ANNUAL REPORT 2018

SMG

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

We

Communicate
Anticipate
Responsive
Empathy

... because you matter

SMG SINGAPORE MEDICAL GROUP
The Cancer Centre
LIFESCAN IMAGING
LIFESCAN MEDICAL CENTRE
SMG SPECIALIST CENTRE
SMG UROLOGY CENTRE WITH BENG SURGERY
Wellness & Gynaecology Centre by Dr Julinda Lee
THE OBSTETRICS & GYNAECOLOGY CENTRE
SMG WOMEN'S HEALTH
Astra Laparoscopic & Robotic Centre For Women and Fertility
Astra Women's Specialists
Kids Clinic
Cardiac Centre International
The Dental Studio
LSC EYE clinic
SW1 CLINIC

KEY DEVELOPMENTS IN 2018 – MARCH 2019

30 JANUARY 2018

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

26 FEBRUARY 2018

Subscribed to additional shares in CSA

CSA acquired 65% equity interests in CFC Global Pty Ltd

1 MARCH 2018

Opened a new obstetrics and gynaecology clinic, Astra Laparoscopic & Robotic Centre for Women and Fertility, at Paragon

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

2 APRIL 2018

Opened a new cardiology clinic, Cardiac Centre International, at Paragon

23 APRIL 2018

Opened a new paediatrics clinic under Kids Clinic at Bedok Point

Completed the acquisition of Pheniks

10 JULY 2018

Completed the Rights Issue of 14.3 million ordinary shares

21 SEPTEMBER 2018

Incorporated a new subsidiary, HiDoc Pte. Ltd. ("HiDoc")

10 NOVEMBER 2018

Opened a new dental clinic under The Dental Studio at Bishan

7 JANUARY 2019

Opened a new paediatrics clinic under Kids Clinic and a new obstetrics and gynaecology clinic under Astra Women's Specialists at Oasis Terrace, Punggol

19 JANUARY 2019

Opened a new aesthetics clinic under SW1 Clinic at OUE Downtown Gallery

31 JANUARY 2019

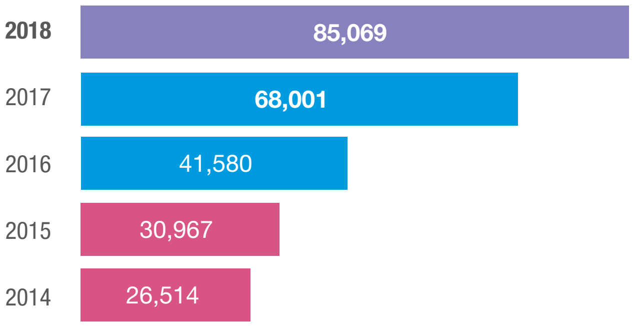
Launched of the new telemedicine Platform by HiDoc

4 MARCH 2019

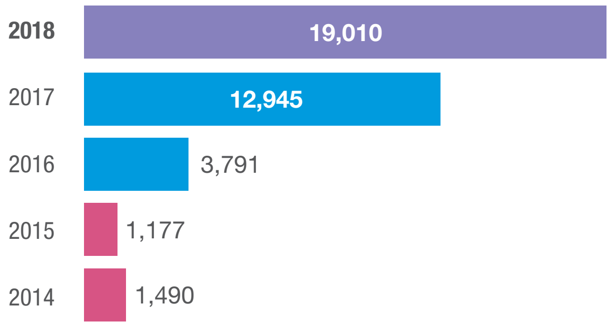
Incorporated a new subsidiary, The Breast Clinic Pte. Ltd.

FINANCIAL **HIGHLIGHTS**

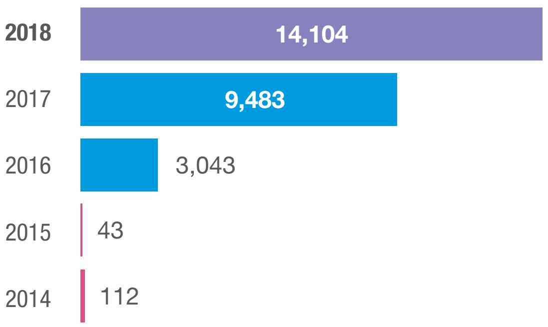
REVENUE (S$'000)



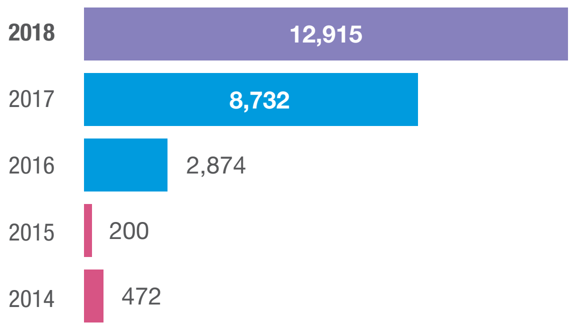
EBITDA (excluding other gains and expenses) (S$'000)



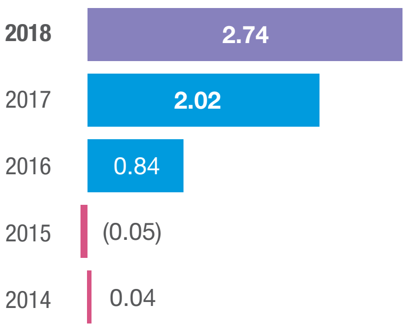
PROFIT BEFORE TAX (S$'000)



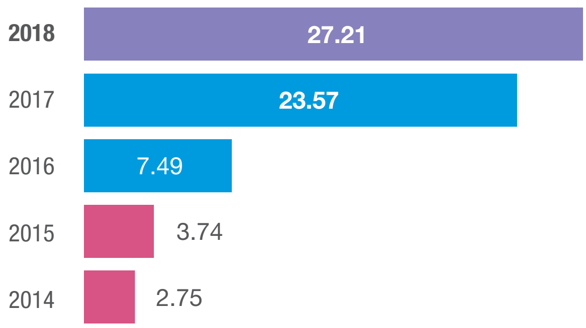
PROFIT FOR THE YEAR (S$'000)



EARNINGS PER SHARE
(cents)

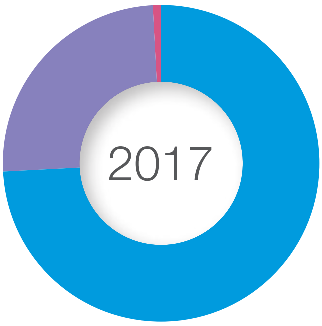


NET ASSET VALUE PER SHARE
(cents)



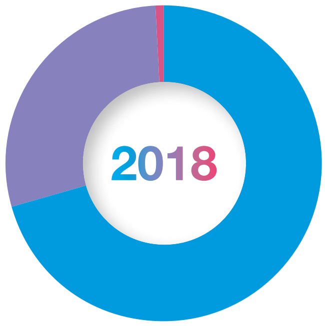
PERFORMANCE AT A GLANCE

SEGMENT REVENUE (S$'000)



68,001

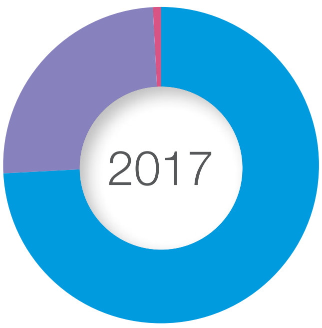
Health	50,482
Diagnostic and Aesthetics	17,072
Others	447



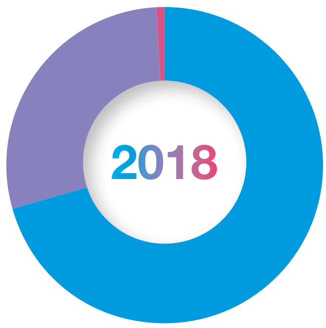
85,069

Health	60,129
Diagnostic and Aesthetics	24,368
Others	572

SEGMENT REVENUE (Composition %)



Health	74.2%
Diagnostic and Aesthetics	25.1%
Others	0.7%

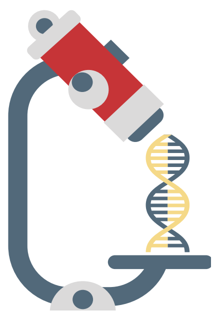


Health	70.7%
Diagnostic and Aesthetics	28.6%
Others	0.7%

SEGMENT REVENUE (Y-O-Y Incremental %)

Health
19%

Diagnostic and Aesthetics
43%



Others
28%

MESSAGE TO **SHAREHOLDERS**

DEAR SHAREHOLDERS,

In 2018, we continued our growth trajectory setting new records in terms of revenue and profitability. Driven by the strong operational execution of our organic and inorganic growth strategies, we continued to grow key specialist verticals including Oncology, Obstetrics & Gynaecology ("O&G"), Paediatrics, Diagnostic Imaging and Aesthetics. While we achieved significant milestones in 2018, our story as a pan-Asian specialist healthcare provider continues to unfold. With a strong foundation in Singapore and the region, we are aggressively scaling our burgeoning healthcare platform further out and into the region.

CREATING THE LARGEST FERTILITY AND WOMEN'S HEALTH PLATFORM IN THE ASIA-PACIFIC REGION

On 20 February 2019, we announced that CHA Healthcare Singapore Pte Ltd ("CSG"), an international subsidiary of leading Korean comprehensive healthcare group CHA Health Systems ("CHA"), has entered into a sale and purchase agreement to increase its stake in SMG from 6.86% to 24.13% through the purchase of existing shares from certain shareholders in a S$50 million investment. This investment from CHA, upon completion, will be another monumental step in our growth story. Today, the CHA-SMG partnership has effectively created the largest fertility and women's health platforms in the Asia Pacific Region.

Founded in 1960 and headquartered in Seoul, CHA is one of the largest and most diversified private healthcare service groups in Asia and one of the world's most respected names in reproductive medicine, women's health, stem cell research and wellness care. CHA is a premier global brand in fertility treatment, having been an international research and clinical pioneer since the early 1980s.

CHA has achieved many of the formative milestones in reproductive medicine history including the pioneering of IVM procedures, the world's first successful IVF treatment using vitrified oocytes and the first commercial ovum bank in the US. Today, CHA performs more than 25 thousand cycles annually and continues to be recognised as a first-tier fertility leader through their exceptional research platform, treatments for complex cases, high pregnancy outcomes and cutting-edge patient services. CHA is also Korea's leading name in women's health and maternity care with more than 9,000 deliveries annually through its global network.

We first formalised our relationship with CHA in early 2017 when CSG became a significant shareholder in the Group though a S$15 million private placement. We have since worked closely together on a number of strategic initiatives to support the Group's growth and to cooperate on joint regional expansion opportunities. In March 2018, we jointly acquired a majority stake in City Fertility Centre, a leading fertility specialist group in Australia. Under this joint stewardship, the Australian platform is rapidly developing into a market leader in terms of growth and patient outcome standards.

ACCELERATING THE GROWTH OF OUR REGIONAL FOOTPRINT

In partnership with CHA, we will actively pursue projects in Vietnam, Singapore, Oceania and other key Pacific Rim markets to address the fast-growing demand for high quality services amidst a trend of diminishing fertility. We intend to leverage on this strategic relationship to build out our existing Astra O&G network and establish Asia's largest reproductive medicine platform, in part by expanding upon our existing footprint in Vietnam, Indonesia and Malaysia, with Singapore as the regional centre of excellence and repository hub for global expertise from Korea, Japan, Australia and the US.

DEVELOPING ASIA'S PREMIER PLATFORM FOR ANTI-AGING AND PREVENTATIVE CARE

Through our expanded relationship with CHA, we intend to leverage on CHA's expertise in personalised anti-aging care and Korea's renown in dermatology and aesthetics to further expand SMG's strong market leadership in key verticals such as oncology and aesthetics. For example, we envision close collaboration between Chaum Wellness Center, CHA Evercell beauty rejuvenation programs and SMG's SW1 aesthetics business to provide patients with a seamless premium care experience. There are also expected to be patient synergies between SMG's oncology business and CHA's Tokyo Cell Clinic, amongst other services. Thus, the CHA-SMG partnership is expected to lay the foundation for Asia-Pacific's first dedicated platform for comprehensive wellness care covering the entire anti-aging, beauty and preventive care spectrums.

A REGIONAL PLAYER IN SOUTHEAST ASIA WITH GLOBAL ASPIRATIONS

In the coming years, we will continue to actively pursue new investment opportunities in both developed and emerging markets. Today, we are a regional player in Southeast Asia with global ambitions. We are now part of a global collaborative platform which is growing not just in Southeast Asia and the South Pacific, but in developed markets in North Asia and further afield in the US and elsewhere.

