 2017	**103**	**501**	**1,318**	**1,922**

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14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Assets held under finance lease

During the financial year, the Group acquired medical equipment with an aggregate cost of $236,000 (2016: $700,000) by means of finance leases. The cash outflow on acquisition of property, plant and equipment amounted to $5,014,000 (2016: $1,127,000).

The carrying amount of the Group's medical equipment held under finance leases as at 31 December 2017 is $2,958,000 (2016: $3,286,000). Such assets are pledged as security for the related finance lease liabilities (Note 26).

Impairment of assets

In 2016, a subsidiary of the Group, carried out a review of the recoverable amount of its medical equipment as it wound down its activities. An impairment loss of $52,000, representing the write down of the equipment to recoverable amount was recognised in "Other expenses" line item of income statement. The recoverable amount of the medical equipment based on fair value less costs to sell was derived from the market value of comparable equipment.

Purchase of assets from joint venture

During the financial year, the Group purchased plant and equipment from a joint venture entity for a cash consideration of $120,000 (2016: $134,000).

15. INTANGIBLE ASSETS

	Goodwill $'000	Computer software $'000	Total $'000
Group			
Cost:			
At 1 January 2016	–	61	61
Acquisition of subsidiaries (Note 16)	9,593	–	9,593
At 31 December 2016 and 1 January 2017	9,593	61	9,654
Acquisition of subsidiaries (Note 16)	109,606	–	109,606
At 31 December 2017	**119,199**	**61**	**119,260**
Accumulated amortisation:			
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	–	61	61
Net carrying amount:			
At 31 December 2016	9,593	–	9,593
At 31 December 2017	**119,199**	**–**	**119,199**

	Computer software $'000
Company	
Cost:	
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	61
Accumulated amortisation:	
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	61
Net carrying amount:	
At 31 December 2016 and 31 December 2017	–

15. INTANGIBLE ASSETS (CONT'D)

At 31 December 2017, computer software pertains to computer software licenses purchased from vendors. As at 31 December 2017 and 2016, computer software has been fully amortised.

Impairment testing of goodwill

Goodwill acquired through business combinations have been allocated to two cash-generating units ("CGU"), diagnostic and aesthetics business and health business, which are also the reportable operating segments, for impairment testing.

The recoverable amount of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted future growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

	Health business 2017	Diagnostic business 2017	Diagnostic business 2016
Future growth rates	1.0%	1.0%	1.0%
Pre-tax discount rate	9.5%	9.5%	9.5%

Key assumptions used in the value in use calculation

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

Growth rates – The forecasted growth rates are based on the targeted revenue growth, after considering the Company's available capacity, that are approved by management covering a period of 5 years.

Pre-tax discount rates – Discount rate represents the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Sensitivity to changes in assumptions

With regards to the assessment of value in use, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the CGU to materiality exceed its recoverable amount.

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16. INVESTMENT IN SUBSIDIARIES

	Company	
	2017	**2016**
	$'000	**$'000**
Unquoted shares, at cost	**14,065**	3,722
Issuance of shares for acquisition of subsidiary	**3,748**	10,343
	17,813	14,065

The Company had the following subsidiaries as at 31 December:

Name of company	Principal place of business	Principal activities	Proportion (%) of ownership interest 2017	2016
Singapore Vision Centre Pte. Ltd.[(a)]	Singapore	Provision of general ophthalmological services	**100**	100
Cancer Centre Pte. Ltd.[(a)]	Singapore	Provision of oncology services	**90**	80
The Lasik Surgery Clinic Pte. Ltd.[(a)]	Singapore	Provision of LASIK services	**100**	100
The Dental Studio Pte. Ltd.[(a)]	Singapore	Provision of dental services	**65**	65
Singapore Lipo, Body & Face Centre Pte. Ltd.[(c)]	Singapore	Dormant company	**100**	100
SMG Specialist Centre Pte. Ltd.[(a)]	Singapore	Provision of multi-disciplines specialist medical services	**100**	100
SMG International Partners Pte. Ltd.[(a)]	Singapore	Provision of business consultancy services	**100**	100
The Obstetrics & Gynaecology Centre Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services	**100**	100
The Medical Suite Pte. Ltd.[(a)]	Singapore	Provision of family medicine and health screening services	**100**	100
Centre For Eye Surgery Pte. Ltd.[(b)]	Singapore	Dormant company	**–**	100
PT Singapore Medical Group[(c)]	Indonesia	Dormant company	**65**	65
SMG Orthopaedic Group Pte. Ltd.[(a)]	Singapore	Provision of general orthopaedic services	**100**	100
Centre for Wellness & Healthy Aging Pte. Ltd.[(a)]	Singapore	Provision of aesthetic services	**100**	100
SMG Dental Pte. Ltd.[(a)]	Singapore	Dormant company	**80**	80
SMG Ear, Nose & Throat Centre Pte. Ltd.[(a)]	Singapore	Dormant company	**100**	100

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For the financial year ended 31 December 2017

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of company	Principal place of business	Principal activities	Proportion (%) of ownership interest 2017	2016
SMG Dermatology Centre Pte. Ltd.[(a)]	Singapore	Provision of dermatology services	**100**	100
TOGC @Gleneagles Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services	**100**	100
Novena Radiology Pte. Ltd.[(a)]	Singapore	Provision of radiology/diagnostic imaging services	**100***	100*
Lifescan Imaging Pte. Ltd.[(a)]	Singapore	Provision of radiology/diagnostic imaging services	**100**	100
SMG Astra Women's Specialists Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services and investment holding	**100**	100
SMG Astra O&G Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services	**100**	–
SMG Kids Clinic Pte. Ltd.[(a)]	Singapore	Provision of paediatrics services and investment holding	**100**	–
SMG Aesthetics & Plastic Surgery Pte. Ltd.[(a)]	Singapore	Provision of aesthetic services	**100**	–
SMG Heart Centre Pte. Ltd.[(a)]	Singapore	Provision of cardiology services	**100**	–
SMG Astra Women's Health Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services	**100**	–
Held through SMG Astra Women's Specialists Pte. Ltd.				
Alpha Healthcare International Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services	**100**	–
Astra Centre for Women & Fertility Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services	**100**	–
Astra Women's Specialists (JL) Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services	**100**	–
Astra Women's Specialists (WB) Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services	**100**	–
Fong's Clinic (TB) Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services	**100**	–

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For the financial year ended 31 December 2017

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of company	Principal place of business	Principal activities	Proportion (%) of ownership interest 2017	2016
TCK @Novena Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services	**100**	–
The Women's Specialists Centre (HC) Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services	**100**	–
Held through SMG Kids Clinic Pte. Ltd.				
Children's Clinic Central Pte. Ltd.[(a)]	Singapore	Provision of paediatrics services	**100**	–
Kids Clinic @ Bishan Pte. Ltd.[(a)]	Singapore	Provision of paediatrics services	**100**	–
Babies and Children Specialist Clinic Pte. Ltd.[(a)]	Singapore	Provision of paediatrics services	**100**	–

(a) Audited by Ernst & Young LLP, Singapore

(b) The subsidiary is officially liquidated during the financial year

(c) No audit required as the subsidiary is under members' voluntary liquidation

* The Group holds 100% ownership interest in Novena Radiology Pte. Ltd. through the 51% interest held directly by the Company and the 49% interest held by Lifescan Imaging Pte. Ltd., a wholly-owned subsidiary of the Company.

Interest in subsidiaries with material non-controlling interest ("NCI")

The Group has a subsidiary that has NCI that is material to the Group.

Name of Subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit allocated to NCI during the reporting period $'000	Accumulated NCI at the end of reporting period $'000	Dividends paid/payable to NCI $'000
31 December 2017:					
Cancer Centre Pte. Ltd.	Provision of oncology services	**10%**	**456**	**764**	**226**
31 December 2016:					
Cancer Centre Pte. Ltd.	Provision of oncology services	20%	584	1,130	460

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16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Summarised financial information about subsidiaries with material NCI

Summarised financial information including consolidation adjustments but before intercompany eliminations of the subsidiary with material non-controlling interests are as follows:

Summarised balance sheet

	As at 31.12.2017 $'000	As at 31.12.2016 $'000
Current		
Assets	**10,448**	7,701
Liabilities	**2,784**	2,058
Net current assets	**7,664**	5,643
Non-current		
Assets	**12**	36
Liabilities	**31**	31
Net non-current (liabilities)/assets	**(19)**	5
Net assets	**7,645**	5,648

Summarised statement of comprehensive income

	As at 31.12.2017 $'000	As at 31.12.2016 $'000
Revenue	**18,188**	16,319
Profit before income tax	**3,154**	3,223
Income tax expense	**(29)**	(303)
Profit after tax – continuing operations	**3,125**	2,920
Other comprehensive income	**–**	–
Total comprehensive income	**3,125**	2,920

Other summarised information

	As at 31.12.2017 $'000	As at 31.12.2016 $'000
Net cash flows from operations	**1,262**	3,166
Acquisition of significant property, plant and equipment	**5**	16

NOTES TO THE FINANCIAL STATEMENTS

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16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiaries

Acquisitions during the financial year

Acquisition of Astra Women's Specialists (WB) Pte. Ltd., The Women's Specialist Centre (HC) Pte. Ltd., Fong's Clinic Pte. Ltd., Astra Centre for Women & Fertility Pte. Ltd., Astra Women's Specialists (JL) Pte. Ltd., TCK @Novena Pte. Ltd. and Alpha Healthcare International Pte. Ltd. (collectively, the "Astra Companies")

On 8 February 2017, the Group acquired the entire equity interest in the Astra Companies which provide obstetrics and gynaecology ("O&G") services in Singapore. Upon the acquisition, the Astra Companies became wholly-owned subsidiaries of the Group.