FUELING ORGANIC GROWTH

While astute acquisitions in the past have fueled our high-growth trajectory, we also continue to spearhead organic growth initiatives to garner additional momentum. We see clear demand for women's and children's health in Singapore and the region. Accordingly, we intend to continue to scale our O&G and Paediatrics vertical by opening new clinics and hiring additional specialists in the near to mid-term. With additional scale and continued improvements to operational efficiency, we expect to see consistent profitability margin improvements within this segment.

Similarly, within the Diagnostic Imaging segment, since the acquisition of Lifescan Imaging in 2016, the Group has seen a significant contribution to revenue and profit with the success of our 9,000 square foot centre located in Paragon. In line with our "buy and grow" strategy, we opened a new 5,500 square feet centre at Novena Medical Center during 1Q 2018. Looking ahead, we are exploring the possibility of opening a new imaging centre in the West of Singapore.

Within the Aesthetics vertical, following the acquisition of SW1 Clinic in April 2018, we have begun to scale our Aesthetics platform out into the region. The Group will officially launch SW1 Vietnam in the first half of 2019 with the planned opening of a new 4,000 square feet aesthetics centre. In addition, we have plans to penetrate into new geographies such as Malaysia and Indonesia which will serve as another gateway for regional expansion.

DRIVING GROWTH ACROSS THE GROUP'S OVERSEAS CLINICS

We continue to execute various growth initiatives at our two 15,000 square feet clinics in Ho Chi Minh City, Vietnam. Careplus Vietnam, located 2.6 kilometres from the Central Business District and 1.0 kilometre away from an industrial park is strategically located to capture rising demand for premium healthcare against the backdrop of a rapidly advancing economy and a large pool of expatriates. Similarly, we continue to chart steady growth at our joint venture eye clinic in Indonesia.

APPRECIATION

On behalf of the Board of Directors, we would like to thank our shareholders for their unwavering support of our growth initiatives. We will continue to explore possible corporate actions that may unlock value for shareholders. Given the Group's improved financial performance, the Board is considering the possibility of implementing a formal dividend policy in the financial year 2019.

We would also like to take this opportunity to thank all of our employees for their dedication and commitment in providing the best possible care for our patients. Without your support, we would not be where we are today. Together, we look forward to achieving new milestones in the year ahead.

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 the 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. He is recommended by name in various professional journals and ranking agencies in the area of dispute resolution and construction law.

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 *Independent Director*

Ms Stefanie Yuen Thio is the Joint Managing Partner of TSMP Law Corporation and heads 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. She is regularly named by legal journals as a leading practitioner in her areas of specialisation.

Ms Thio was appointed by the Monetary Authority of Singapore to the Corporate Governance Council 2017 to review the Code of Corporate Governance 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. She was also a member of the Singapore Governance and Transparency Index ("SGTI") Advisory Panel from June 2016 to May 2018. Apart from SMG, Ms Thio also sits on the board of ESR Funds Management (S) Limited which manages ESR-REIT.

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 CATHRYN CHAN
WENG BUEN
Astra Women's Specialists

DR CHANG FU-GUI
The Dental Studio

DR DHARSHINI
GOPALAKRISHNAKONE
The Obstetrics & Gynaecology Centre

DR CHRISTINA LOW
Lifescan Medical Centre

DR CHUA BOON SUAN
Lifescan Medical Centre

DR CHUA HAN BOON
SW1 Clinic

DR CHIA HUI LING
SW1 Clinic

DR DAVE ONG
Kids Clinic

SMG MEDICAL DIRECTORS, DOCTORS AND SPECIALISTS

DR EUGENE TAY
LSC Eye 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

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

DR KENNETH LEE
SW1 Clinic

DR KENNETH SHEAH
Lifescan Imaging

DR LOW CHAI LING
SW1 Clinic

DR LYNETTE NG
The Dental Studio

DR MARC TAY
LSC Eye Clinic

DR MARK TAN
Lifescan Imaging

DR MAS SUHAILA ISA
Kids Clinic

DR MICHELLE LIM
SW1 Clinic

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 TAN WAH LAY
The Dental Studio

DR TAN YING CHIEN
SW1 Clinic

DR THO CHIN KEONG
Astra Women's Specialists

DR TONY STANLEY
Lifescan Imaging

DR WATT WING FONG
The Obstetrics & Gynaecology Centre

DR WONG SIEW WEI
The Cancer Centre
SMG Specialist Centre

DR WONG SENG WENG
The Cancer Centre
SMG Specialist Centre

DR WOO MEI YEE
The Dental Studio

DR YEH ING BERNE
Lifescan Imaging

VISITING **CONSULTANTS**

DR ARTHUR LIM
Visiting Orthodontist
The Dental Studio

DR NOAH TEO
Visiting Oral & Maxillofacial Surgeon
The Dental Studio

OPERATIONS REVIEW

In FY2018, SMG furthered its growth through organic and inorganic growth initiatives. These initiatives focused on growing key specialist verticals such as Aesthetics, Diagnostics, Obstetrics and Gynaecology ("O&G") as well as Paediatrics.

DIAGNOSTICS & AESTHETICS

In February 2018, the Group officially opened its new 5,500 square feet centre at Novena Medical Centre. Situated in one of Singapore's fastest growing medical hubs, this new centre offers a comprehensive range of cross-disciplinary radiology services to capitalise on the rising demand for radiological services.

Driven by this rise in demand, the Group added more radiologists in the third quarter of 2018 while leveraging on its extensive network of doctors across Singapore to drive further growth within the Diagnostics segment. Looking ahead, the Group is exploring the possibility of opening a new imaging centre in the West of Singapore.

In April 2018, the Group completed the acquisition of an 85.0% majority stake in the entity that operates SW1 Clinic. 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. Through this acquisition, the Group established its new aesthetics practice which is highly complementary to its women's health segment and presents enormous cross-selling opportunities within the SMG network.

At the forefront of new technologies; SW1 offers one of the widest ranges of FDA approved lasers, ultrasound and radiofrequency aesthetic technology in Singapore. The clinic's medical aesthetics practitioners are pioneers in the use of Fraxel, Ultherapy, Thermage and Silhouette Soft threadlifts in Singapore. Its plastic surgery team specialise not only in cosmetic surgery but reconstructive surgery such as ear reconstruction and cleft lip repair. By using advanced cosmetic dermatology and plastic surgery techniques, delivered using the latest FDA approved lasers and aesthetic innovation, SW1 empowers its patients to bring out the best of their beauty potential, freeing them from the boundaries set by age and society.

As a Pan-Asian private healthcare specialist, the Group intended to empower SW1 with an established network to grow not just in Singapore but in the region. The Group has subsequently begun to scale this business in neighbouring countries such as Vietnam with the planned opening of a new 4,000 square feet aesthetics centre in the first half of 2019. Closer to home, the Group has opened a second SW1 Clinic at OUE Downtown Gallery in January 2019. Located in the central business district, this new aesthetics centre provides convenient access to aesthetics services against the backdrop of rising demand.

The Group's other aesthetics businesses, mainly consisting of LSC Eye Clinic and The Dental Studio, have continued to build on brand awareness and patient footfall. During the year, the Group added a new dental clinic in Bishan, bringing our quality dental services to our heartland patients.

DRIVING ORGANIC GROWTH IN THE HEALTH SEGMENT

Within the Healthcare segment, the Group continued to chart steady growth with the opening of new specialist clinics in key and complementary verticals.

Further strengthening its position as a leader in women's health amid rising demand, the Group opened two new O&G clinics in Paragon and Punggol, and two new Paediatrics clinics to complement the O&G vertical, one in Bedok and the other in Punggol. The opening of these two clinics further strengthens the Group's hub and spoke model with the Group's flagship at Mount Elizabeth Novena along with eight specialist clinics which extend into the heartlands.

LSC Eye Clinic at Paragon Medical

SW1 Clinic at Paragon Medical

Lifescan Imaging at Novena Medical Centre

The Dental Studio at Paragon Medical

OPERATIONS REVIEW

STRENGTHENING OVERSEAS ENTITIES

Overseas, the Group, through its joint venture company, SMG International (Vietnam) Pte. Ltd., holds an effective 16% stake in CityClinic Asia Investments Pte. Ltd. ("CCAI") which owns and operates two 15,000 square feet clinics in Ho Chi Minh City, Vietnam. The Group is focused on various growth initiatives at these two clinics with a view of exporting Singapore's best healthcare practices out into the region. At present, the Group has over 60 multidiscipline specialists and a team of six paediatricians employed at Careplus Vietnam. Amongst other disciplines, Careplus Vietnam focuses on Health Screening, Women's Health, Paediatrics, Oncology and Diagnostic Imaging and the Group has seen steady growth across these segments. The Group will also be exploring the possibility of increasing its stake in CCAI once it has reached profitability.

In Indonesia, the Group's joint venture eye clinic, modelled after the Group's successful LSC Eye Clinic in Paragon which is one of the most established private laser vision correction centres in Singapore, has growth significantly and has contributed positively to the Group's financial performance. The Group intends to continue to grow its eye clinic business in Indonesia and is currently exploring to set up new eye clinic in other cities of Indonesia.

In January 2018, the Group, alongside CHA Healthcare 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 signified the Group's recognition of the rising demand for fertility treatments, driven by rapid technological advancements and an increase in medical tourism.

AT THE FOREFRONT OF MEDICAL TECHNOLOGY

While charting steady growth, patient care has always been placed at the forefront of the Group's agenda. In this light, the Group took a proactive approach in enhancing patient connectivity and services through the use of technology. During the year, the Group worked on developing a proprietary specialist telemedicine platform that both local and patients across the region will use to consult with specialists throughout their treatment cycle.

On 31 January 2019, the Group's subsidiary, HiDoc Pte. Ltd. ("HiDoc"), launched a first-of-its-kind telehealth and video conferencing services platform. This new platform aims to augment the quality of follow-up healthcare and second opinion consultation among patients. With its wide network of specialists and multi-faceted communication process, HiDoc aims to deliver the diagnosis within 24 hours or instantly through video conferencing – improving the quality and efficiency of follow-up healthcare. Specialists and users can both download the app for free which is available on iOS and Android mobile devices.

SW1 Clinic at OUE

City Fertility Centre at Melbourne

Ciputra SMG Eye Clinic at Jakarta

Care Plus Vietnam

Kids Clinic and Astra Women's Specialists at Punggol

FINANCIAL REVIEW

CONSOLIDATED INCOME STATEMENT

The Group reported total revenue of $85.1 million for the financial year ended 31 December 2018 ("FY2018") as compared to $68.0 million for the financial year ended 31 December 2017 ("FY2017"). The increase in revenue of 25.1% was mainly attributed to:

(a) Revenue growth of the Health Business segment by $9.6 million, which mainly arises from the paediatrics clinics acquired in the second half of 2017 and the organic growth of the existing specialist clinics; and

(b) Revenue growth of the Diagnostic & Aesthetics Business segments by $7.3 million, which was mainly contributed by the aesthetic clinic acquired in April 2018 and the new imaging centre at Novena.

Gross profit increased by 30.4% from $29.0 million for FY2017 to $37.8 million for FY2018 mainly due to increase in revenue and the change in sales mix of the Health Business segment and Diagnostic & Aesthetics Business segment.

Distribution & selling expenses increased by 25.2% which were driven by increase in revenue while administrative expenses increased by 23.0% mainly due to the increase in staff headcount arising from the acquired subsidiaries and a higher depreciation expense in FY2018. Financial expenses increased by 52.1% as a result of interest expenses incurred for additional bank loans secured to fund the consideration for acquisitions and new finance leases obtained in FY2018, and accretion of interest on deferred purchase consideration.

For FY2018, the Group recorded share of profit of joint ventures and associate of $56,000 compared to share of loss of joint ventures and associate of $254,000 in FY2017. This is mainly due to improved financial performance from the joint venture entity, PT Ciputra SMG, and share of profit from the associated company, CHA SMG (Australia) Pte. Ltd., offset by losses incurred by the joint venture entity, SMG International (Vietnam) Pte. Ltd.

The Group recorded other gains of $0.2 million in FY2018. This relates to reversal of impairment loss on investment in joint ventures. In FY2017, the Group recorded other losses of $0.1 million, consisting of other gains and other expenses of $0.2 million and $0.3 million, respectively. These are one-off items relating to reversal of impairment loss on amounts due from joint venture entities and investment in joint ventures, and transaction costs on acquisition of subsidiaries.