The Group had acquired the Astra Companies in order to expand its services into areas such as general O&G, Fetal-Maternal medicine, Urogynaecology and In-Vitro Fertilization thereby allowing the Group to accelerate the expansion and growth of its O&G services which is a unique market segment in women's health and wellness.

Transaction costs

Transaction costs related to the acquisition of $262,000 and $180,000 had been recognised in the "Other expenses" line item in the Group's profit or loss for the year ended 31 December 2017 and in equity as share issuance expenses for issuance of the Company's shares for the acquisition of the subsidiaries respectively.

Acquired receivables

The fair value of trade and other receivables was $79,000. There were no trade receivables as at the date of acquisition.

Goodwill arising from acquisition

The goodwill of $74,379,000 comprises the value of strengthening the Group's market position in Singapore and the synergies expected to arise from integrating the Astra Companies into the Group's existing O&G business.

Acquisition of Children Clinic Central Pte. Ltd. and Kids Clinic @Bishan Pte. Ltd. (collectively, the "Kids Clinics")

On 1 July 2017, the Group acquired the entire equity interest in the Kids Clinics which provide paediatrics services in Singapore. Upon the acquisition, the Kids Clinics became wholly-owned subsidiaries of the Group.

The Group had acquired the Kids Clinics in order to expand its services to include paediatrics services and provide synergies and cross-selling opportunities to the Group's O&G practices, and allow the Group to enter into a unique market segment in infants, children, and adolescents health and wellness.

Transaction costs

Transaction costs related to the acquisition of $51,000 and $92,000 had been recognised in the "Other expenses" line item in the Group's profit or loss for the year ended 31 December 2017 and in equity as share issuance expenses for issuance of the Company's shares for the acquisition of the subsidiaries respectively.

Acquired receivables

The fair value of trade and other receivables was $41,000 and includes trade receivables with a fair value of $22,000. The gross amount for trade receivables due was $86,000, of which $64,000 was expected to be uncollectible.

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiaries (cont'd)

Goodwill arising from acquisition and provisional account of the acquisition of the Kids Clinics

The goodwill of $27,620,000 comprises the synergies expected to arise from integrating the Kids Clinics into the Group's existing business and the value of cross-selling opportunities with the Group's O&G business.

The Group has engaged an independent valuer to determine the fair value of assets and liabilities arising from this acquisition. As at 31 December 2017, goodwill arising from this acquisition has been determined on a provisional basis as the final results of the independent valuation have not been received by the date the financial statements were authorised for issue. Thus, goodwill arising from this acquisition will be adjusted accordingly on a retrospective basis when the valuation is finalised.

Acquisition of Babies and Children Specialist Clinic Pte. Ltd. ("BCSC")

On 1 November 2017, the Group acquired the entire equity interest in BCSC, a provider of paediatrics services in Singapore. Upon the acquisition, BCSC became a wholly-owned subsidiary of the Group.

The acquisition of BCSC will enable the Group to strengthen its paediatrics business and provides an opportunity for expansion of the Group's business.

Transaction costs

Transaction costs related to the acquisition of $16,000 and $28,000 had been recognised in the "Other expenses" line item in the Group's profit or loss for the year ended 31 December 2017 and in equity as share issuance expenses for issuance of the Company's shares for the acquisition of the subsidiary respectively.

Acquired receivables

The fair value of trade and other receivables was $88,000 and includes trade receivables with a fair value of $61,000. The gross amount for trade receivables due was $61,000 and all trade receivables are expected to be collectible.

Goodwill arising from acquisition and provisional account of the acquisition of BCSC

The goodwill of $7,607,000 comprises the value of strengthening the Group's market position in Singapore and the synergies expected to arise from integrating BCSC into the Group's existing paediatrics business.

The Group is in the process of determining the fair value of assets and liabilities arising from this acquisition. As at 31 December 2017, goodwill arising from this acquisition has been determined on a provisional basis as the fair valuation process is still in progress as at the date the financial statements were authorised for issue. Thus, goodwill arising from this acquisition will be adjusted accordingly on a retrospective basis when the valuation is finalised.

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16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiaries (cont'd)

The fair value of identifiable assets and liabilities and the effects of the acquisition of the Astra Companies, the Kids Clinics and BCSC as at the date of acquisition were:

	Fair value recognised on acquisition		
	Astra Companies $'000	Kids Clinics and BCSC $'000	Total $'000
Property, plant and equipment	951	78	1,029
Inventories	34	198	232
Trade and other receivables	79	129	208
Cash and cash equivalents	–	542	542
	1,064	947	2,011
Trade and other payables	(132)	(272)	(404)
Income tax payable	(2)	(576)	(578)
Deferred tax liabilities	(88)	(8)	(96)
	(222)	(856)	(1,078)
Total identifiable net assets at fair value	842	91	933
Goodwill arising from acquisition	74,379	35,227	109,606
	75,221	35,318	110,539
Consideration transferred for the acquisitions			
Cash paid	11,000	6,431	17,431
Deferred purchase consideration	21,638	11,209	32,847
Equity instruments issued (108,471,462 ordinary shares of the Company)	42,583	17,678	60,261
Total consideration transferred	75,221	35,318	110,539
Effect of acquisitions on cash flows			
Total consideration for equity interest acquired	75,221	35,318	110,539
Less: Deferred purchase consideration	(21,638)	(11,209)	(32,847)
Less: Non-cash consideration	(42,583)	(17,678)	(60,261)
Consideration settled in cash	11,000	6,431	17,431
Less: Cash and cash equivalents of subsidiaries acquired	–	542	542
Net cash outflow on acquisition	(11,000)	(5,889)	(16,889)

Impact of the acquisition on profit or loss

For the period from the respective date of acquisition to 31 December 2017, the Astra Companies, the Kids Clinics and BCSC contributed revenue of $16,663,000 and profit of $5,039,000 to the Group's results. If these business combinations had taken place at the beginning of the year, the consolidated revenue and consolidated profit for the year would have been $72,682,000 and $11,624,000 respectively.

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiaries (cont'd)

Equity instruments issued as consideration transferred

In connection with the acquisition of the entire equity interest in the Astra Companies, the Kids Clinics and BCSC, the Company issued 81,110,310, 21,024,931 and 6,336,221 ordinary shares with a fair value of $0.53, $0.66 and $0.60 each respectively (Note 29). The fair value of these shares was the published price of the shares at the date of acquisition.

The attributable cost of the issuance of the shares as consideration of $300,000 had been recognised directly in equity as a deduction from share capital.

Acquisitions in 2016

Acquisition of Novena Radiology Pte. Ltd. ("NRPL")

On 1 April 2016, the Company and its joint venture entity, Lifescan Imaging Pte. Ltd. ("LSI"), acquired 51.0% and 49.0% equity interest in NRPL, a provider of radiology/diagnostic imaging services in Singapore, respectively. Taking into account of the indirect equity interest of 19.6% in NRPL held through LSI, the Group effectively held an overall 70.6% of the equity interest in NRPL and NRPL became a subsidiary of the Group.

The Group had acquired NRPL in order to expand its radiology and diagnostic imaging assets thereby complementing its diagnostic business and allows the Group to tap into potential growth in the diagnostic imaging market, and enable the Group to enhance its services provided to its patients.

The Group had elected to measure the non-controlling interest at the non-controlling interest's proportionate share of NRPL's net identifiable assets.

Transaction costs

Transaction costs related to the acquisition of $7,000 had been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2016.

Acquired receivables

The fair value of trade and other receivables was $202,000 and includes trade receivables with a fair value of $111,000. The gross contractual amount for trade receivables due was $122,000, of which $11,000 was expected to be uncollectible.

Goodwill arising from acquisition

The goodwill of $220,000 comprises the value of strengthening the Group's market position in Singapore and the synergies expected to arise from integrating NRPL into the Group's existing diagnostic business.

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16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiaries (cont'd)

Impact of the acquisition on profit or loss

For the nine months ended 31 December 2016, NRPL contributed revenue of $1,175,000 and profit of $18,000 to the Group's results. If the business combination had taken place at the beginning of the year, the consolidated revenue and consolidated profit for the year would have been $41,792,000 and $2,833,000 respectively.

Acquisition of Lifescan Imaging Pte. Ltd.

On 9 September 2016, the Group acquired an additional 61.9% equity interest in LSI, which the Group had an existing interest of 38.1%. As a result, the Group's equity interest in LSI increased from 38.1% to 100.0%, making LSI a wholly-owned subsidiary of the Group.

Taking control of LSI will enable the Group to strengthen its diagnostic business and provides an opportunity for expansion of the Group's business.

Gain on remeasuring previously held equity interest in LSI to fair value at date of acquisition

The Group recognised a gain of $1,612,000 as a result of measuring at fair value its 38.1% equity interest in LSI held before the business combination. The gain was included in the "Other gains" line item in the Group's profit or loss for the year ended 31 December 2016.

Transaction costs

Transaction costs related to the acquisition of $136,000 had been recognised in equity as share issuance expenses for issuance of the Company's shares for the acquisition of the subsidiary.

Acquired receivables

The fair value of trade and other receivables was $2,679,000 and includes trade receivables with a fair value of $1,907,000. The gross contractual amount for trade receivables due was $1,961,000, of which $54,000 was expected to be uncollectible.

Goodwill arising from acquisition

The goodwill of $9,373,000 comprises the value of referral network of LSI and the synergies expected to arise from the economies of scale in integrating LSI operations with those of the Group.

Impact of the acquisition on profit or loss

For the period from 9 September 2016 to 31 December 2016, LSI contributed revenue of $2,502,000 and profit of $203,000 to the Group's results. If the business combination had taken place at the beginning of the year, the consolidated revenue and consolidated profit for the year would have been $45,717,000 and $3,321,000 respectively.