Income tax expense increased by 58.3% mainly due to improved profits of the Group for the financial year.

Overall, the Group registered a net profit of $12.9 million for FY2018 as compared to a net profit of $8.7 million for FY2017.

CONSOLIDATED BALANCE SHEET

Assets

Total assets of the Group increased to $181.8 million as at 31 December 2018 from $167.6 million as at 31 December 2017 due to increase in property, plant and equipment, intangible assets, investment in joint ventures and associate, inventories, trade and other receivables, and prepayments, offset by decrease in deferred tax assets, and cash and bank balances.

Net asset value per ordinary share was 27.2 cents as at 31 December 2018 compared to 23.6 cents as at 31 December 2017.

The deficit in net working capital had increased from $2.7 million as at 31 December 2017 to $7.3 million as at 31 December 2018. This is mainly due to increase in trade and other payables, the current portion of obligations under finance leases and loans and borrowings, and decrease in cash and bank balances, offset by decrease in the current portion of the deferred purchase consideration which arose from the acquisition of subsidiaries in FY2017 and FY2018, and increase in inventories, trade and other receivables, and prepayments.

On 8 February 2019, $11.0 million of the current portion of the deferred purchase consideration was paid out, of which $4.0 million was funded using the proceeds from Rights Issue and $3.0 million was funded by new bank loans drawn down from financial institutions.

Liabilities

Total liabilities decreased from $59.3 million as at 31 December 2017 to $51.5 million as at 31 December 2018 mainly due to decrease in deferred purchase consideration, offset by increase in obligations under finance leases, loans and borrowings, trade and other payables and deferred tax liabilities.

Shareholders' Equity

Shareholders' equity increased from $108.3 million as at 31 December 2017 to $130.3 million as at 31 December 2018 due to (i) increase in share capital of the Company arising mainly from the issuance of shares for the Rights Issue in July 2018 and acquisition of a subsidiary in FY2018, and (ii) higher profits recorded in FY2018.

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)

Ms Stefanie Yuen Thio (Independent Director)

AUDIT COMMITTEE

Mr Ho Lon Gee (Chairman)

Mr Jimmy Yim Wing Kuen (Member)

Mr Tony Tan Choon Keat (Member)

Ms Stefanie Yuen Thio (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) 6887 4232
F. (65) 6251 8005
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

DBS Bank Ltd
Oversea-Chinese Banking Corporation Limited
CIMB Bank Berhad, Singapore Branch

CATALIST SPONSOR

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

SUSTAINABILITY **REPORT**

STATEMENT FROM THE BOARD

Following our inaugural Sustainability Report which was issued in November 2018, the Board is pleased to provide an update on the Group's sustainability efforts for the financial year 2018. At SMG, we recognise the importance of creating long-term value for our stakeholders and believe that it can be achieved through sustainable business practices and our commitment to being a responsible player in the society.

The Board strives to align the Group's policies and practices with best-in-class standards in the Economic, Environmental, Social and Governance ("EESG") themes, thus allowing us to achieve a balance between financial results, social engagement and environmental initiatives whilst ensuring the strategic growth of the Group. The Group conducted formal materiality assessment to better manage non-financial risks such as patient safety, patient privacy and corporate governance, and, have selected six of the highest ranked material factors for reporting. We will continue to support the Group's sustainability efforts through active engagement with senior management who will spearhead the Group's sustainability matters.

Moving forward, we urge our stakeholders to share our Group's commitment to transparency and to work towards a common goal of improving the economic, environmental and social well-being of the communities we operate in.

INTRODUCTION

ABOUT THE REPORT

Singapore Medical Group is delighted to present our Sustainability Report which is prepared in accordance with Global Reporting Initiatives ("GRI") Standards: Core option, an internationally recognised reporting framework that covers a range of sustainability disclosures. Adopting the objective of SGX in being responsible for the communities we operate in, the Group aspires to accomplish more in the area of sustainability.

In this report, we cover our non-financial performance and initiatives established in our Singapore operations from 1 January 2018 to 31 December 2018, with 1 January 2017 to 31 December 2017 as the year of comparison.

This report has not been assured as this is still optional under SGX rules. However, as our Group matures and develops in our sustainability journey, we aim to seek independent verification of our Sustainability Report. Eventually, our Group would like to provide a more extensive coverage of our business operations in our future Sustainability Reports.

We welcome feedback for this report and on any matters related to our sustainability performance. Feedback can be sent to our Chief Financial Officer, Ms. Wong Sian Jing at 6836 3385 or sianjing.wong@smg.sg.

STAKEHOLDER ENGAGEMENT

As part of ongoing efforts to better understand and manage the concerns of stakeholders and to deliver continued healthcare excellence, SMG has taken into consideration all of its stakeholders across its value chain and prioritised them into the following Table 1. In doing so, the Group is poised to anticipate and respond to any Environmental, Social and Governance ("ESG") challenges that may arise.

SUSTAINABILITY **REPORT**

Table 1: SMG's Stakeholder Engagement

Stakeholder	Engagement Mode and Frequency	Stakeholder's Key Concerns	Our Response
Shareholders	• Annual General Meeting ("AGM") • Extraordinary General Meeting when required • Quarterly release of results • Corporate announcements throughout the year • Timely response to direct queries received via electronic mail by Investor Relations team	• Business growth and strategy of the Group • Delivery of Business performance • Sustainable returns	• The Group seeks to address such concerns through timely and transparent updates on the Group's performance and key developments that are made available on SGXnet • Internal tracking is also in place to ensure prompt response to queries received
Employees	• Employee satisfaction online survey once a year • Regular staff meetings with management	• Career progression and self-development opportunities • Effective management of expectations and needs of customers and patients	• The Group recognises that employees are their most valuable assets and ensures that employees' expectations are met through active engagement • At SMG, employees are provided with many opportunities to develop their skill-sets and knowledge through on-the-job learning
Customers/Patients	• Engagement of external vendors to conduct survey via phone or electronic mail annually • Providing various channels to collect patients feedback such as dedicated email contacts, feedback hotlines and social media accounts of the respective clinics	• Management of issues such as patient and product safety, quality of service provided as well as the overall experience at the clinics • Adequate handling of personal data and information.	• SMG is built on the foundation of having customers and patients at the heart of everything we do. We strive to maintain quality and service excellence in our offerings through review of customer satisfaction surveys conducted by independent vendors to ensure expectations are met
Suppliers	• Meetings when necessary	• Increased focus on responsible sourcing • Healthy relationship maintained through liaisons and mutual understanding	• The Group engages in open communication with key suppliers in ensuring that their practices meet the necessary regulatory requirements
Regulators (Ministry of Health ("MOH"), The National Environment Agency ("NEA"), SGX, Inland Revenue Authority of Singapore ("IRAS"), Accounting and Corporate Regulatory Authority ("ACRA"))	• Proactively share feedback and data with regulators when necessary	• Compliance with relevant regulatory requirements	• The Group is aware that any non-compliance with regulations may result in undesirable repercussions for the business and thus ensures that all relevant regulatory requirements are met through layers of internal checks

SUSTAINABILITY REPORT

MATERIALITY ASSESSMENT

The outcome from this materiality assessment allows us to understand the perspectives of our stakeholders. We are better able to address the concerns from our stakeholders and identify where their interests lie through this process. With the help of independent sustainability consultants, the process of our materiality assessment is summarised as follows:

Step One: Identification

- Desktop analysis of Sustainability reports published by other peers
- Interviews with relevant personnel across departments
- Develop a list of Economic, Environmental Social and Governance (EESG) matters

Step Two: Prioritisation

- Conduct of anonymous voting exercise
- Relevant personnel rates and prioritises EESG matters
- Both internal and external stakeholder's perspectives are taken in consideration

Step Three: Validation

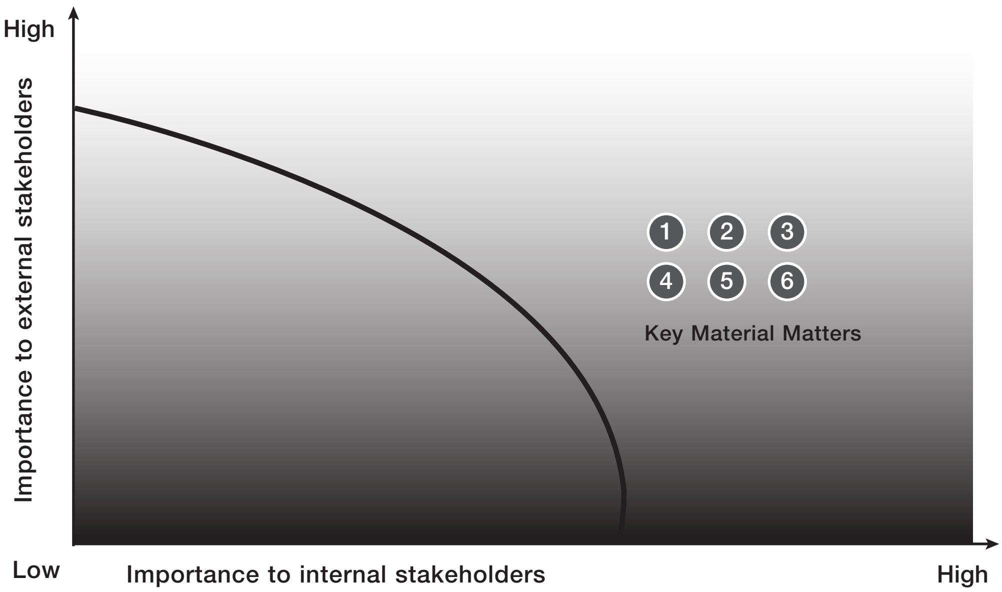
- Board validates and approves material matters presented by the management identified in step two

Step Four: Review

- Approved material matters will continue to be re-assessed in subsequent reporting periods to ensure that the reported topics remain relevant and material

The outcome of the assessment is reflected below in Figure 2. The six materials selected below are of priority to SMG.

Figure 2: SMG's Materiality Matrix



SUSTAINABILITY **REPORT**

MAPPING OF MATERIAL MATTERS

	Material Matters	Corresponding GRI Standard Topics
1	**Marketing and labelling**	**GRI 417-1: Requirements for product and service information and labeling**
2	**Patient privacy**	**GRI 418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data**
3	**Patient safety and satisfaction**	**GRI 416-2: Incidents of non-compliance concerning the health and safety impacts of products and services**
4	**Occupational health and safety**	**GRI 403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities**
5	**Effluents and wastes**	**GRI 306-2: Waste by type and disposal method** **GRI 306-4: Transport of hazardous waste**
6	**Anti-corruption/Conflict of interests**	**GRI 205-3: Confirmed incidents of corruption and actions taken**

PATIENT WELFARE

MARKETING AND LABELING

Marketing and labeling is pertinent and imperative to SMG in ensuring that accurate and non-misleading information is provided to customers, patients and the community alike who place their trust and confidence in the Group's wide network of medical professionals. We ensure that products and information portrayed meet the relevant guidelines and regulatory standards.

For services provided by our clinics and specialist centres, the Group strives to provide all patients with relevant information in aiding informed decision-making. Such information is also made available to patients through various channels such as educational forums, health seminars, brochures, social media platforms and clinic websites. Additionally, the Group goes through multiple layers of internal checks to ensure that the Private Hospitals and Medical Clinics ("PHMC") publicity guidelines are met before releasing any marketing materials and information to the public.

Similarly, all consumables and medical supplies provided and used on our patients are Health Science Authority ("HAS") approved. All medications prescribed are labelled with clear and detailed instructions for suitable level of consumption.

In FY2018 and FY2017, there were no grievances in relation to its marketing and labelling being brought up against SMG. The Group continues to maintain compliance to regulations set out by MOH for the safe use and consumption of its products and prescriptions respectively and for the services rendered by the Group's clinics.

Key Area of Focus	Perpetual Target	FY2018 Status
Substantiated non-compliance cases regarding marketing and labelling	• **No more than 3 queries from regulatory compliance and enforcement division of MOH**	**Achieved**

PATIENT PRIVACY

With Singapore's largest healthcare group hit by the most serious breach of personal data to date in recent times, the protection of patients' data and privacy has garnered immense attention from both regulators and patients alike. Approximately 1.5 million personal records of patients and 160,000 outpatient prescriptions were accessed and captured by hackers, rapidly escalating the need for organisations, and in particular, healthcare organisations that hold key patient data, to place an emphasis on efforts to enhance systems security to prevent the loss of data, as well as to undertake immediate measures should any form of breach occur.

SUSTAINABILITY **REPORT**

SMG acknowledges this and is already in the process of engaging an external team to review its Personal Data Protection Act ("PDPA") policy and the management of its monitoring mechanism in enhancing the robustness of the Group's IT system. The significance of PDPA is also highlighted during the employee orientation programme, where our staff are trained to engage in necessary measures to safeguard against the loss of data. SMG's clinic management system is currently hosted on a secured platform that is equipped with up-to-date technology to securely house sensitive data. The platform has been awarded level 3, the highest level of security clearance by the Infocomm Media Development Authority ("IMDA"). With proper encryption at the database storage centre and during the transmission of data, in addition to firewalls with gateway anti-virus protection intrusion detection and prevention capabilities, our patients can be assured that their data is safe with the proper security mechanisms that are in place.

SMG's IT team is committed to the continued exploration of the possible deployment of additional features in tightening organisation-wide system's security capabilities.

In FY2018 and FY2017, there were no substantiated breaches of patient privacy and loss of data noted. However, in FY2017, the Group received a complaint with regard to patient data due to miscommunication between the clinic staff and the patient. This complaint was eventually satisfactorily resolved.

Key Area of Focus	Perpetual Target	FY2018 Status
Substantiated complaints regarding breach of patients' data or loss of data	**• Zero incidents of breaches or loss of patients' data**	**Achieved**

PATIENT SAFETY AND SATISFACTION

At SMG, we focus on addressing the needs of our patients and to be a part of their journey towards good health and better wellness. As such, we have always placed our patients at the forefront of our business. We pride ourselves in upholding the Group's core values whilst endeavoring to deliver quality service to all.

The Group continues to ensure that necessary measures are in place for patient safety, including in the event of a communicable disease outbreak. We further ensure that our clinics and specialist centres are operating at premises that have been certified by Singapore Civil Defense Force ("SCDF") and are in compliance with Building and Construction Authority ("BCA"), as applicable.

In FY2018 and FY2017, SMG has managed to sustain a blemish-free record of zero non-compliance cases revolving around health and safety impacts pertaining to the products and services we offer.

Key Area of Focus	Perpetual Target	FY2018 Status
Incidents of non-compliance cases regarding health and safety impacts of products and services	**• Zero incidents of non-compliance cases revolving around health and safety impacts from MOH, NEA and HSA**	**Achieved**

EMPLOYEES

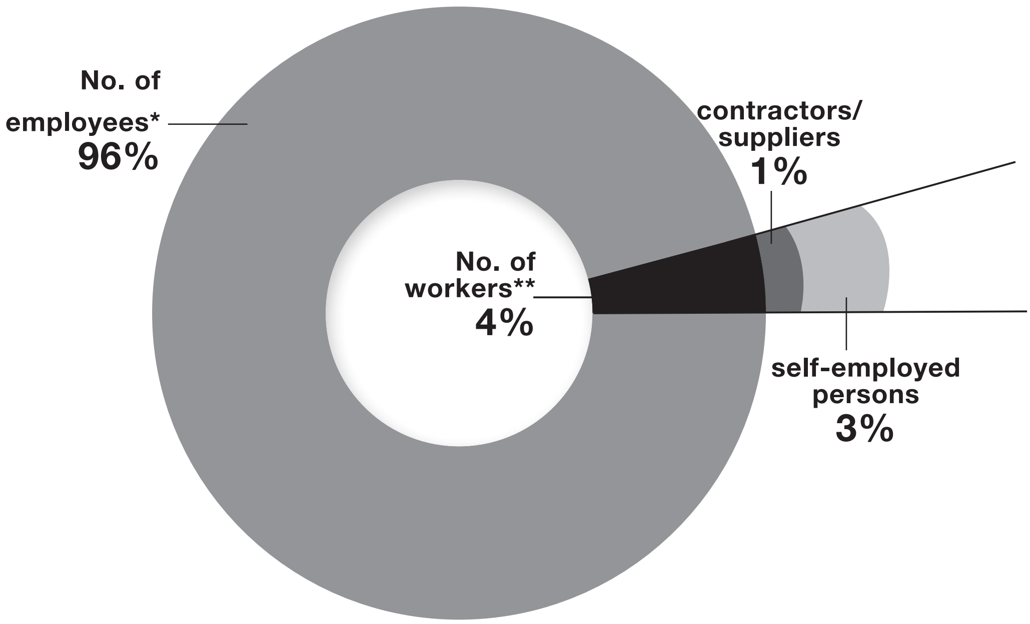
Our employees matter to us. As a people-centric business, our ability to thrive and deliver quality patient care is largely dependent on our frontline employees, including the medical professionals and their interaction with the patients and customers.

With "Respect" being one of the Group's core values, the Group further advocates inclusivity within the organisation. This is in turn likely to foster the proliferation of a high-performing culture as well as to create an amiable and productive work environment where employees are incentivised to do their best for our patients and customers.

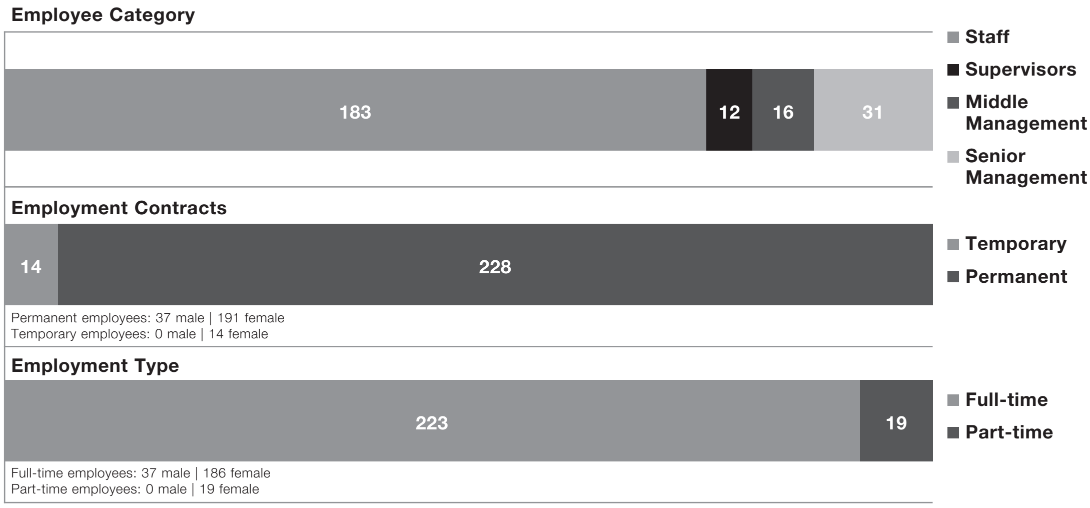
As at FY2018, SMG has 242 (FY2017: 201) employees and 10 (FY2017: 17) workers in total. The significant jump in new hires is largely due to the expansion of the Group's operations which occurred during the year.

SUSTAINABILITY **REPORT**

Breakdown of our Workforce (FY2018)



Breakdown of our Employees (FY2018)



* Employees refer to any individual who is in an employment relationship with the organisation, according to national law or its application

** Workers refer to any external person that performs work for the organisation such as a supplier, contractor, self-employed person and etc.

SUSTAINABILITY **REPORT**

OCCUPATIONAL HEALTH AND SAFETY

As an established healthcare organisation, our employees' health and safety within our premises are of utmost importance. Several polices have been enforced across all clinics so as to ensure the health and safety of our employees as well as customers and customers are maintained at the workplace strictly in accordance with regulations and guidelines laid out by MOH, NEA and HSA. SMG targets to achieve adherence to policies in maintaining its record of zero non-compliance incidents.

Policy Coverage	Description of Policies
Staff, Customers and Patients	Ensure all the safety regulations and guidelines set out by MOH, NEA and HSA are adhered to so that our staff, customers and patients' health and safety are taken care of
Premises	(i) All premises are issued with Fire safety certificate before the commencement of operations (ii) Fixed schedule to clean and sanitise the clinic to minimise any potential health hazards
Equipment & staff	(i) Regular preventive maintenance of equipment to ensure optimal functioning (ii) To ensure all equipment is properly certified by the relevant authorities such as NEA and HSA. Only qualified and appropriately trained staff are allowed to operate the equipment and perform the relevant duties

In FY2018 and FY2017, there were zero report cases of work-related fatalities, injuries and occupational diseases. The total absentee rate[1] remained consistent in FY2018 at 0.83 percent. We hope to continue our excellent track record in the coming years.

	FY2018			FY2017		
Absentee Rate			**Total**			**Total**
	0.56	**0.87**	**0.83**	**0.51**	**0.88**	**0.83**

Key Area of Focus	Perpetual Target	FY2018 Status
Incidents of work-related fatalities, injuries and occupational diseases	• **Zero incidents of work-related fatalities, injuries and occupational diseases**	**Achieved**

SUSTAINABLE ENVIRONMENT AND SUPPLY CHAIN MANAGEMENT

In maintaining service excellence whilst playing our part as a responsible corporate citizen, SMG strives to deliver high quality product-offerings and stringent compliance across the business' supply chain. Our supply chain mainly comprises suppliers of products that can be classified under the following four key categories:

1. Medications – purchased from registered drug distributors
2. Consumables
3. Medical equipment plus maintenance contracts
4. Marketing and advertising

In Singapore, all medications and medical equipment are subjected to approval by HSA. Certain medical equipment are additionally required to be regulated by NEA and marketing and advertising are overseen under the Private Hospitals and Medical Clinics Act and Regulations.

[1] The Absentee Rate ('AR') as defined by GRI standards is the total days of absence relative to the total days scheduled to be worked by employees during the reference period, expressed as a percentage. AR here is calculated only for employees.

SUSTAINABILITY **REPORT**

EFFLUENTS AND WASTES

In land-scarce Singapore, most of the general waste is sent to waste-to-energy incineration plants. However, as a healthcare organisation, we recognise that bio-hazardous and medical wastes require proper management and disposal to prevent any potential health threats posed to patients, the community and environment. As such, all medical staff undergo a structured briefing and training organised by SMG's Clinic Operations Team at least biennially on the know-hows of appropriate management and disposal of waste.

We comply fully with the rules and regulations as mandated by NEA and MOH with regards to our waste disposal methods. Additionally, only authorised vendors licensed to transport and dispose of biohazardous waste handle the waste generated by our clinics.

The total hazardous waste weighed in at 14,270 liter in FY2018 (FY2017: 14,979 liter). The 4.7% decrease was largely attributed to less bio-hazardous and medical waste generated from the Oncology clinics. There is no reporting for non-hazardous waste comprising of mainly paper waste, due to unavailable data. With that said, SMG is in the process of shifting towards a paperless working environment, coherent with the Group's strive to increase operational efficiency and to reduce reliance on storage space. These efforts have achieved good progress in FY2018.

Looking ahead, SMG has plans to improve its data collection procedures to include the tracking and disclosure of paper usage, as well as to continue its commitment to managing and disposing of all waste in a responsible manner.

GOOD GOVERNANCE

ANTI-CORRUPTION/CONFLICT OF INTERESTS

Anti-corruption is imperative to the long-term sustainability of SMG, as any form of corruption may lead to severe repercussions for the reputation of our Group, including losing the trust of our customers and patients. Corrupt business practices are not tolerated and any incidences are dealt with severely. This includes the procurement process where suppliers provide monetary benefits to the staff and doctors for their buy-ins.

To encourage our employees to undertake only the best practices, all newly recruited staff are required to be briefed on the anti-corruption clauses during their induction programme. They are also made aware of the existing whistle-blowing policy and procedures in place. All employees and external parties are encouraged to raise concerns through our well-defined and accessible reporting channels to report on any possible improprieties and issues that may have an adverse impact on SMG. Such matters raised will be presented in quarterly reports and submitted to the Audit Committee who oversees the overall administration of the whistle-blowing policy. Through the quarterly reports, a proper trail of all complaints are recorded, which includes the results of the investigation, follow-up actions, as well as any unresolved complaints.

SMG has achieved their target of zero incidents of corruption in both FY2018 and FY2017.