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiaries (cont'd)

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

	Fair value recognised on acquisition		
	NRPL	**LSI**	**Total**
	$'000	**$'000**	**$'000**
Property, plant and equipment	1,492	2,854	4,346
Investment in associate	–	269	269
Trade and other receivables	202	2,679	2,881
Cash and cash equivalents	–*	727	727
	1,694	6,529	8,223
Trade and other payables	(280)	(714)	(994)
Obligations under finance leases	(1,096)	(1,102)	(2,198)
Loans and borrowings	(79)	–	(79)
Deferred tax liabilities	–	(4)	(4)
	(1,455)	(1,820)	(3,275)
Total identifiable net assets at fair value	239	4,709	4,948
Non-controlling interest measured at the non-controlling interest's proportionate share of net identifiable assets	(71)	–	(71)
Goodwill arising from acquisition	220	9,373	9,593
	388	14,082	14,470
Consideration transferred for the acquisitions			
Cash paid	281	–	281
Cash paid by LSI for the Company's 19.6% indirect equity interest in NRPL	107	–	107
Equity instruments issued (33,363,282 ordinary shares of the Company)	–	10,343	10,343
Total consideration transferred	388	10,343	10,731
Fair value of equity interest in LSI held by the Group immediately before the acquisition	–	3,739	3,739
	388	14,082	14,470
Effect of acquisitions on cash flows			
Total consideration for equity interest acquired	388	10,343	10,731
Less: Non-cash consideration	–	(10,343)	(10,343)
Less: Cash consideration paid by LSI for the Company's 19.6% indirect equity interest in NRPL	(107)	–	(107)
Consideration settled in cash	281	–	281
Less: Cash and cash equivalents of subsidiary acquired	–*	727	727
Net cash (outflow)/inflow on acquisition	(281)	727	446

* Bank overdraft of less than $1,000

Equity instruments issued as consideration transferred

In connection with the acquisition of the remaining 61.9% equity interest in LSI, the Company issued 33,363,282 ordinary shares with a fair value of $0.31 each (Note 29). The fair value of these shares was the published price of the shares at the date of acquisition.

The attributable cost of the issuance of the shares as consideration of $136,000 had been recognised directly in equity as a deduction from share capital.

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16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisition of ownership interest in subsidiary, without loss of control

On 14 July 2017, the Company acquired an additional 10.0% equity interest in Cancer Centre Pte. Ltd. ("CCPL") from its non-controlling interests for a consideration of 5,392,428 ordinary shares of the Company at $0.70 each (Note 29), increasing its ownership from 80.0% to 90.0%. The carrying amount of the net assets of CCPL as at 14 July 2017 was $5,956,000. The Group recognised a decrease in non-controlling interests of $596,000 and a decrease in retained earnings of $3,152,000.

In September 2016, with the Group acquiring an additional 61.9% equity interest in LSI making LSI a wholly-owned subsidiary, the Group effectively took over the remaining 29.4% equity interest in NRPL, where LSI had a 49.0% equity interest, from the non-controlling interests. As a result, NRPL becomes a wholly-owned subsidiary of the Group. The carrying amount of the net assets of NRPL as at the date of acquisition was $64,000. The Group recognised a decrease in non-controlling interests of $74,000 and a decrease in retained earnings of $87,000.

The following summarises the effect of the change in the Group's ownership interest in the subsidiaries on the equity attributable to owners of the Company:

	2017 CCPL $'000	2016 NRPL $'000
Non-controlling interests acquired	**3,748**	161
Decrease in equity attributable to non-controlling interests	**(596)**	(74)
Decrease in equity attributable to owners of the Company	**(3,152)**	(87)

Liquidation of subsidiaries

In December 2014, a subsidiary, TOGC@Parkway East Hospital Pte. Ltd., was placed under creditors' voluntary liquidation. In 2016, the liquidation process was completed and the Company had received liquidation proceeds of $96,000.

The effect of the liquidation of subsidiaries is set out below:

	Fair value recognised on liquidation 2016 $'000
Inventories	**7**
Trade and other receivables	**23**
Cash and cash equivalents	**124**
Trade and other payables	**(37)**
Total identifiable net assets at fair value	**117**
Effect of liquidation on cash flow	
Liquidation proceeds	**96**
Less: Cash and cash equivalents of subsidiary liquidated	**(124)**
Net cash outflow on liquidation	**(28)**

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17. INVESTMENT IN JOINT VENTURES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Unquoted equity shares, at cost	**2,932**	1,639	**2,932**	1,639
Loans to joint ventures	**217**	1,407	**217**	1,407
Share of post-acquisition reserves	**(1,420)**	(1,073)	**–**	–
Impairment loss	**(197)**	(384)	**(1,309)**	(1,422)
	1,532	1,589	**1,840**	1,624
Movement in allowance accounts:				
At 1 January	**384**	–	**1,422**	–
Charge for the year	**–**	384	**29**	1,422
Allowance reversed	**(187)**	–	**(142)**	–
At 31 December	**197**	384	**1,309**	1,422

The joint venture companies of the Group as at 31 December are as follows:

Name of company (Country of incorporation and place of business)	Principal activities	Cost		Percentage of equity held by the Group	
		2017	2016	2017	2016
		$'000	$'000	%	%
PT Ciputra SMG (Indonesia)	Provision of LASIK and general ophthalmological services	**949**	896	**40**	40
SMG Leaders Pte. Ltd.[(a)] (Singapore)	Dormant company	**693**	693	**51**	51
SMG Cardioscan Pte. Ltd. (Singapore)	Provision of cardiac monitoring and reporting services	**50**	50	**50**	50
SMG International (Vietnam) Pte. Ltd. (Singapore)	Investment holding	**1,240**	*	**50**	50

Name of company (Country of incorporation and place of business)	Principal activities	Percentage of equity held by the Group	
		2017	2016
		%	%
Held by SMG Leaders Pte. Ltd.			
Dr. Leaders Pte. Ltd. [(a)] (Singapore)	Dormant company	**51**	51
Held by SMG International (Vietnam) Pte. Ltd.			
CityClinic Asia Investments Pte. Ltd. (Singapore and Vietnam)	Investment holding and business and management consultancy services	**16**	–

(a) The joint venture is under members' voluntary liquidation

* Amount less than $1,000

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17. INVESTMENT IN JOINT VENTURES (CONT'D)

During the financial year:

(a) The Company subscribed to 849,915 new shares at United States Dollar ("USD") 1 per share issued by SMG International (Vietnam) Pte. Ltd. ("SMGIV") amounting to $1,240,000 (equivalent to USD849,915) where the share subscription was satisfied by the advance of $1,240,000 made by the Company to SMGIV in December 2016. There was no change to the Company's interest after the additional capital contribution on 4 January 2017.

(b) SMGIV entered into a subscription agreement and shareholders' agreement with CityClinic Asia Investments Pte. Ltd. ("CCAI") and CCAI's shareholders to subscribe for 540,000 new shares for a cash consideration of $2,345,000 (equivalent to USD1,620,000). SMGIV holds a 32.0% interest in the share capital of CCAI.

(c) The Company provided shareholders' loan of $50,000 to PT Ciputra SMG ("PTCS").

In 2016:

(a) The Company provided shareholders' loan of $167,000 to PTCS.

(b) The Company entered into a joint venture agreement and incorporated a jointly-controlled entity, SMG Cardioscan Pte. Ltd. ("SMGC"), with an external party and made a capital contribution of $50,000 to the share capital of SMGC. The Company holds a 50.0% interest in the share capital of SMGC.

(c) The Company subscribed to 400,000 new shares at $1 per share issued by LSI amounting to $400,000. There was no change to the Company's interest after the additional capital contribution on 15 March 2016.

(d) The Group's ownership interest in LSI was diluted from 40.0% to 38.1% following the issuance of 225,000 shares to external parties for a cash consideration of $225,000 on 4 August 2016. The carrying amount of LSI's net assets on the date of issuance of shares was $5,571,000 and a loss on dilution of control in joint venture of $16,000 was recognised in the income statement.

(e) The Company entered into a joint venture agreement and incorporated a jointly-controlled entity, SMGIV, with external parties and made a capital contribution of $124 (equivalent to USD85) to the share capital of SMGIV. The Company holds a 50.0% interest in the share capital of SMGIV.

Loans to joint ventures are unsecured and interest-free. Included in loans to joint ventures are loans provided of $217,000 (2016: $167,000) where the settlement of these loans are neither planned nor likely to occur in the foreseeable future. As the loans are, in substance, a part of the Company's net investments in the joint venture entity, they are stated at cost less accumulated impairment loss.

Impairment of investment in joint ventures

During the financial year, with the improved performance and higher forecasted sales from the clinic under PTCS, impairment losses of $187,000 and $142,000 that were previously recognised for the Group's and Company's investment in PTCS were reversed respectively. The reversal of impairment loss was recognised in the income statement under the line item "Other gains".

In 2016, in view of the continued losses incurred by PTCS and SMG Leaders Pte. Ltd. ("SMGL") and the lower than forecasted sales from the clinics under both joint ventures, impairment loss of $384,000 and $1,422,000 were recognised for the Group's and Company's investment in PTCS and SMGL. The impairment loss was recognised in the income statement under the line item "Other expenses".

The recoverable amounts were determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering 5 years. The pre-tax discount rates applied to the cash flow projections are 9.5% and 10.5% for 2017 and 2016 respectively. Management has used 1.0% growth rate to extrapolate cash flow projections beyond the 5-year period for both 2017 and 2016.