Key Area of Focus	Perpetual Target	FY2018 Status
Incidents of corruption	• **Maintain record of zero corruption incidents**	**Achieved**

SUSTAINABILITY REPORT

GRI CONTENT INDEX

GRI Standard Disclosure	Description	Page Reference
GRI 102: General Disclosures 2016		
Organisational profile		
102-1	Name of the organisation	Page 17
102-2	Activities, brands, products, and services	Page 1; Page 57
102-3	Location of headquarters	Page 16
102-4	Location of operations	Back Page
102-5	Ownership and legal form	Page 133
102-6	Markets served	Page 121
102-7	Scale of the organisation	Page 21-23
102-8	Information on employees and other workers	Page 21-23
102-9	Supply chain	Page 23
102-10	Significant changes to the organisation and its supply chain	Page 2-3
102-11	Precautionary Principle or approach	Page 37
102-12	External initiatives	–
102-13	Membership of associations	–
Strategy		
102-14	Statement from senior decision-maker	Page 17
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behavior	Page 1
Governance		
102-18	Governance structure	Page 16; Page 28-29
102-23	Chair of the highest governance body	Page 16
102-32	Highest governance body's role in sustainability reporting	Page 17
Stakeholder engagement		
102-40	List of stakeholder Groups	Page 17-18
102-41	Collective bargaining agreements	–
102-42	Identifying and selecting stakeholders	Page 17-18
102-43	Approach to stakeholder engagement	Page 17-18
102-44	Key topics and concerns raised	Page 17-18

SUSTAINABILITY **REPORT**

GRI Standard Disclosure	Description	Page Reference
Reporting practice		
102-45	Entities included in the consolidated financial statements	Page 17
102-46	Defining report content and topic Boundaries	Page 19-20
102-47	List of material topics	Page 19-20
102-48	Restatements of information	–
102-49	Changes in reporting	–
102-50	Reporting period	Page 17
102-51	Date of most recent report	Page 17
102-52	Reporting cycle	Page 17
102-53	Contact point for questions regarding the report	Page 17
102-54	Claims of reporting in accordance with the GRI Standards	Page 17
102-55	GRI content index	Page 25-27
102-56	External assurance	Page 17
Topic-specific GRI Standard Disclosures		
Category: Governance		
GRI 205: Anti-Corruption 2016		
103-1	Explanation of the material topic and its Boundary	Page 24
103-2	The management approach and its components	Page 24
103-3	Evaluation of the management approach	Page 24
205-3	Confirmed incidents of corruption and actions taken	Page 24
Category: Environmental		
GRI 306: Effluents and Waste 2016		
103-1	Explanation of the material topic and its Boundary	Page 24
103-2	The management approach and its components	Page 24
103-3	Evaluation of the management approach	Page 24
306-2	Waste by type and disposal method	Page 24
306-4	Transport of hazardous waste	Page 24
Category: Social		
GRI 403: Occupational Health and Safety 2016		
103-1	Explanation of the material topic and its Boundary	Page 23
103-2	The management approach and its components	Page 23
103-3	Evaluation of the management approach	Page 23
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Page 23

SUSTAINABILITY **REPORT**

GRI Standard Disclosure	Description	Page Reference
GRI 416: Customer Health and Safety 2016		
103-1	Explanation of the material topic and its Boundary	Page 21
103-2	The management approach and its components	Page 21
103-3	Evaluation of the management approach	Page 21
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Page 21
GRI 417: Marketing and Labeling 2016		
103-1	Explanation of the material topic and its Boundary	Page 20
103-2	The management approach and its components	Page 20
103-3	Evaluation of the management approach	Page 20
417-1	Requirements for product and service information and labeling	Page 20
GRI 418: Customer Privacy 2016		
103-1	Explanation of the material topic and its Boundary	Page 20-21
103-2	The management approach and its components	Page 20-21
103-3	Evaluation of the management approach	Page 20-21
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 20-21

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 2018 ("**FY2018**") 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.

CORPORATE GOVERNANCE REPORT

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.

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 five 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		**5**	**4**	**1**	**1**
Name	**Designation**	**No. of meetings attended**			
Mr Tony Tan Choon Keat	Non-Executive Chairman	5	4	1	1
Mr Ho Lon Gee	Lead Independent Director	5	4	1	1
Mr Jimmy Yim Wing Kuen	Independent Director	5	4	1	1
Dr Beng Teck Liang	Executive Director/ Chief Executive Officer	5	N.A.	N.A.	N.A.
Dr Wong Seng Weng	Executive Director	5	N.A.	N.A.	N.A.
Ms Stefanie Yuen Thio[1]	Independent Director	3	3	N.A.	N.A.

1 Appointed with effect on 27 April 2018

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. In FY2018, the Board was updated on the key changes of the Singapore Corporate Governance Code 2018.

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 six Directors, of whom two are Executive Directors, one is a Non-Executive Director and three are Independent Directors. The shareholders had approved the appointment of Ms Stefanie Yuen Thio as an Independent Director at the last Annual General Meeting held on 27 April 2018. Following Ms Stefanie Yuen's appointment, the Company is in compliance with Guideline 2.2 (d) of the Code, where the Chairman is not an independent director.

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.

CORPORATE GOVERNANCE **REPORT**

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.

The Nominating Committee noted that Mr Ho Lon Gee and Mr Jimmy Yim Wing Kuen have been serving in the Board beyond nine years from the date of their first appointment.

The Nominating Committee together with the Board have performed a rigorous review on the independence of Mr Ho Lon Gee and Mr Jimmy Yim Wing Kuen, having considered their continuous contributions 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 Nomination Committee and the Board were unanimously of the view that both Mr Ho Lon Gee and Mr Jimmy Yim Wing Kuen be considered independent despite their length of service.

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 has recognised the importance and value of gender diversity in the composition of the Board and one female director has been appointed since last year.

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.

CORPORATE GOVERNANCE **REPORT**

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 half of the Board consisted 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.

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.

CORPORATE GOVERNANCE REPORT

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.

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, Mr Jimmy Yim Wing Kuen and Ms Stefanie Yuen Thio 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 Tony Tan Choon Keat and Mr Ho Lon Gee 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 Tony Tan Choon Keat will, upon re-election as a Director, remain as the Members of Audit Committee, Nominating Committee and Remuneration Committee and he will continue in office as Non-Executive Director and Chairman of the Company.

Mr Ho Lon Gee will, upon re-election as a Director, remain as the Lead Independent Director, the Chairman of Audit Committee, Members of Nominating Committee and Remuneration Committee.

Mr Ho Lon Gee will be considered independent for the purposes of Rule 704(7) of the Rules of Catalist.

In making the recommendation for re-election of the retiring Directors at the forthcoming AGM, the NC had considered the Directors' overall contributions and performance.

CORPORATE GOVERNANCE **REPORT**

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
Mr 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
Mr 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
Mr Jimmy Yim Wing Kuen	22 June 2009	27 April 2018	Independent Director	Chairman of Nominating Committee; Chairman of Remuneration Committee and Member of Audit Committee	Independent Director, ARA-CWT Trust Management (CACHE) Limited	Independent Director, Low Keng Huat (Singapore) Limited
Dr Wong Seng Weng	14 August 2015	27 April 2018	Executive Director	N/A	Nil	Nil
Ms Stefanie Yuen Thio	27 April 2018	N/A	Independent Director	Member of Audit Committee	Independent Director, ARA-CWT Trust Management (CACHE) Limited	Independent Director, ESR Funds Management (S) Limited

The Board member's shareholding in the Company and its related companies are set out on page 43 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.

CORPORATE GOVERNANCE **REPORT**

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 includes 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.

CORPORATE GOVERNANCE **REPORT**

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.

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

Remuneration Bands	Salary		Director's fee	Fair value of share options	Total
	Fixed	Variable			
Directors					
Above S$500,000*					
Dr Wong Seng Weng	45%	53%	–	2%	100%
S$250,000 – S$500,000					
Dr Beng Teck Liang	72%	–	–	28%	100%
Below S$250,000					
Mr Ho Lon Gee	–	–	100%	–	100%
Mr Jimmy Yim Wing Kuen	–	–	100%	–	100%
Ms Stefanie Yuen Thio[1]	–	–	100%	–	100%
Mr Tony Tan Choon Keat	–	–	–	–	–

1 Appointed with effect on 27 April 2018

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

Remuneration Bands	Salary	Variable bonus	Fair value of share options	Total
Executive Officers				
Below S$250,000				
Arifin Ng	87%	8%	5%	100%
Carolyn Goh	89%	8%	3%	100%
Karen Chua	89%	7%	4%	100%
Kayla Chua	89%	8%	3%	100%
Mahathir Jamah	90%	8%	2%	100%
Manfred Tee	88%	8%	4%	100%
Wong Sian Jing	86%	–	14%	100%

CORPORATE GOVERNANCE **REPORT**

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.

There are no termination, retirement or post-employment benefits granted to directors, CEO and key management personnel.

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**	**Director's fee**	**Variable bonus**	**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 44 to 45 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.

CORPORATE GOVERNANCE **REPORT**

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 quarterly financial statements of the Group 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, quarterly 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 122 to 128 of this Annual 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 FY2018 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.

CORPORATE GOVERNANCE **REPORT**

Audit Committee ("AC")

Principle 12: Audit Committee

The current AC comprises the following 4 members, majority of whom (including Chairman) are Independent Directors:

(i) Mr Ho Lon Gee (Chairman);

(ii) Mr Tony Tan Choon Keat;

(iii) Mr Jimmy Yim Wing Kuen; and

(iv) Ms Stefanie Yuen Thio.

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;

(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 Rule 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.

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 FY2018 are as follows:

	S$'000
Audit fees	249
Tax fees	100
Total	349

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.

CORPORATE GOVERNANCE **REPORT**

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 FY2018. 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.

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 2018 in view of funding needs for future business developments and expansion.

CORPORATE GOVERNANCE REPORT

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 two weeks before the announcement of the Group's quarterly results and one month before the announcement of the Group's 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 FY2018 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 FY2018 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 2018 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]	195	–
MW Medical Pte Ltd[2]	10	–
MW Medical Holdings Pte Ltd[2]	170	–

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.

Non-Sponsor Fees

In FY2018, approximately S$68,000 of non-sponsor fees were paid to the Company's sponsor, CIMB Bank Berhad, Singapore Branch.

Update on Use of Rights Issue Proceeds

The Company had on 8 February 2019 announced that the Company had fully utilised the proceeds from the issuance of Renounceable Non-Underwritten Rights Issue of 23,308,551 ordinary shares, which was completed on 10 July 2018. The utilisation of proceeds is as follows:

	Actual S$'million	Intended S$'million
Net proceeds	6.6	6.6
(i) Merger and acquisitions	(5.4)	(5.4)
(ii) Growing existing business	(1.2)	(1.2)
Balance as at 8 February 2019	–	

The above use of proceeds is in accordance with the intended use as stated in the Offer Information Statement dated 18 June 2018 and the change of use and re-allocation of the proceeds from the Rights Issue as stated in the announcement dated 8 February 2019.

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 2018.

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 2018 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
Stefanie Yuen Thio (appointed on 27 April 2018)

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 and share options 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 or date of appointment**	**At the end of financial year**	**At the beginning of financial year or date of appointment**	**At the end of financial year**
Ordinary shares of the Company				
Tony Tan Choon Keat	60,960,070	64,008,073	199,900	400,000
Dr Beng Teck Liang	57,371,484	60,975,058	–	–
Ho Lon Gee	–	100,000	–	–
Jimmy Yim Wing Kuen	1,360,300	1,360,300	–	–
Dr Wong Seng Weng	16,732,241	17,568,853	–	–
Share options of the Company				
Dr Beng Teck Liang	2,100,000	5,100,000	–	–
Dr Wong Seng Weng	1,600,000	1,600,000	–	–
Performance shares of the Company				
Dr Beng Teck Liang	–	336,000	–	–

DIRECTORS' STATEMENT

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.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2019.

Except as disclosed in this statement, 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 of the financial year, or date of appointment if later, or at the end of the financial year.

OPTIONS AND PERFORMANCE SHARES

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.

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 2018	Options granted	Options exercised	Options forfeited/ expired	Options outstanding at 31 December 2018	Exercise period
10/07/2015	S$0.145	**225,000**	–	(225,000)	–	**–**	10/07/2016 to 09/07/2020
22/09/2016	S$0.303	**4,880,000**	–	–	–	**4,880,000**	22/09/2017 to 21/09/2021
03/04/2017	S$0.544	**675,000**	–	–	–	**675,000**	03/04/2018 to 02/04/2022
30/04/2018	S$0.493	**–**	5,320,000*	–	–	**5,320,000**	30/04/2019 to 29/04/2023
		5,780,000	5,320,000	(225,000)	–	**10,875,000**	

* Options granted during the financial year had been announced via SGXNET on 30 April 2018

DIRECTORS' STATEMENT

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.

Performance shares granted/vested

At the end of the financial year, details of the performance shares granted under the PSP are as follows:

Date of grant of performance shares	Performance shares outstanding at 1 January 2018	Performance shares granted	Adjustments#	Vested	Performance shares outstanding at 31 December 2018
30/04/2018	**–**	336,000	–	–	**336,000**
	–	336,000	–	–	**336,000**

\# Adjustment will be made at the end of each performance period upon meeting pre-determined performance targets by multiplying the higher of: (i) accumulated dividend yield; or (ii) 3% per annum on a compounded basis for the respective performance period.

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

Name of director and controlling shareholder and key executive	Options and performance shares granted during the financial year ended 31 December 2018	Aggregate options and performance shares granted since commencement of Scheme to 31 December 2018	Aggregate options exercised and performance shares vested since commencement of Scheme to 31 December 2018	Aggregate options and performance shares outstanding as at 31 December 2018
Share options of the Company				
Director of the Company				
Dr Beng Teck Liang	3,700,000	8,300,000	3,200,000	5,100,000
Dr Wong Seng Weng	–	2,400,000	800,000	1,600,000
Key executive of the Company				
Wong Sian Jing	420,000	2,440,000	820,000	1,620,000
Performance shares of the Company				
Director of the Company				
Dr Beng Teck Liang	336,000	336,000	–	–

DIRECTORS' **STATEMENT**

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 and performance shares available under the Scheme.

The options and performance shares granted by the Company do not entitle the holders of the options or performance shares, 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

29 March 2019

INDEPENDENT **AUDITOR'S REPORT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 2018, 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 Singapore Financial Reporting Standards (International) (SFRS(I)) 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 2018 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 a subsidiary

During the current financial year, the Group acquired 85% equity interest in a subsidiary – Pheniks Pte. Ltd. for a total purchase consideration of S$5.4 million. The acquisition of the subsidiary was accounted for using the acquisition method. Given the quantitative materiality of the acquisition and significant management judgement required in the purchase price allocation ("PPA") exercise, we determined this to be a key audit matter.

Management engaged an external valuation expert to assist them with the PPA exercise for the acquisition of the subsidiary. As at 31 December 2018, the PPA of the subsidiary is 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 2018

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 transaction and the key terms;

– reviewed the scope of work of the external valuation expert engaged by the management;

– assessed the competency, objectivity and capabilities of the external valuation expert;

– 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 company; and

– involved our internal valuation specialists to assist us in evaluating the reasonableness of the assessment made by the external valuation expert and management in determining that there are no intangible assets to be recognised.

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

Impairment assessment of goodwill and investment in subsidiaries

As at 31 December 2018, the goodwill was carried at S$126.1 million, which represents 83.4% of the Group's total non-current assets and 96.8% of total equity. Management allocated goodwill to the respective cash-generating units ("CGUs") as disclosed in Note 15 to the financial statements. The recoverable amounts of the identified CGUs have been determined based on value-in-use calculations. As at 31 December 2018, the Company's investment in subsidiaries amounted to S$113.7 million. The subsidiaries operate clinics in Singapore. Six of the subsidiaries have indicators of impairment and the carrying amount of these investment in subsidiaries amounted to S$5.1 million as at 31 December 2018. Management performed the impairment assessment for subsidiaries with indicators of impairment and determined their recoverable amounts based on value-in-use calculations.

We considered the audit of management's impairment assessment of goodwill and investment in subsidiaries to be a key audit matter due to the magnitude of the carrying amounts of goodwill and investment in subsidiaries in the financial statements as at 31 December 2018. In addition, these areas were 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 these areas 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 and long-term growth 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 reasonably possible changes in the key assumptions.

The Group's disclosures relating to goodwill and investments in subsidiaries are included in Notes 15 and 16 to the financial statements respectively.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 SFRS(I), 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 2018

- 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.

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.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those 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

29 March 2019

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 $'000	2017 $'000
Revenue	4	**85,069**	68,001
Cost of sales		**(47,274)**	(39,027)
Gross profit		**37,795**	28,974
Finance income	5	**71**	59
Other income	6	**275**	360
Other gains	7	**167**	236
Other expenses	8	**(11)**	(329)
Distribution and selling expenses		**(3,618)**	(2,850)
Impairment losses on financial assets		**(62)**	(40)
Administrative expenses		**(19,469)**	(15,950)
Finance expenses	5	**(1,100)**	(723)
Share of results of joint ventures and associate		**56**	(254)
Profit before tax	9	**14,104**	9,483
Income tax expense	12	**(1,189)**	(751)
Profit for the year		**12,915**	8,732
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		**(530)**	(93)
Other comprehensive income for the year, net of tax		**(530)**	(93)
Total comprehensive income for the year		**12,385**	8,639
Profit attributable to:			
Owners of the Company		**12,928**	8,499
Non-controlling interests		**(13)**	233
		12,915	8,732
Total comprehensive income attributable to:			
Owners of the Company		**12,398**	8,406
Non-controlling interests		**(13)**	233
		12,385	8,639
Earnings per share attributable to owners of the Company (cents per share)			
Basic	13	**2.74**	2.02
Diluted	13	**2.74**	1.99

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

BALANCE **SHEETS**

AS AT 31 DECEMBER 2018

	Note	Group 31.12.2018 $'000	Group 31.12.2017 $'000	Group 1.1.2017 $'000	Company 31.12.2018 $'000	Company 31.12.2017 $'000	Company 1.1.2017 $'000
ASSETS							
Non-current assets							
Property, plant and equipment	14	**13,652**	13,506	7,350	**2,365**	1,922	78
Intangible assets	15	**126,543**	119,199	9,593	**19**	–	–
Investment in subsidiaries	16	**–**	–	–	**113,664**	17,813	14,065
Investment in joint ventures	17	**1,642**	1,532	1,589	**2,541**	1,840	1,624
Investment in associate	18	**5,714**	–	–	**6,045**	–	–
Other receivables	21	**2,900**	1,495	887	**1,288**	1,082	644
Deferred tax assets	29	**844**	1,039	722	**170**	170	170
		151,295	136,771	20,141	**126,092**	22,827	16,581
Current assets							
Inventories	19	**1,694**	1,521	1,126	**–**	–	–
Trade receivables	20	**6,031**	4,749	3,460	**–**	–	–
Prepayments		**1,775**	1,142	517	**352**	691	320
Other receivables	21	**1,037**	2,122	1,376	**93**	1,137	80
Due from related companies	22	**–**	–	–	**8,525**	79,401	9,145
Cash and bank balances	23	**20,012**	21,326	7,824	**6,071**	8,772	1,329
		30,549	30,860	14,303	**15,041**	90,001	10,874
Total assets		**181,844**	167,631	34,444	**141,133**	112,828	27,455
EQUITY AND LIABILITIES							
Current liabilities							
Trade payables	24	**1,648**	1,912	1,841	**2**	2	2
Other payables and accruals	25	**10,310**	8,587	3,912	**993**	1,103	428
Contract liabilities	4	**2,313**	654	525	**–**	–	–
Deferred purchase consideration	26	**15,538**	17,379	–	**1,000**	–	–
Due to related companies	22	**–**	–	–	**–**	8,156	3,272
Obligations under finance leases	27	**1,446**	883	880	**281**	–	–
Loans and borrowings	28	**4,773**	2,327	608	**216**	359	608
Income tax payable		**1,776**	1,776	400	**–**	–	–
		37,804	33,518	8,166	**2,492**	9,620	4,310
Non-current liabilities							
Other payables and accruals	25	**503**	1,737	270	**85**	15	15
Deferred purchase consideration	26	**1,335**	15,668	–	**–**	–	–
Due to related companies	22	**–**	–	–	**16,274**	–	–
Obligations under finance leases	27	**1,724**	897	1,502	**364**	–	–
Loans and borrowings	28	**9,980**	7,375	573	**–**	214	573
Deferred tax liabilities	29	**170**	103	7	**–**	–	–
		13,712	25,780	2,352	**16,723**	229	588
Total liabilities		**51,516**	59,298	10,518	**19,215**	9,849	4,898
Net assets		**130,328**	108,333	23,926	**121,918**	102,979	22,557
Equity attributable to owners of the Company							
Share capital	30	**118,918**	108,738	29,197	**118,918**	108,738	29,197
Accumulated profits/(losses)		**12,059**	(869)	(6,216)	**2,557**	(6,285)	(6,965)
Share option reserve	31	**443**	526	325	**443**	526	325
Foreign currency translation reserve	32	**(642)**	(112)	(19)	**–**	–	–
		130,778	108,283	23,287	**121,918**	102,979	22,557
Non-controlling interests		**(450)**	50	639	**–**	–	–
Total equity		**130,328**	108,333	23,926	**121,918**	102,979	22,557
Total equity and liabilities		**181,844**	167,631	34,444	**141,133**	112,828	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 2018

	Attributable to owners of the Company						
Group	**Share capital (Note 30) $'000**	**Accumulated (losses)/ profits $'000**	**Share option reserve (Note 31) $'000**	**Foreign currency translation reserve (Note 32) $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
2018							
Balance at 1 January 2018 (FRS/SFRS((I) framework)	**108,738**	**(869)**	**526**	**(112)**	**108,283**	**50**	**108,333**
Profit for the year	**–**	**12,928**	**–**	**–**	**12,928**	**(13)**	**12,915**
Other comprehensive income							
Foreign currency translation differences	**–**	**–**	**–**	**(530)**	**(530)**	**–**	**(530)**
Other comprehensive income for the year, net of tax	**–**	**–**	**–**	**(530)**	**(530)**	**–**	**(530)**
Total comprehensive income for the year	**–**	**12,928**	**–**	**(530)**	**12,398**	**(13)**	**12,385**
Contributions by and distributions to owners							
Issue of shares	**7,495**	**–**	**(407)**	**–**	**7,088**	**–**	**7,088**
Share issuance expenses	**(312)**	**–**	**–**	**–**	**(312)**	**–**	**(312)**
Share-based payment transactions	**–**	**–**	**324**	**–**	**324**	**–**	**324**
Dividends paid by subsidiaries	**–**	**–**	**–**	**–**	**–**	**(250)**	**(250)**
Total contributions by and distributions to owners	**7,183**	**–**	**(83)**	**–**	**7,100**	**(250)**	**6,850**
Changes in ownership interests in subsidiaries							
Shares issued for acquisition of subsidiary (Note 16)	**2,997**	**–**	**–**	**–**	**2,997**	**(237)**	**2,760**
Total changes in ownership interests in subsidiaries	**2,997**	**–**	**–**	**–**	**2,997**	**(237)**	**2,760**
Total transactions with owners in their capacity as owners	**10,180**	**–**	**(83)**	**–**	**10,097**	**(487)**	**9,610**
Balance at 31 December 2018	**118,918**	**12,059**	**443**	**(642)**	**130,778**	**(450)**	**130,328**

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Attributable to owners of the Company						
Group	**Share capital (Note 30) $'000**	**Accumulated losses $'000**	**Share option reserve (Note 31) $'000**	**Foreign currency translation reserve (Note 32) $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
2017							
Balance at 1 January 2017 (FRS/SFRS(I) framework)	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

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Share capital (Note 30) $'000	Accumulated (losses)/ profits $'000	Share option reserve (Note 31) $'000	Total $'000
Company				
2018				
Balance at 1 January 2018 (FRS/SFRS(I) framework)	**108,738**	**(6,285)**	**526**	**102,979**
Profit for the year	**–**	**8,842**	**–**	**8,842**
Contributions by and distributions to owners				
Issue of shares	**7,495**	**–**	**(407)**	**7,088**
Share issuance expenses	**(312)**	**–**	**–**	**(312)**
Share-based payment transactions	**–**	**–**	**324**	**324**
Shares issued for acquisition of subsidiary (Note 16)	**2,997**	**–**	**–**	**2,997**
Total transactions with owners in their capacity as owners	**10,180**	**–**	**(83)**	**10,097**
Balance at 31 December 2018	**118,918**	**2,557**	**443**	**121,918**
2017				
Balance at 1 January 2017 (FRS/SFRS(I) framework)	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