17. INVESTMENT IN JOINT VENTURES (CONT'D)

Impairment of investment in joint ventures (cont'd)

The summarised financial information of the joint ventures, based on its FRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	2017		2016	
	SMGIV $'000	Others $'000	SMGIV $'000	Others $'000
Summarised statement of comprehensive income				
Revenue	–	1,422	–	502
Operating expenses	(427)	(1,116)	(4)	(1,443)
Depreciation and amortisation	–	(411)	–	(370)
Interest expense	–	–	–	–
Loss before tax	(427)	(105)	(4)	(1,311)
Income tax expense	–	–	–	–
Loss after tax	(427)	(105)	(4)	(1,311)
Other comprehensive income	–	–	–	–
Total comprehensive income	(427)	(105)	(4)	(1,311)
Summarised balance sheet				
Current assets[i]	81	755	1,225	851
Non-current assets	1,837	1,389	1,254	2,180
Total assets	1,918	2,144	2,479	3,031
Current liabilities (excluding trade, other payables and provisions)	–	(144)	–	(101)
Other current liabilities	(58)	(267)	(3)	(1,122)
Total current liabilities	(58)	(411)	(3)	(1,223)
Non-current liabilities	–	(256)	–	(18)
Total liabilities	(58)	(667)	(3)	(1,241)
Net assets	1,860	1,477	2,476	1,790
Proportion of the Group's ownership	50.0%	54.1%	50.0%	41.1%
Group's share of net assets	930	799	1,238	735
Impairment loss	–	(197)	–	(384)
Carrying amount of the investment	930	602	1,238	351
[i] Includes:				
Cash and cash equivalents	80	315	1,129	198
Trade receivables	–	27	–	33

Other joint ventures are not significant to the Group.

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18. INVENTORIES

Inventories consist of drugs and medicines, and medical consumables which are stated at cost.

Inventories amounting to $11,875,000 (2016: $10,489,000) were recognised as an expense in cost of sales.

19. TRADE RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade receivables	**4,749**	3,460	**–**	–

Trade receivables are non-interest bearing. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

Receivables that are past due but not impaired

The Group and Company have trade receivables amounting to approximately $4,749,000 (2016: $3,460,000) and $Nil (2016: $Nil) respectively that are past due but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade receivables past due:				
Less than 30 days	**1,666**	1,076	**–**	–
30 to 60 days	**999**	907	**–**	–
60 to 90 days	**596**	475	**–**	–
More than 90 days	**1,488**	1,002	**–**	–
	4,749	3,460	**–**	–

Receivables that are impaired

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

	Group Individually impaired	
	2017	2016
	$'000	$'000
Trade receivables – nominal	**74**	34
Less: Allowance for impairment	**(74)**	(34)
	–	–
Movement in allowance accounts:		
At 1 January	**34**	34
Charge for the year	**40**	–
At 31 December	**74**	34

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that have long overdue balances with the Group.

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20. OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Non-current:				
Deposits	**1,181**	887	**768**	644
Convertible loan to joint venture	**314**	–	**314**	–
	1,495	887	**1,082**	644
Current:				
Deposits	**600**	709	**56**	63
Goods and services tax receivables, net	**–**	–	**153**	–
Amounts due from joint ventures	**161**	755	**51**	116
Other receivables	**1,454**	320	**928**	17
	2,215	1,784	**1,188**	196
Less: Allowance for impairment	**(93)**	(408)	**(51)**	(116)
Current, net of allowance	**2,122**	1,376	**1,137**	80
Total other receivables	**3,617**	2,263	**2,199**	724
Movement in allowance account:				
At 1 January	**408**	–	**116**	–
Charge for the year	**–**	408	**–**	116
Allowance reversed	**(45)**	–	**(65)**	–
Allowance utilised	**(270)**	–	**–**	–
At 31 December	**93**	408	**51**	116

Convertible loan to joint venture matures 5 years from the date of drawdown and interest is charged at 7.00% per annum. The loan may be converted into shares of CCAI at the lender's option at the rate of 1 share per USD3.88 of the loan.

Amounts due from joint ventures are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

During the financial year, with the improved performance of a joint venture, impairment losses of $45,000 and $65,000 previously recognised on the amounts due from this joint venture for the Group and Company respectively have been reversed. In 2016, an impairment loss of $408,000 and $116,000 had been recognised on the amounts due from joint ventures for the Group and Company in view of the continued losses incurred by two of the joint ventures.

Included in deposits of the Group is an amount of $Nil (2016: $500,000) which a subsidiary of the Group has placed with a financial institution as security for a finance lease liability (Note 26).

Other receivables denominated in foreign currencies at 31 December are as follows:

	Group and Company	
	2017	2016
	$'000	$'000
USD	**314**	–

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21. DUE FROM/(TO) RELATED COMPANIES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Due from related companies:				
Due from subsidiaries	**–**	–	**85,208**	13,877
Less: Allowance for impairment	**–**	–	**(5,807)**	(4,732)
	–	–	**79,401**	9,145
Due to related companies:				
Due to subsidiaries	**–**	–	**(8,156)**	(3,272)

These balances are unsecured, non-interest bearing, repayable on demand, and are to be settled in cash.

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Movement in allowance account:				
At 1 January	**–**	–	**4,732**	4,530
Charge for the year	**–**	–	**1,075**	1,957
Allowance utilised	**–**	–	**–**	(1,755)
	–	–	**5,807**	4,732

At the end of the reporting period, the Company has provided an allowance of $1,075,000 (2016: $1,957,000) for impairment of balances due from subsidiaries with a nominal amount of $2,441,000 (2016: $6,960,000) in view of continued losses incurred by these subsidiaries.

22. CASH AND BANK BALANCES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Cash and bank balance as stated in the balance sheet	**21,326**	7,824	**8,772**	1,329
Deposit pledged for bank facility	**(25)**	(25)	**–**	–
Cash and cash equivalents as stated in the consolidated statement of cash flow	**21,301**	7,799	**8,772**	1,329

Other than $14,080,000 (2016: $6,773,000), cash at bank earns interest at floating rates based on daily bank deposit rates.

Deposit pledged represents bank balance of a subsidiary pledged to secure merchant banking facility.

23. TRADE PAYABLES

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

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24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Current:				
Goods and services tax payables, net	**297**	390	**–**	36
Medisave payable to patients	**91**	249	**–**	–
Accrued operating expenses	**5,034**	2,477	**481**	236
Amounts due to joint ventures	**35**	322	**–**	–
Sundry creditors	**3,130**	474	**622**	156
	8,587	3,912	**1,103**	428
Advances from customers	**654**	525	**–**	–
	9,241	4,437	**1,103**	428
Non-current:				
Other accrual	**309**	270	**15**	15
Sundry creditors	**1,428**	–	**–**	–
	1,737	270	**15**	15
Total other payables and accruals	**10,978**	4,707	**1,118**	443

These balances are unsecured, non-interest bearing and are normally settled on 30 to 90 days' terms.

The amounts due to joint ventures are unsecured, non-interest bearing and repayable on demand.

25. DEFERRED PURCHASE CONSIDERATION

	Group	
	2017	**2016**
	$'000	**$'000**
Deferred purchase consideration:		
– current	**17,379**	–
– non-current	**15,668**	–
	33,047	–

Deferred purchase consideration relates to outstanding cash consideration arising from the acquisition of the Astra Companies, the Kids Clinics and BCSC.

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26. OBLIGATIONS UNDER FINANCE LEASES

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2017		2016	
	Minimum lease payments $'000	Present value of payments $'000	Minimum lease payments $'000	Present value of payments $'000
Group				
Not later than 1 year	**903**	**883**	954	880
Later than 1 year but not later than 5 years	**942**	**897**	1,623	1,502
Total minimum lease payments	**1,845**	**1,780**	2,577	2,382
Less: Amounts representing finance charges	**(65)**	**–**	(195)	–
Present value of minimum lease payments	**1,780**	**1,780**	2,382	2,382

There are no restrictions placed upon the Group by entering into the leases. The range of discount rate implicit in the leases is 1.48% to 2.50% (2016: 1.48% to 3.00%) per annum for the financial year ended 31 December 2017. The outstanding amount of finance lease obligations is secured by way of a charge over the lease assets (Note 14), a corporate guarantee by the Company and a deposit of $Nil (2016: $500,000) (Note 20).

27. LOANS AND BORROWINGS

	Effective interest rate %	Maturity	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Current						
Term loans:	3.46% to 3.86%	2019 – 2021				
– secured			**1,968**	–	**–**	–
– unsecured			**359**	608	**359**	608
			2,327	608	**359**	608
Non-current						
Term loans:	3.46% to 3.86%	2019 – 2021				
– secured			**7,161**	–	**–**	–
– unsecured			**214**	573	**214**	573
			7,375	573	**214**	573
Total loans and borrowings			**9,702**	1,181	**573**	1,181

Loans and borrowings amounting to $9,129,000 (2016: $Nil) are secured by:

(i) a charge over the share capital of 8 wholly-owned subsidiaries;

(ii) an assignment of the sale and purchase agreements and the Deed of Profit Guarantee in relation to the Astra Companies;

(iii) a first fixed charge over the consultancy agreements of certain doctors of the Group;

(iv) a fixed and floating charge on all assets of the Astra Companies; and

(v) corporate guarantee taken by two subsidiaries of the Group.

27. LOANS AND BORROWINGS (CONT'D)

A reconciliation of liabilities arising from financing activities is as follows:

	2016	Cash flows	Non-cash changes			2017
			Acquisition	Amortisation of loan costs and interest accrued	Other	
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
Loans and borrowings:						
– current	608	(3,244)	–	14	4,949	**2,327**
– non-current	573	11,766	–	38	(5,002)	**7,375**
Obligations under finance leases:						
– current	880	(891)	59	–	835	**883**
– non-current	1,502	–	177	–	(782)	**897**
Total	3,563	7,631	236	52	–	**11,482**

The "Other" column relates to reclassification of non-current portion of loans and borrowings, including obligations under finance leases due to passage of time, and reclassification between loans and borrowings, and obligations under finance leases due to re-financing of finance leases by bank borrowings.

28. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	Group				Company	
	Consolidated Balance Sheet		Consolidated Income Statement		Balance Sheet	
	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax assets:						
Unutilised tax losses	**82**	160	**(78)**	98	**–**	67
Excess of tax written down values over net book values of property, plant and equipment	**957**	562	**395**	124	**170**	103
	1,039	722	**317**	222	**170**	170
Deferred tax liabilities:						
Excess of net book values over tax written down values of property, plant and equipment	**3**	3	**–**	2	**–**	–
Fair value adjustment on acquisition of subsidiaries (Note 16)	**100**	4	**–**	–	**–**	–
	103	7	**–**	2	**–**	–
Deferred tax expense			**317**	224		

Unrecognised tax losses

At the balance sheet date, the Group has tax losses of approximately $3,299,000 (2016: $3,156,000) that are available for offset against future taxable profits, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authority and compliance with the relevant provisions of the tax legislation in Singapore. The tax losses have no expiry date.

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29. SHARE CAPITAL

	Group and Company			
	2017		2016	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares:				
At 1 January	**311,033**	**29,197**	276,029	18,705
Issued for Placement (note a)	**30,000**	**15,000**	–	–
Share issuance expenses	**–**	**(401)**	–	(136)
Issued for acquisition of subsidiary (note b)	**108,471**	**60,261**	33,363	10,343
Issued for acquisition of non-controlling interests (note c)	**5,392**	**3,748**	–	–
Issued for exercise of share options (note d)	**4,519**	**933**	1,641	285
At 31 December	**459,415**	**108,738**	311,033	29,197

(a) The Company had on 16 February 2017 entered into a placement agreement with CHA Healthcare Co., Ltd ("CHC"), where CHC was subsequently substituted as a party to the placement agreement by its wholly-owned subsidiary, CHA Healthcare Singapore Pte. Ltd. ("CHS"), through a novation agreement entered into between the Company, CHC and CHS on 13 March 2017, to issue an aggregate of 30,000,000 new ordinary shares (the "Placement Shares") in the issued share capital of the Company at an issue price of $0.50 per Placement Share. Following the issue and allotment of the Placement Shares on 15 March 2017, the Company received proceeds of $15,000,000.

(b) The Company had:

(i) On 20 February 2017, issued a total of 81,110,310 ordinary shares to 5 individuals, pursuant to the sale and purchase agreements between the Company, SMG Astra Women's Specialists Pte. Ltd. and the 5 individuals, as part of the consideration for the acquisition of the entire equity interest in the Astra Companies. Upon the completion of the acquisitions, the Astra Companies became wholly-owned subsidiaries of the Company (Note 16).

(ii) On 6 July 2017, issued a total of 21,024,931 ordinary shares to 2 individuals, pursuant to the sale and purchase agreements between the Company, SMG Kids Clinic Pte. Ltd. and the 2 individuals, as part of the consideration for the acquisition of the entire equity interest in the Kids Clinics. Upon the completion of the acquisitions, the Kids Clinics became wholly-owned subsidiaries of the Company (Note 16).

(iii) On 7 November 2017, issued 6,336,221 ordinary shares to an external party, pursuant to the sale and purchase agreement between the Company, SMG Kids Clinic Pte. Ltd. and the external party, as part of the consideration for the acquisition of the entire equity interest in BCSC. Upon completion of the acquisition, BCSC became a wholly-owned subsidiary of the Company (Note 16).

In prior year, the Company had on 9 September 2016 issued a total of 33,363,282 ordinary shares to external parties, pursuant to the sale and purchase agreement between the Company and external parties, as consideration for the acquisition of the remaining 61.9% equity interest in LSI. Upon the completion of the acquisition, LSI became a wholly-owned subsidiary of the Company (Note 16).

(c) The Company had on 14 July 2017 issued 5,392,428 ordinary shares to a minority shareholder pursuant to the sale and purchase agreement between the Company and the minority shareholder to acquire additional 10.0% equity interest in CCPL. Upon completion of the acquisition, CCPL became a 90.0% owned subsidiary of the Company (Note 16).

(d) During the financial year, the Company issued 4,519,000 (2016: 1,641,000) ordinary shares following the exercise of share options under the SMG Share Option Scheme.

The ordinary shares have no par value. All the above issued ordinary shares are fully paid. 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.

30. SHARE OPTION RESERVE

Share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

31. FOREIGN CURRENCY TRANSLATION RESERVE

Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

32. SHARE-BASED PAYMENT ARRANGEMENT

At 31 December 2017, the Group has the following share-based payment arrangement:

SMG Share Option Scheme

Under the SMG Share Option Scheme ("SSOS"), share options are granted to selected employees of the Group (including Executive Directors who are Controlling Shareholders and their associates). The exercise price of the options is determined at the average of the closing prices of the Company's shares as quoted on the Singapore Exchange for five market days immediately preceding the date of the grant. The options vest over a period of three years from the date of grant. The contractual life of each option granted is five years.

There has been no cancellation or modification to the SSOS during the financial year.

Movement of share options during the financial year

The following table illustrates the number ("No.") and weighted average exercise prices ("WAEP") of, and movements in, share options during the financial year:

	2017		**2016**	
	No.	**WAEP ($)**	**No.**	**WAEP ($)**
Outstanding at 1 January	**10,404,000**	**0.258**	5,265,000	0.172
– Granted	**765,000**	**0.544**	6,840,000	0.303
– Exercised	**(4,519,000)**	**0.206**	(1,641,000)	0.173
– Forfeited	**(170,000)**	**0.431**	(60,000)	0.185
Outstanding at 31 December	**6,480,000**	**0.266**	10,404,000	0.258
Exercisable at 31 December	**1,140,000**	**0.297**	1,681,300	0.173

– The weighted average fair value of options granted during the financial year was $0.266 (2016: $0.258).

– The weighted average share price at the date of exercise of the options exercised during the financial year was $0.570 (2016: $0.354).

– The range of exercise prices for options outstanding at the end of the year was $0.145 to $0.544 (2016: $0.145 to $0.303). The weighted average remaining contractual life for these options is 3.32 (2016: 3.97) years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

32. SHARE-BASED PAYMENT ARRANGEMENT (CONT'D)

SMG Share Option Scheme (cont'd)

Fair value of share options granted

The fair value of the share options granted under the SSOS is estimated at the grant date using the Trinomial Option Pricing Model ("TOPM"), taking into account the terms and conditions upon which the share options were granted.

The following table lists the inputs to the option pricing models for the years ended 31 December 2017 and 2016:

	2017	2016
Dividend yield (%)	**–**	–
Expected volatility (weighted-average)	**37.4%**	27.6%
Risk free interest rate (weighted-average)	**1.53%**	1.04%
Expected life of options (weighted-average)	**3.5 years**	3.5 years
Weighted average share price ($)	**$0.555**	$0.310

The expected life of the share options is estimated by management in the absence of historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

33. COMMITMENTS

Operating lease commitments

During the financial year, the Group entered into commercial leases relating to the rental of office premises and equipment. Future minimum lease payments under the operating leases are as follows:

	Group	
	2017	2016
	$'000	$'000
Not later than 1 year	**5,453**	3,601
Later than 1 year but not later than 5 years	**13,119**	9,085
More than 5 years	**676**	–
	19,248	12,686

The leases do not contain escalation clauses and restrictions on the Group's activities concerning dividends, additional debt or further leasing.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

34. SEGMENT INFORMATION

For business development, synergy and management purposes, the Group is organised into business segments based on their products and services, and has three reportable segments as follows:

I. The Health Business comprises: (a) General ophthalmological services such as implantable contact lens, cataract surgery, glaucoma and retinal disease treatment; (b) Orthopaedic services including treatments for joint and cartilage injuries, knee and hip replacements, fractures, musculoskeletal and sports injuries, trauma care and general orthopaedics; (c) Oncology services including the prevention, diagnosis and treatment of cancer, cancer screening and cancer genetic and risk assessment; (d) Obstetrical and gynaecological services caters to the wellness of women for every momentous stage of life; (e) Otolaryngology services that provides diagnosis, evaluation, treatment and management of conditions affecting the ear, nose, throat and neck in both adults and children; (f) Dermatology services that provides a comprehensive premium range of medical, surgical and cosmetic dermatology for adults and children; (g) General Medicine and health screening services; and (h) Paediatrics services.

II. The Diagnostic & Aesthetics Business comprises: (a) Radiology and diagnostic imaging services; (b) Refractive surgery services; (c) Dental services including general dental services, prosthodontics, orthodontics, implant dentistry, oral surgery and gum treatment; and (d) Aesthetics medicine services which offer an extensive range of evidence-based healthcare services related to the improvement of physical appearances. These services include facial aesthetics, body aesthetics, facial and breast fillers, IPL, lasers, Botox, microdermabrasion minimally invasive Silhouette threadlift and VASER-assisted LipoSelection.

III. The Others segment comprises group-level corporate services as well as business consultancy functions.

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 by the chief operating decision makers ("CODM"), Chief Executive Officer, solely based on gross profit or loss. Certain expenses, other income and income taxes are managed on a group basis and are not allocated to operating segments.