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 2018

	Note	Group 2018 $'000	2017 $'000
Cash flows from operating activities			
Profit before tax		**14,104**	9,483
Adjustments for:			
Depreciation of property, plant and equipment	14	**3,882**	2,646
Amortisation of intangible assets	15	**80**	–
Share-based compensation expense	10	**324**	201
Impairment loss on trade receivables	9	**62**	40
Bad debts written off		**5**	–
Interest income	5	**(71)**	(59)
Interest expenses		**797**	485
Amortisation of loan costs	5	**45**	38
Accretion of interest on deferred purchase consideration	5	**258**	200
(Gain)/loss on disposal of property, plant and equipment		**(23)**	85
Gain on liquidation of subsidiary	7	**–**	(4)
Reversal of impairment loss on amounts due from joint ventures	21	**–**	(45)
Reversal of impairment loss on investment in joint ventures		**(167)**	(187)
Share of results of joint ventures and associate		**(56)**	254
Total adjustments		**5,136**	3,654
Operating cash inflows before changes in working capital		**19,240**	13,137
Changes in working capital:			
(Increase)/decrease in:			
Inventories		**(68)**	(164)
Trade and other receivables		**(308)**	(2,121)
Prepayments		**(493)**	(622)
(Decrease)/increase in:			
Trade payables		**(349)**	52
Contract liabilities, other payables and accruals		**1,031**	3,009
Total changes in working capital		**(187)**	154
Cash flows generated from operations		**19,053**	13,291
Interest received		**71**	59
Interest paid		**(760)**	(471)
Income tax paid		**(924)**	(91)
Net cash flows from operating activities		**17,440**	12,788
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,898)**	(5,014)
Purchase of intangible assets		**(522)**	–
Proceeds from disposal of property, plant and equipment		**60**	97
Investment in joint venture		**(84)**	(103)
Loans to joint venture		**(1,123)**	(314)
Investment in associate		**(6,045)**	–
Net cash outflow from acquisition of subsidiaries		**(18,070)**	(16,889)
Net cash flows used in investing activities		**(28,682)**	(22,223)
Cash flows from financing activities			
Dividends paid to non-controlling interests		**(250)**	(226)
Issuance of shares		**7,088**	15,933
Share issuance expenses		**(312)**	(401)
Proceeds from loans and borrowings	28	**10,600**	11,766
Repayment of loans and borrowings	28	**(5,608)**	(3,244)
Repayment of obligations under finance leases	28	**(1,590)**	(891)
Deposit pledged for bank facility		**25**	–
Net cash flows generated from financing activities		**9,953**	22,937
Net (decrease)/increase in cash and cash equivalents		**(1,289)**	13,502
Cash and cash equivalents at beginning of financial year		**21,301**	7,799
Cash and cash equivalents at end of financial year	23	**20,012**	21,301

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 2018

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 1004 Toa Payoh North, #06-03/07, Singapore 318995.

The principal activities of the Company are those relating to the operation of medical clinics, provision of general medical services and investment holdings. The principal activities of the subsidiaries, joint ventures and associate are disclosed in Note 16 to 18 to the financial statements.

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 (International) ("SFRS(I)").

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with the Financial Reporting Standards in Singapore ("FRS"). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

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.

Use of going concern assumption

The financial statements of the Group have been prepared under the going concern assumption notwithstanding that as at 31 December 2018, the Group's current liabilities have exceeded its current assets by $7,255,000 (2017: $2,658,000).

The directors have prepared the financial statements on a going concern basis as they are of the view that the Group is expected to be able to continue in operational existence for at least 12 months subsequent to the date of the financial statements. Specifically, the directors have considered the following:

(a) The Group continued to raise additional funds and has received $3,000,000 in bank loans and borrowings in February 2019. Refer to Note 39 for further details; and

(b) The Group will generate adequate cash flows from operations.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)")

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group's and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards are effective on 1 January 2018 are disclosed below.

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- SFRS(I) 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I), or acquisitions of interests in joint ventures that occurred before 1 January 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.

- The comparative information do not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 *Financial Instruments*

On 1 January 2018, the Group adopted SFRS(I) 9 *Financial instruments*, which is effective for annual periods beginning on or after 1 January 2018. The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") (Continued)

SFRS(I) 9 *Financial Instruments* (Continued)

Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. The Group has a mixed business model. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. The Group has elected to measure the convertible loans to a related party, which was previously measured at amortised cost, at FVPL.

There is no significant impact arising from the classification and measurement of the debt instruments under SFRS(I) 9. Hence, no adjustments have been applied retrospectively to those financial instruments that were not derecognised before 1 January 2018.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired. Upon adoption of SFRS(I) 9, the Group has determined that there is no significant impact to the Group's financial performance positions arising from impairment assessment under SFRS(I) 9. Hence, no adjustments have been applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") (Continued)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 31 December 2017 and 1 January 2018 to the balance sheet of the Company. The adoption of SFRS(I) does not have any impact to the balance sheet of the Company as at 1 January 2017.

	Company		
	31 December 2017 (FRS) $'000	**SFRS(I) 9 adjustments $'000**	**1 January 2018 (SFRS(I)) $'000**
Non-current assets			
Investment in subsidiaries	17,813	79,401	**97,214**
Other non-current assets	5,014	–	**5,014**
	22,827	79,401	**102,228**
Current assets			
Due from related companies	79,401	(79,401)	**–**
Other current assets	10,600	–	**10,600**
	90,001	(79,401)	**10,600**
Total assets	112,828	–	**112,828**
Current liabilities	9,620	–	**9,620**
Non-current liabilities	229	–	**229**
Total liabilities	9,849	–	**9,849**
Equity attributable to owners of the Company			
Share capital	108,738	–	**108,738**
Reserves	(5,759)	–	**(5,759)**
Total equity	102,979	–	**102,979**
Total equity and liabilities	112,828	–	**112,828**

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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**
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) INT 23 *Uncertainty over Income Tax Treatment*	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 3 *Definition of a Business*	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material*	1 January 2020
SFRS(I) 17 *Insurance contracts*	1 January 2021
Amendments to SFRS(I) 10 and SFRS(I) 1-28 Sale or *Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above 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 SFRS(I) 16 are described below.

<u>SFRS(I) 16 *Leases*</u>

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to measure the right-of-use asset of all leases at its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases.

- to apply the exemption not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019.

- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

SFRS(I) 16 *Leases* (Continued)

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

On the adoption of SFRS(I) 16, the Group expects to recognise right-of-use assets of $15,031,000 and lease liabilities of $15,548,000 for its leases previously classified as operating leases as of 1 January 2019.

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.

(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.

Non-controlling interest in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquire are recognised on the acquisition date at either fair value, or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group’s previously held equity interest in the acquiree (if any), over the net fair value of the acquiree’s identifiable assets and liabilities is recorded as goodwill. 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations (Continued)

(b) Business combinations and goodwill (Continued)

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.

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.

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 measured.

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.

(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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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 derecognition of the asset is included in profit or loss in the year the asset is derecognised.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets (Continued)

Computer software

Research or maintenance costs of computer software are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use, its intention to complete and its ability to use the asset, how the asset will generate future economic benefits beyond one year, the availability of resources to complete and the ability to measure reliably the expenditures during the development. This includes direct staff costs arising from the software development team and an appropriate portion of relevant overheads.

Expenditures which enhance or extend the performance of computer software programmes beyond their original specifications, are recognised as a capital improvement and accounted for as additions to computer software.

Computer software are initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation of the intangible asset begins when development is complete and the asset is available for use. It is amortised on straight line basis over the estimated useful lives of 3 to 5 years.

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.

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. Impairment losses relating to goodwill cannot be reversed in future periods.

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 balance sheet, investments in subsidiaries are accounted for at cost less impairment losses.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2.12.

2.12 Joint ventures and associate

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investments in associate and joint ventures using the equity method from the date on which it becomes an associate or 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 associate or joint venture's profit or loss in the period in which the investment is acquired.

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

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or 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 associate or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or 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 associate or joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the associate or 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 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.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investment in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The two measurement categories for classification of debt instruments applicable to the Group are:

(i) *Amortised cost*

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(ii) *Fair value through profit or loss*

Assets that do not meet the criteria for amortised cost are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Derecognition

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.15 Cash and cash equivalents

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

2.16 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.

2.17 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

After initial recognition, financial liabilities not at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.19 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.

2.20 Government grants

Government grants are 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.

2.21 Employee benefits

(a) *Defined contribution plans*

The Group participates in the national pension 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee benefits (Continued)

(b) Employee share-based compensation

Employees of the Group receive remuneration in the form of share options and share awards 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.

The employee share option reserve is transferred to retained earnings upon expiry of the share option.

2.22 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 2.23 (c). Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised goods or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) *Rendering of services*

The Group renders consultations, clinical treatments, medical tests and operations to customers. Revenue is recognised when the services to be provided are completed. Revenue from the provision of package services is recognised upon completion of the series of distinct services rendered over time. The measure of progress is based on 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 sale of medicine and related products is recognised at the point in time when the goods are delivered to the customer and accepted by the customer.

(c) *Facility rental income*

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

(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.

2.24 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Taxes (Continued)

(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, associate 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, associate 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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Taxes (Continued)

(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.

2.25 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.

2.26 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determination of purchase price allocation

During the financial year, the Group had acquired a subsidiary for a total purchase consideration of $5,448,000. In 2017 and 2016, the Group had acquired 10 subsidiaries for a total purchase consideration of $110,539,000 and 2 subsidiaries for a total purchase consideration of $10,731,000. The acquisitions are accounted for as a business combination and the Group is required to perform a purchase price allocation exercise as at the acquisition date. This involves judgement made in identifying all intangible assets and determining the fair values of all identifiable assets acquired and liabilities assumed as at the date of acquisition.

In assessing the fair value of all identifiable assets and liabilities, recent market transactions for identical assets and liabilities are considered, if available. If no such transactions can be identified, internal information that is consistent with what market participants will assume as at the measurement date is used. The key assumptions applied in the determination of the purchase price allocation are disclosed and further explained in Note 16 to the financial statements.

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 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 2018 is $126,101,000 (2017: $119,199,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

(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.

The carrying amounts of the Company's property, plant and equipment, intangible assets, investment in subsidiaries, joint ventures and associate are disclosed in Note 14 to 18 of the financial statements.

4. REVENUE

Disaggregation of revenue

Segments	Health		Diagnostic and Aesthetics		Others		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Type of good or service								
Rendering of services	**37,866**	30,197	**22,897**	16,282	**46**	159	**60,809**	46,638
Sale of medicine and related products	**22,263**	20,285	**1,471**	790	**–**	–	**23,734**	21,075
Facility rental income	**–**	–	**–**	–	**520**	259	**520**	259
Management fee from joint venture entities	**–**	–	**–**	–	**6**	29	**6**	29
Total revenue	**60,129**	50,482	**24,368**	17,072	**572**	447	**85,069**	68,001
Timing of transfer of good or service								
At a point in time	**60,129**	50,482	**23,490**	16,903	**572**	447	**84,191**	67,832
Over time	**–**	–	**878**	169	**–**	–	**878**	169
Total revenue	**60,129**	50,482	**24,368**	17,072	**572**	447	**85,069**	68,001

Revenue from transfer of good or service is attributed to Singapore.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. REVENUE (CONTINUED)

Contract assets and contract liabilities

Information about receivables and contract liabilities from contracts with customers is disclosed as follows:

		Group	
	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Receivables from contracts with customers (Note 20)	**6,031**	4,749	3,460
Contract liabilities	**(2,313)**	(654)	(525)

The Group has recognised impairment losses on receivables arising from contracts with customers amounting to $62,000 (2017: $40,000).

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances.

Contract liabilities are recognised as revenue as the Group performs under the contract.

5. FINANCE INCOME/(EXPENSES)

	Group	
	2018	2017
	$'000	$'000
Interest income from:		
– bank balances	**71**	59
Interest expense on:		
– loans and borrowings	**(655)**	(359)
– finance lease obligations	**(142)**	(126)
Accretion of interest on deferred purchase consideration	**(258)**	(200)
Amortisation of loan costs	**(45)**	(38)
	(1,100)	(723)

6. OTHER INCOME

	Group	
	2018	2017
	$'000	$'000
Grants income	**168**	59
Sponsorship from suppliers	**64**	35
Gain on disposal of property, plant and equipment	**23**	–
Others	**20**	266
	275	360

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. OTHER GAINS

	Note	Group 2018 $'000	Group 2017 $'000
Reversal of impairment loss on investment in joint ventures	17	**167**	187
Reversal of impairment loss on amounts due from joint ventures	21	**–**	45
Gain on liquidation of subsidiary		**–**	4
		167	236

8. OTHER EXPENSES

	Group 2018 $'000	Group 2017 $'000
Transaction costs incurred in business combinations	**11**	329

9. PROFIT BEFORE TAX

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

	Note	Group 2018 $'000	Group 2017 $'000
Depreciation of property, plant and equipment	14	**3,882**	2,646
Amortisation of intangible assets	15	**80**	–
Loss on disposal of property, plant and equipment		**–**	85
Operating lease expenses		**5,313**	4,599
Audit fees paid to auditors of the Company		**249**	232
Non-audit fees:			
– auditors of the Company		**100**	111
– other auditors		**21**	21
Impairment loss on financial assets			
– trade receivables	20	**62**	40
Bad debts written off		**5**	–
Personnel expenses*	10	**22,500**	17,092

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

10. PERSONNEL EXPENSES

	Group 2018 $'000	Group 2017 $'000
Salaries and bonuses	**20,060**	15,284
Central Provident Fund contributions	**1,435**	1,226
Share-based compensation expense	**324**	201
Short-term employee benefits	**681**	381
	22,500	17,092

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

	Group 2018 $'000	Group 2017 $'000
Remuneration paid to key management personnel		
Salaries and bonuses	**3,654**	3,409
Central Provident Fund contributions	**130**	106
Share-based compensation expense	**262**	181
	4,046	3,696
Comprises amounts paid to:		
– Directors of the Company*	**2,816**	2,704
– Other key management personnel	**1,230**	992
	4,046	3,696

* Included in amounts paid to directors of the Company are directors' fees of $130,000 (2017: $100,000).