Based on the management reporting to the CODM, the segment assets and liabilities are not regularly provided for their review of the financial performance. Therefore, the segment assets and liabilities amounts are not disclosed in the segment information.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

34. SEGMENT INFORMATION (CONT'D)

	Health $'000	Diagnostics & Aesthetics $'000	Others $'000	Adjustments and eliminations $'000	Total $'000
2017					
Revenue:					
External customers	**50,482**	**17,072**	**447**	**–**	**68,001**
Inter-segment	**685**	**1,636**	**481**	**(2,802)**	**–**
Total revenue	**51,167**	**18,708**	**928**	**(2,802)**	**68,001**
Segment results:					
Segment gross profit	**19,326**	**9,389**	**740**	**(481)**	**28,974**
Depreciation	**(989)**	**(1,544)**	**(113)**	**–**	**(2,646)**
Gain/(loss) on disposal of property, plant and equipment	**8**	**(88)**	**(5)**	**–**	**(85)**
Share-based compensation	**(44)**	**–**	**(157)**	**–**	**(201)**
Reversal of impairment loss on amounts due from joint ventures	**–**	**45**	**–**	**–**	**45**
Reversal of impairment loss on investment in joint ventures	**–**	**187**	**–**	**–**	**187**
Impairment of trade receivables	**(20)**	**(20)**	**–**	**–**	**(40)**
Finance income	**–**	**–**	**59**	**–**	**59**
Interest expenses	**(328)**	**(126)**	**(31)**	**–**	**(485)**
Amortisation of loan costs	**–**	**(38)**	**–**	**–**	**(38)**
Accretion of interest on deferred purchase consideration	**(200)**	**–**	**–**	**–**	**(200)**
Gain on liquidation of subsidiary	**–**	**–**	**4**	**–**	**4**
Share of results of joint venture entities	**(230)**	**(24)**	**–**	**–**	**(254)**
Unallocated expenses				**–**	**(15,837)**
Profit before tax					**9,483**
2016					
Revenue:					
External customers	29,897	11,224	459	–	41,580
Inter-segment	531	480	659	(1,670)	–
Total revenue	30,428	11,704	1,118	(1,670)	41,580
Segment results:					
Segment gross profit	8,971	5,652	933	(651)	14,905
Depreciation	(373)	(941)	(49)	–	(1,363)
Share-based compensation	(55)	–	(81)	–	(136)
Finance income	–	–	12	–	12
Interest expenses	–	(60)	(56)	–	(116)
Gain on remeasuring previously held equity in joint venture entity to fair value on business combination	–	1,612	–	–	1,612
Loss on dilution of interest in joint venture entity	–	(16)	–	–	(16)
Loss on liquidation of subsidiary	(21)	–	–	–	(21)
Impairment loss on property, plant and equipment	(52)	–	–	–	(52)
Impairment loss on amounts due from joint ventures	(41)	(251)	(116)	–	(408)
Impairment loss on investment in joint ventures	–	(384)	–	–	(384)
Share of results of joint venture entities	–	(352)	(2)	–	(354)
Unallocated expenses					(10,636)
Profit before tax					3,043

34. SEGMENT INFORMATION (CONT'D)

Geographical information

The Group mainly operates in Singapore except for its share of results of joint venture entities of loss of $193,000 and $24,000 (2016: loss of $196,000) which was derived from Vietnam and Indonesia respectively (2016: Indonesia). Consequently, the Group's revenue and non-current assets are mainly derived from and based in Singapore.

35. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group's and the Company's principal financial instruments comprise obligations under finance leases, bank loans, and cash and bank balances. The main purpose of these financial instruments is to raise finances for the Group's and the Company's operations. The Group and the Company have various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from their operations.

The main risks arising from the Group's and the Company's financial instruments are interest rate risk, liquidity risk, credit risk, and foreign currency risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks during the years ended 31 December 2016 and 2017.

It is, and has been throughout the years under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

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 floating rate cash at bank balances as well as interest rate changes relating to the Group's and the Company's interest-bearing loans and borrowings for the financial years ended 31 December 2016 and 2017. The Group's policy is to obtain the most favourable interest rates available and place surplus funds with reputable banks.

Information relating to the Group's interest rate exposure is also disclosed in Note 27 on the Group's loans and borrowings.

Sensitivity analysis for interest rate risk

At the balance sheet date, if SGD interest rates had been 100 (2016: 100) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $97,000 (2016: $12,000) higher/lower, arising mainly as a result of lower/higher interest income on floating rate cash at bank balances and lower/higher interest expense on floating rate loans and borrowings.

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.

As part of its overall liquidity management, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

35. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONT'D)

Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

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

	Note	One year or less $'000	One to five years $'000	Total $'000
Group				
2017				
Financial liabilities				
Trade payables	23	**1,912**	**–**	**1,912**
Other payables and accruals*	24	**8,290**	**1,737**	**10,027**
Deferred purchase consideration		**17,431**	**16,002**	**33,433**
Obligations under finance leases	26	**903**	**942**	**1,845**
Loans and borrowings and related interest expense		**2,767**	**7,795**	**10,562**
Total undiscounted financial liabilities		**31,303**	**26,476**	**57,779**
2016				
Financial liabilities				
Trade payables	23	1,841	–	1,841
Other payables and accruals*	24	3,522	270	3,792
Obligations under finance leases	26	954	1,623	2,577
Loans and borrowings and related interest expense		639	590	1,229
Total undiscounted financial liabilities		6,956	2,483	9,439
Company				
2017				
Financial liabilities				
Trade payables	23	2	–	2
Other payables and accruals*	24	1,103	15	1,118
Due to related companies	21	8,156	–	8,156
Loans and borrowings and related interest expense		374	217	591
Total undiscounted financial liabilities		9,635	232	9,867
2016				
Financial liabilities				
Trade payables	23	2	–	2
Other payables and accruals*	24	392	15	407
Due to related companies	21	3,272	–	3,272
Loans and borrowings and related interest expense		639	590	1,229
Total undiscounted financial liabilities		4,305	605	4,910

* Other payables and accruals exclude "Advances from customers" and "Goods and services tax payables".

35. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONT'D)

Liquidity risk (cont'd)

As at 31 December 2017, the Group has net current liabilities of $2,658,000, which arose from the current portion of the deferred purchase consideration due to the acquisition of the Astra Companies, the Kids Clinics and BCSC. To meet the financial obligations, the Group has secured debt facilities from financial institutions and will also raise additional funds through issuance of new shares if required. Management also believes that the Group will have sufficient funds from its operations to meet its financial obligations based on the projected Group's continued profitability and operating cash inflows. The Group had made a profit of $8,732,000 and generated net operating cash inflows of $12,788,000 for the financial year ended 31 December 2017.

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 minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's and Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. It is the Group's policy that all customers who wish to obtain services on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's and Company's exposure to bad debts is not significant.

The Group assessed the concentration of the credit risk and concluded it to be low.

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 on the balance sheet.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and bank balances 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

Information regarding financial assets that are either past due or impaired is disclosed in Note 19.

Foreign currency risk

The Group's and the Company's exposure to foreign currency risk arises primarily from convertible loan to joint venture that is denominated in a currency other than the functional currency of the Company. The currency giving rise to this risk is primarily USD.

The Group does not hedge its exposure to movement in foreign currency. The Group ensures that the net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates, where necessary, to address any short term imbalances.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

35. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONT'D)

Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD exchange rate against the functional currency of the Company, with all variables held constant.

		Group 2017 $'000 Profit before tax
USD/SGD	– strengthened 5% (2016: Nil)	+16
	– weakened 5% (2016: Nil)	-16

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

– Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,

– Level 2: Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

– Level 3: Unobservable inputs for the asset and liability.

(a) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Cash and bank balances (Note 22), current trade and other receivables (Note 19 and 20), amounts due from/(to) related companies (Note 21), current trade, other payables and accruals (Note 23 and 24), obligations under finance leases (current) (Note 26), and loans and borrowings (Note 27).

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.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

Fair value hierarchy (cont'd)

(b) 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

Set out below is a comparison by category of the carrying amounts and fair values of all of the Group's and Company's financial instruments that are carried in the financial statements at other than fair values:

		2017		2016	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Group					
Financial assets:					
Other receivables (non-current)	20	**1,495**	**1,281**	887	855
Financial liabilities:					
Obligations under finance leases (non-current)	26	**897**	**966**	1,502	1,670
Company					
Financial assets:					
Other receivables (non-current)	20	**1,082**	**884**	644	624

Determination of fair value

Other receivables (non-current) (Note 20), and obligations under finance leases (non-current) (Note 26)

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. The fair value measurements of the above instruments are classified under level 3 of the fair value hierarchy.

(c) Classification of financial instruments

Set out below is a comparison by category of carrying amounts of all the Group and Company's financial instruments that are carried in the financial statements:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Loans and receivables				
Assets				
Trade receivables	**4,749**	3,460	**–**	–
Other receivables	**3,617**	2,263	**2,046**	724
Loans to joint venture	**–**	1,240	**–**	1,240
Due from related companies	**–**	–	**79,401**	9,145
Cash and bank balances	**21,326**	7,824	**8,772**	1,329
	29,692	14,787	**90,219**	12,438
Liabilities at amortised cost				
Liabilities				
Trade payables	**1,912**	1,841	**2**	2
Other payables and accruals	**10,027**	3,792	**1,118**	407
Deferred purchase consideration	**33,047**	–	**–**	–
Due to related companies	**–**	–	**8,156**	3,272
Obligation under finance leases	**1,780**	2,382	**–**	–
Loans and borrowings	**9,702**	1,181	**573**	1,181
	56,468	9,196	**9,849**	4,862

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

37. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 2016.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total capital. The Group includes within borrowings, obligations under finance leases and loans and borrowings. Capital consists of equity attributable to the equity holders of the Company.

	Group	
	2017	**2016**
	$'000	**$'000**
Obligations under finance leases (Note 26)	**1,780**	2,382
Loans and borrowings (Note 27)	**9,702**	1,181
Total borrowings	**11,482**	3,563
Equity attributable to shareholders of the Company	**108,283**	23,287
Total capital	**108,283**	23,287
Gearing ratio	**11%**	15%

The Company is required by financial institutions to maintain certain gearing ratio and other financial ratios. These externally imposed capital requirements have been complied with by the Company as at year end.

38. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 30 January 2018, the Company subscribes for 2 new ordinary shares of CHA SMG (Australia) Pte. Ltd. ("CSAPL") for cash of $3 (equivalent to US$2). The Company holds a 20.0% equity interest in CSAPL.

On 26 February 2018, the Company subscribes to 5,818,750 new ordinary shares issued by CSAPL amounting to $5,819,000 for cash. There is no change to the Company's interest after the additional capital contribution.

On 28 February 2018, CSAPL, through its subsidiary, CHA SMG Australia Holding Pty Ltd, a company incorporated in Australia, acquired 65.0% equity interest in CFC Global Pty Ltd ("CFC"). Upon completion of the acquisition, the Company holds a 13.0% effective equity interest in CFC.

39. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 28 March 2018.

SHAREHOLDERS' INFORMATION

AT 26 MARCH 2018

Number of shares	:	460,115,672
Issued and fully paid-up capital	:	$89,740,447.50
Class of shares	:	Ordinary share fully paid
Voting rights	:	One vote per ordinary share

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 26 March 2018 are as follows:–

	Direct Interest	%	Deemed Interest	%
Dr Beng Teck Liang	58,071,484	12.62	–	–
Tony Tan Choon Keat(1)	60,960,070	13.25	199,900	0.04
Silver Mines Global Limited(2)	42,332,713	9.20	–	–
Red Ancient Global Ltd(2)	340,000	0.07	42,332,713	9.20
CHA Healthcare Singapore Pte Ltd(3)	30,000,000	6.52	–	–
Dr Ho Choon Hou(2)	–	–	42,672,713	9.27
CHA Healthcare Co., Ltd(3)	–	–	30,000,000	6.52
CHA Biotech Co., Ltd(3)	–	–	30,000,000	6.52

Notes:

(1) Mr Tony Tan Choon Keat is deemed interested in the 199,900 shares held by his immediate family member.

(2) Silver Mines Global Limited ("Silver Mines") is a wholly-owned subsidiary of Red Ancient Global Ltd ("Red Ancient"); and Red Ancient is wholly-owned by Dr Ho Choon Hou ("HCH"). Accordingly, Red Ancient is deemed to have an interest in the 42,332,713 shares held by Silver Mines and HCH is deemed to have an interest in the 42,332,713 shares and 340,000 shares held by Silver Mines and Red Ancient respectively by virtue of Section 7(4A) of the Act.

(3) CHA Healthcare Singapore Pte. Ltd. ("CHAS") is a wholly-owned subsidiary of CHA Healthcare Co., Ltd. ("CHAH") and CHAH is majority owned by CHA Biotech Co., Ltd. ("CHAB"). Accordingly, CHAH and CHAB are deemed to have an interest in the 30,000,000 shares held by CHAS by virtue of section 7(4A) of the Act.

FREE FLOAT

On the basis of information available to the Company as at 26 March 2018, approximately 54.36% of the issued ordinary shares of the Company was held in the hands of the public. The Company did not hold any treasury shares as at 26 March 2018.

Accordingly, the Company has complied with Rule 723 of the Rules of Catalist.

SHAREHOLDERS' INFORMATION

AT 26 MARCH 2018

TWENTY LARGEST SHAREHOLDERS AS AT 26 MARCH 2018

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	RAFFLES NOMINEES (PTE) LTD	109,282,486	23.75
2	DBS NOMINEES PTE LTD	47,188,931	10.26
3	CITIBANK NOMINEES SINGAPORE PTE LTD	41,988,500	9.13
4	CGS-CIMB SECURITIES (S) PTE LTD	32,246,462	7.01
5	WONG SENG WENG	16,732,241	3.64
6	LEE WENG SOON JAMES	16,242,062	3.53
7	FONG YANG	16,222,062	3.53
8	CHAN WENG BUEN	16,201,762	3.52
9	THO CHIN KEONG	14,419,062	3.13
10	HENG SIOK KHENG	12,797,784	2.78
11	HSBC (SINGAPORE) NOMINEES PTE LTD	10,828,400	2.35
12	OH MENG CHOO (HU MINGZHU)	8,227,147	1.79
13	CHENG HUNG HENRY	8,191,031	1.78
14	CHENG YONG LIANG	7,987,269	1.74
15	DB NOMINEES (S) PTE LTD	7,581,484	1.65
16	NG PAU LING SIMON	6,336,221	1.38
17	ER CHOON HUAT	4,370,000	0.95
18	OPTIMUS CAPITAL INTERNATIONAL LIMITED	3,292,200	0.72
19	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,984,500	0.65
20	OCBC SECURITIES PRIVATE LTD	2,947,500	0.64
	TOTAL	**386,067,104**	**83.93**

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 26 MARCH 2018

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	10	0.51	230	0.00
100 – 1,000	111	5.63	70,478	0.01
1,001 – 10,000	830	42.11	5,827,340	1.27
10,001 – 1,000,000	992	50.33	56,354,503	12.25
1,000,001 AND ABOVE	28	1.42	397,863,121	86.47
TOTAL	**1,971**	**100.00**	**460,115,672**	**100.00**

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("AGM") of Singapore Medical Group Limited (the "Company") will be held at 290 Orchard Road, #14-03 Paragon, Singapore 238859 on Friday, 27 April 2018 at 4.30 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2017 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Mr Jimmy Yim Wing Kuen, who is retiring pursuant to Article 94 of the Company's Articles of Constitution, as Director of the Company. **(Resolution 2)**
[See Explanatory Note (i)]

3. To re-elect Dr Wong Seng Weng, who is retiring pursuant to Article 94 of the Company's Articles of Constitution, as Director of the Company. **(Resolution 3)**
[See Explanatory Note (ii)]

4. To approve the payment of Directors' fees of S$100,000 for the financial year ended 31 December 2017. [31 December 2016: S$100,000] **(Resolution 4)**

5. To re-appoint Messrs Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**

6. To transact any other ordinary business which may properly be transacted at an AGM.

AS SPECIAL BUSINESS

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

7. **APPOINTMENT OF ADDITIONAL DIRECTOR**

That Ms Stefanie Yuen Thio be and is hereby appointed as a director of the Company pursuant to Article 99 of the Company's Articles of Constitution. **(Resolution 6)**
[See Explanatory Note (iii)]

8. **GENERAL AUTHORITY TO ALLOT AND ISSUE SHARES IN THE CAPITAL OF THE COMPANY (THE "SHARE ISSUE MANDATE")**

"That, pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore (the "Act") and Rule 806(2) of the Rules of Catalist, authority be and is hereby given to the Directors of the Company to:–

(a) (i) allot and 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 might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures, convertible securities 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 shall in their absolute discretion deem fit, and

(b) (notwithstanding 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.

NOTICE OF
ANNUAL GENERAL MEETING

provided always that:–

(i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed one hundred per cent. (100%) of the total issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below) or such other limit as may be prescribed by the Rules of Catalist as at the date this Resolution is passed, of which the aggregate number of shares to be issued other than on a pro-rata basis to the then existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the total issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below) or such other limit as may be prescribed by the Rules of Catalist as at the date this Resolution is passed.

(ii) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the percentage of the total issued shares (excluding treasury shares) shall be based on the total issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities outstanding and/or subsisting at the time this authority is given;

(b) new shares arising from the 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 Rules of Catalist; and

(c) any subsequent bonus issue, consolidation or sub-division of shares.

(iii) in exercising the authority conferred by this Resolution, the Directors shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Rules of Catalist for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act, and otherwise, and the Articles of Constitution for the time being of the Company; and

(iv) (unless revoked or varied by the Company in general meeting), such authority conferred by this Resolution shall continue in full force until the conclusion of the next AGM of the Company or the date by which the next AGM is required by law to be held, whichever is earlier." **(Resolution 7)**

[See Explanatory Note (iv)]

9. **AUTHORITY TO GRANT OPTIONS AND ISSUE SHARES UNDER THE SMG SHARE OPTION SCHEME**

"That, pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore, the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the SMG Share Option Scheme (the "Option Scheme") and to allot and issue such shares as may be required to be issued pursuant to the exercise of the options granted under the Option Scheme, provided always that the aggregate number of new ordinary shares to be allotted and issued pursuant to the Option Scheme, (including the aggregate number of shares issued or issuable pursuant to the Option Scheme and any other scheme or plan for the time being of the Company), shall not exceed fifteen per cent. (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in general meeting, shall continue in full force until the conclusion of the next AGM of the Company or the date by which the next AGM is required by law to be held, whichever is earlier." **(Resolution 8)**

[See Explanatory Note (v)]

NOTICE OF
ANNUAL GENERAL MEETING

10. **AUTHORITY TO GRANT AWARDS AND ISSUE SHARES UNDER THE SMG SHARE PLAN**

"That, pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore, the Directors of the Company be and are hereby authorised to offer and grant awards in accordance with the SMG Share Plan (the "Share Plan") and to allot and issue such shares as may be required to be issued upon the release of awards under the Share Plan, provided always that the aggregate number of new ordinary shares to be allotted and issued pursuant to the Share Plan (including the aggregate number of shares issued or issuable pursuant to the Share Plan and any other scheme or plan for the time being of the Company), shall not exceed fifteen per cent. (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in general meeting, shall continue in full force until the conclusion of the next AGM of the Company or the date by which the next AGM is required by law to be held, whichever is earlier." **(Resolution 9)**
[See Explanatory Note (vi)]

On Behalf of the Board

Tony Tan Choon Keat
Non-Executive Chairman

Singapore, 12 April 2018

Explanatory Notes:

(i) The Ordinary Resolution 2 is to re-elect Mr Jimmy Yim Wing Kuen who will be retiring pursuant to Article 94 of the Company's Articles of Constitution and if he is re-elected, he will remain as a Chairman of the Nominating Committee and Remuneration Committee and member of Audit Committee and will be considered independent for the purpose of Rule 704(7) of the Rules of Catalist and Guideline 2.3 of Principle 2 of the Code of Corporate Governance 2 May 2012. Key information on Mr Yim is found on page 9 of the Annual Report.

(ii) The Ordinary Resolution 3, Dr Wong Seng Weng who will be retiring pursuant to Article 94 of the Company's Article of Constitution and if re-elected, he will continue in office as Executive Director. Key information on Dr Wong is found on page 9 of the Annual Report.

(iii) The Ordinary Resolution 6 proposed in item 7 above is to appoint Ms Stefanie Yuen Thio as an additional director pursuant to Article 99 of the Company's Article of Constitution. Key information on Ms Thio is found on page 9 of the Annual Report.

(iv) The Ordinary Resolution 7 proposed in item 8 above, if passed, will empower the Directors of the Company from the date of the above AGM until the date of the next AGM, to allot and issue shares and/or Instruments (as defined above) in the capital of the Company. The aggregate number of shares and/or convertible securities which the Directors may allot and issue under this Resolution, shall not exceed one hundred per cent. (100%) of the total issued shares (excluding treasury shares) in the capital of the Company, of which the aggregate number of shares and/or convertible securities other than on a pro-rata basis to all shareholders of the Company, shall not exceed fifty per cent. (50%) of the total issued shares (excluding treasury shares) in the capital of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any convertible securities issued under this authority.

(v) The Ordinary Resolution 8 proposed in item 9 above, if passed, will empower the Directors of the Company, from the date of the above AGM until the date of the next AGM, to grant options and to allot and issue shares pursuant to the exercise of the options under the Option Scheme, (including options granted under the Option Scheme and any other scheme or plan for the time being of the Company) of up to a number not exceeding in total fifteen per cent. (15%) of the total issued shares (excluding treasury shares) in the capital of the Company from time to time.

(vi) The Ordinary Resolution 9 proposed in item 10 above, if passed, will empower the Directors of the Company, from the date of the above AGM until the date of the next AGM, to grant awards and to allot and issue shares upon the release of awards under the Share Plan, (including award granted under the Share Plan and any other scheme or plan for the time being of the Company) of up to a number not exceeding in total fifteen per cent. (15%) of the total issued shares (excluding treasury shares) in the capital of the Company from time to time.

NOTICE OF
ANNUAL GENERAL MEETING

Notes:

1. A member (other than a Relevant Intermediary*) entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. Where a member (other than a Relevant Intermediary*) appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.

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

4. If the appointor is a corporation, the instrument appointing a proxy must be executed under the corporation's common seal or signed by its attorney or an officer on behalf of the corporation.

5. The instrument appointing a proxy must be deposited at the registered office of the Company at 1004 Toa Payoh North, #06-03/07, Singapore 318995 not less than forty-eight (48) hours before the time for holding the AGM.

* A Relevant Intermediary is:

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

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

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

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

This Notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch, (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), this being the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this Notice.

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

The contact person for the Sponsor is Mr Eric Wong, Director, Investment Banking, Singapore. The contact particulars are 50 Raffles Place, #09-01, Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.

SINGAPORE MEDICAL GROUP LIMITED
Company Registration Number: 200503187W
(Incorporated in the Republic of Singapore)

IMPORTANT

1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), Relevant Intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
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 are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2018.

PROXY FORM

I/We ______________________________ NRIC/Passport No./Company Registration No.: ____________________

of ____ (Address)

being a member/members of SINGAPORE MEDICAL GROUP LIMITED (the "Company") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or, both of whom failing, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company (the "Meeting") to be held at 290 Orchard Road, #14-03 Paragon, Singapore 238859 on Friday, 27 April 2018 at 4.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any matter arising at the Meeting.

No.	Resolutions Relating to:	No. of Votes For*	No. of Votes Against*
1.	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2017		
2.	Re-election of Mr Jimmy Yim Wing Kuen as a Director		
3.	Re-election of Dr Wong Seng Weng as a Director		
4.	Approval of Directors' fees for the financial year ended 31 December 2017		
5.	Re-appointment of Messrs Ernst & Young LLP as Auditors of the Company		
6.	Appointment of Ms Stefanie Yuen Thio as a Director		
7.	General authority to issue and allot shares pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore		
8.	Authority to allot and issue shares pursuant to the SMG Share Option Scheme		
9.	Authority to allot and issue shares pursuant to the SMG Share Plan		

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

Dated this __________ day of ______________ 2018

____
Signature(s) of Member(s)
or, Common Seal of Corporate Member

Total No. of Shares	No. of Shares
In CDP Register	
In Register of Members	

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. A member (other than a Relevant Intermediary*) entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. Where a member (other than a Relevant Intermediary*) appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.

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

4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Cap. 289) of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.

5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at **1004 Toa Payoh North, #06-03/07, Singapore 318995**, not less than 48 hours before the time set for the Meeting.

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

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

8. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

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

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

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

GENERAL:

The Company shall be entitled to reject a proxy form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

OUR **CLINICS**

DIAGNOSTICS & AESTHETICS

LIFESCAN IMAGING
290 Orchard Road
#07-18 to 20
Paragon Medical
Singapore 238859
+65 6235 3230

10 Sinaran Drive
#08-02 to 04
Novena Medical Center
Singapore 307506
+65 6100 4723

6A Shenton Way #02-19/20
OUE Downtown Gallery
Tower 2
Singapore 068815
+65 6222 0335
www.lifescanimaging.sg

THE DENTAL STUDIO
290 Orchard Road
#09-09/10 Paragon Medical
Singapore 238859
+65 6836 0050

6A Shenton Way #02-17/18
OUE Downtown Gallery
Tower 2
Singapore 068815
+65 6221 1395
www.dentalstudio.sg

THE LASIK SURGERY CLINIC
290 Orchard Road
#16-01/02 Paragon Medical
Singapore 238859
+65 6836 1000
www.lsc.sg

HEALTH

LIFESCAN MEDICAL CENTRE
290 Orchard Road
#07-18 to 20
Paragon Medical
Singapore 238859
+65 6235 3253

6A Shenton Way #02-19/20
OUE Downtown Gallery
Tower 2
Singapore 068815
+65 6221 1358
www.lifescanmedical.sg

SMG VISION CENTRE
290 Orchard Road
#16-01/02 Paragon Medical
Singapore 238859
+65 6836 1000
www.svc.com.sg

SMG ORTHOPAEDIC GROUP
3 Mount Elizabeth #17-14
Mount Elizabeth
Medical Centre
Singapore 228510
+65 6836 8000
www.orthopaedic.smg.sg

SMG SPECIALIST CENTRE
290 Orchard Road
#16-12 Paragon Medical
Singapore 238859
+65 6235 2152

38 Irrawaddy Road
#05-34/35
Mount Elizabeth Novena
Specialist Centre
Singapore 329563
+65 6735 1000
www.specialist.smg.sg

SMG UROLOGY CENTRE WITH BENG SURGERY
1 Farrer Park Station Road
#08-10
Farrer Park Medical Centre
Singapore 217562
+65 6737 8855
www.urology.smg.sg

THE CANCER CENTRE
290 Orchard Road
#17-05/06 Paragon Medical
Singapore 238859
+65 6835 1000
www.tcc.sg

KIDS CLINIC
Blk 116 Bishan Street 12
#01-28
Singapore 570116
+65 6356 8909

Blk 177 Toa Payoh Central
#01-160
Singapore 310177
+65 6354 0662

Mount Alvernia Hospital
820 Thomson Road
Medical Centre A
#02-02
Singapore 574623
+65 6356 8143
+65 6817 8883
www.kidsclinic.sg

CARDIAC CENTRE INTERNATIONAL
6A Napier Road #08-19
Gleneagles Medical Centre
Singapore 258499
+65 6253 1000

290 Orchard Road
#16-12 Paragon Medical
Singapore 238859
+65 6253 1000
www.cci.sg

WOMEN'S HEALTH

ASTRA WOMEN'S SPECIALISTS
38 Irrawaddy Road
#05-21/22
Mount Elizabeth Novena
Specialist Centre
Singapore 329563
+65 6353 3878
+65 6473 2533

38 Irrawaddy Road #05-40
Mount Elizabeth Novena
Specialist Centre
Singapore 329563
+65 6333 6636

Blk 502 Bishan Street 11
#01-356
Singapore 570502
+65 6552 7377
+65 6258 5530

Blk 684 Hougang Ave 8
#01-981
Singapore 530684
+65 6385 2535

Blk 18 Jalan Membina
#02-02
Singapore 164018
+65 6276 7727

Blk 253 Jurong East
Street 24
#01-269
Singapore 600253
+65 6561 1322

Blk 185 Toa Payoh Central
#01-326
Singapore 310185
+65 6221 3837
www.astrawomenspecialists.com

ASTRA LAPAROSCOPIC & ROBOTIC CENTRE FOR WOMEN AND FERTILITY
290 Orchard Road
#16-07/08 Paragon Medical
Singapore 238859
+65 6736 1000

38 Irrawaddy Road
#05-21/22
Mount Elizabeth Novena
Specialist Centre
Singapore 329563
+65 6736 1000
www.astralaparoscopy.com

THE OBSTETRICS & GYNAECOLOGY CENTRE
6A Napier Road #08-19
Gleneagles Medical Centre
Singapore 258499
+65 6475 1158

38 Irrawaddy Road
#05-34/35
Mount Elizabeth Novena
Specialist Centre
Singapore 329563
+65 6262 5490

6A Shenton Way #02-19/20
OUE Downtown Gallery
Singapore 068815
+65 6222 0357

290 Orchard Road
#16-07/08 Paragon Medical
Singapore 238859
+65 6238 1000
www.togc.sg

WELLNESS & GYNAECOLOGY CENTRE BY DR JULINDA LEE
290 Orchard Road
#16-07/08 Paragon Medical
Singapore 238859
+65 6235 2152
www.agemanagement.com.sg

SMG
SINGAPORE MEDICAL GROUP

SINGAPORE MEDICAL GROUP LIMITED
Company Registration Number: 200503187W
Incorporated in the Republic of Singapore on 10 March 2005
1004 Toa Payoh North #06-03/07 Singapore 318995
www.smg.sg

24-HOUR PATIENT ASSISTANCE CENTRE (65) 6735 3000