Key management personnel interests' in SMG Share Option Scheme

During the financial year, share options with an exercise price of $0.493 (2017: $Nil) each have been granted to key management personnel as follows:

	Group and Company 2018 No. of share options '000	Group and Company 2017 No. of share options '000
Share options granted to:		
– Directors of the Company	**3,700**	–
– Other key management personnel	**990**	–
	4,690	–
Performance shares granted to:		
– Director of the Company	**336,000**	–

During the financial year, key management personnel exercised options for 740,000 (2017: 4,064,000) ordinary shares of the Company at a price of $0.145 to $0.303 (2017: $0.145 to $0.303) each, with a total consideration of $218,000 (2017: $840,000) paid to the Company.

At the end of the reporting period, the total number of outstanding share options and performance shares granted by the Company to key management personnel under the SMG Share Option Scheme and SMG Performance Share Plan amounted to 9,415,000 (2017: 5,360,000) and 336,000 (2017: Nil) respectively.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. RELATED PARTY TRANSACTIONS (CONTINUED)

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	
	2018 **$'000**	**2017** **$'000**
Purchase of services from joint venture	**11**	–
Rental paid to companies related to directors	**365**	382
Professional fees paid to companies related to directors	**312**	317
Nursing services paid to a company related to a director	**10**	9

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 $195,000 (2017: $163,000). The Group also paid professional fees of $232,000 (2017: $279,000) in relation to medical services rendered by the same entity. Other than the security deposits of $22,000, there is no balance outstanding with KSB as at the reporting date (31 December 2017: $33,000, 1 January 2017: $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 $170,000 (2017: $177,000). Other than the security deposits of $28,000, there is no balance outstanding with MWMH as at the reporting date (31 December 2017: $28,000, 1 January 2017: $Nil).

(iii) The Group had engaged Tricor Singapore Pte. Ltd., Tricor WP Corporate Services Pte. Ltd. and TSMP Law Corporation, which are companies related to directors of the Company, for secretarial and legal services. The Group incurred professional fees of $80,000 (2017: $38,000) and the balance outstanding as at the reporting date was $50,000 (31 December 2017: $18,000, 1 January 2017: $8,000).

(iv) In the previous financial year, 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. The lease expired on 31 December 2017.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	Group	
	2018	**2017**
	$'000	**$'000**
Statement of comprehensive income:		
Current income tax		
– current income taxation	**1,464**	1,332
– over provision in respect of previous years	**(537)**	(264)
	927	1,068
Deferred income tax		
– origination and reversal of temporary differences	**262**	(317)
	262	(317)
Income tax expense recognised in statement of comprehensive income	**1,189**	751

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	
	2018	**2017**
	$'000	**$'000**
Accounting profit before tax	**14,104**	9,483
Tax at the applicable tax rate of 17% (2017: 17%)	**2,398**	1,612
Tax effects of:		
– non-deductible expenses	**254**	153
– income not subject to taxation	**(34)**	(44)
– tax incentives	**–**	(88)
– deferred tax assets not recognised	**(361)**	(369)
– effect of partial tax exemption and tax relief	**(459)**	(268)
– utilisation of tax losses previously not recognised	**(62)**	(24)
– over provision in respect of prior years	**(537)**	(264)
– share of results of joint ventures and associate	**(10)**	43
Income tax expense recognised in statement of comprehensive income	**1,189**	751

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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	
	2018	**2017**
	$'000	**$'000**
Profit for the year attributable to owners of the Company	**12,928**	8,499
	No. of shares '000	**No. of shares '000**
Weighted average number of ordinary shares for basic earnings per share computation	**471,076**	420,773
Effects of dilution:		
– Share options	**1,343**	7,022
Weighted average number of ordinary shares for diluted earnings per share computation	**472,419**	427,795

5,995,000 (2017: Nil) share options granted to employees under the existing employee share option plan have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

Since the end of the financial year, employees have exercised the options to acquire 70,000 (2017: Nil) ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. PROPERTY, PLANT AND EQUIPMENT

	Office equipment $'000	Medical equipment $'000	Furniture and fittings $'000	Total $'000
Group				
Cost:				
At 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 and 1 January 2018	1,084	16,301	6,582	23,967
Additions	260	2,418	1,305	3,983
Acquisition of a subsidiary (Note 16)	19	–	70	89
Disposals	(41)	(163)	(26)	(230)
Reclassifications[1]	(7)	–	–	(7)
At 31 December 2018	**1,315**	**18,556**	**7,931**	**27,802**
Accumulated depreciation:				
At 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 and 1 January 2018	690	6,962	2,809	10,461
Depreciation charge for the year	432	2,335	1,115	3,882
Disposals	(38)	(126)	(29)	(193)
At 31 December 2018	**1,084**	**9,171**	**3,895**	**14,150**
Net carrying amount:				
At 1 January 2017	106	6,374	870	7,350
At 31 December 2017	394	9,339	3,773	13,506
At 31 December 2018	**231**	**9,385**	**4,036**	**13,652**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Office equipment $'000	Medical equipment $'000	Furniture and fittings $'000	Total $'000
Company				
Cost:				
At 1 January 2017	363	2,595	994	3,952
Additions	127	510	1,325	1,962
Disposals	(23)	–	(89)	(112)
At 31 December 2017 and 1 January 2018	467	3,105	2,230	5,802
Additions	22	977	137	1,136
Disposals	(24)	(27)	(3)	(54)
Reclassifications[1]	(7)	–	–	(7)
At 31 December 2018	**458**	**4,055**	**2,364**	**6,877**
Accumulated depreciation:				
At 1 January 2017	336	2,595	943	3,874
Depreciation charge for the year	50	9	52	111
Disposals	(22)	–	(83)	(105)
At 31 December 2017 and 1 January 2018	364	2,604	912	3,880
Depreciation charge for the year	84	265	328	677
Disposals	(15)	(27)	(3)	(45)
At 31 December 2018	**433**	**2,842**	**1,237**	**4,512**
Net carrying amount:				
At 1 January 2017	27	–	51	78
At 31 December 2017	103	501	1,318	1,922
At 31 December 2018	**25**	**1,213**	**1,127**	**2,365**

1 During the year, the Company had transferred certain costs previously classified as office equipment under property, plant and equipment to intangible assets (Note 15).

Assets held under finance lease

During the financial year, the Group and the Company acquired medical equipment with an aggregate cost of $2,957,000 and $849,000 (2017: $236,000 and $Nil) respectively by means of finance leases. The cash outflow on acquisition of property, plant and equipment for the Group amounted to $2,898,000 (2017: $5,014,000).

The carrying amount of the Group's and the Company's medical equipment held under finance leases as at 31 December 2018 is $5,314,000 and $786,000 (31 December 2017: $2,958,000 and $Nil, 1 January 2017: $3,286,000 and $Nil) respectively. Lease assets are pledged as security for the related finance lease liabilities (Note 27).

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Purchase of assets from joint venture

In 2017, the Group purchased plant and equipment from a joint venture for a cash consideration of $120,000.

During the financial year, the Group conducted a review on its depreciation policy. The Group revised the estimated useful lives of furniture and fittings from the lower of 3 years or the remaining lease term of clinics/office premise to either 3 years or the remaining lease term of clinics/office premise. Furniture and fittings, which include renovation cost, are expected to remain in use for the lease term of the clinics/office premise. The revision in estimate has been applied on a prospective basis from 1 January 2018. The effect of the above revision on depreciation charge in current and future periods are as follows:

	Group			
	2018 $'000	**2019 $'000**	**2020 $'000**	**2021-2028 $'000**
(Decrease)/increase in depreciation expense	**(290)**	(260)	(171)	721

15. INTANGIBLE ASSETS

	Goodwill $'000	**Computer software $'000**	**Total $'000**
Group			
Cost:			
At 1 January 2017	9,593	61	9,654
Acquisition of subsidiaries (Note 16)	109,606	–	109,606
At 31 December 2017 and 1 January 2018	119,199	61	119,260
Additions	–	515	515
Reclassifications[1]	–	7	7
Acquisition of a subsidiary (Note 16)	6,813	–	6,813
Adjustments to provisional goodwill arising from acquisition of subsidiaries	89	–	89
At 31 December 2018	**126,101**	**583**	**126,684**
Accumulated amortisation:			
At 1 January 2017, 31 December 2017 and 1 January 2018	–	61	61
Amortisation charge for the year	–	80	80
At 31 December 2018	**–**	**141**	**141**
Net carrying amount:			
At 1 January 2017	9,593	–	9,593
At 31 December 2017	119,199	–	119,199
At 31 December 2018	**126,101**	**442**	**126,543**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. INTANGIBLE ASSETS (CONTINUED)

	Computer software $'000
Company	
Cost:	
At 1 January 2017, 31 December 2017 and 1 January 2018	61
Additions	19
Reclassifications[1]	7
At 31 December 2018	**87**
Accumulated amortisation:	
At 1 January 2017, 31 December 2017 and 1 January 2018	61
Amortisation charge for the year	7
At 31 December 2018	**68**
Net carrying amount:	
At 1 January 2017 and 31 December 2017	–
At 31 December 2018	**19**

1 During the year, the Company had transferred certain costs previously classified as office equipment under property, plant and equipment to intangible assets (Note 14).

Computer software pertains to computer software licenses purchased from vendors.

Amortisation expense

The amortisation of computer software is included in the "Administrative expenses" line item in profit or loss.

Impairment testing of goodwill

Goodwill acquired through business combinations have been allocated to four cash-generating units ("CGU"), women's health business, paediatrics business, diagnostic business and aesthetics business, for impairment testing.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. INTANGIBLE ASSETS (CONTINUED)

Impairment testing of goodwill (Continued)

The carrying amount of goodwill allocated to each CGU is as follows:

	Women's Health business			Paediatrics business			Diagnostic business			Aesthetics business		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
Goodwill	**74,379**	74,379	–	**35,316**	35,227	–	**9,593**	9,593	9,593	**6,813**	–	–

The recoverable amounts 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:

	Women's Health business			Paediatrics business			Diagnostic business			Aesthetics business		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
Long-term growth rates	**1.0%**	1.0%	–	**1.0%**	1.0%	–	**1.0%**	1.0%	1.0%	**1.0%**	–	–
Pre-tax discount rate	**10.5%**	9.5%	–	**10.5%**	9.5%	–	**10.5%**	9.5%	10.5%	**10.5%**	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. INTANGIBLE ASSETS (CONTINUED)

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 – Budgeted revenue is forecasted after considering factors like general market conditions, macroeconomic cycle, industry-specific and other relevant information. The 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. The future growth rates do not exceed the long-term average growth rate for the industries relevant to the CGUs.

Pre-tax discount rates – Discount rates represent 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 materially exceed its recoverable amount.

16. INVESTMENT IN SUBSIDIARIES

		Company	
	31.12.2018 $'000	**31.12.2017 $'000**	**1.1.2017 $'000**
Shares, at cost	**20,464**	14,065	3,722
Issuance of shares for acquisition of subsidiary	**2,997**	3,748	10,343
Amounts due from subsidiaries	**99,049**	–	–
Impairment losses	**(8,846)**	–	–
	113,664	17,813	14,065

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Company had the following subsidiaries as at 31 December:

Name of company	Principal place of business	Principal activities	Proportion (%) of ownership interest 31.12.2018	31.12.2017	1.1.2017
Singapore Vision Centre Pte. Ltd.[(a)]	Singapore	Provision of general ophthalmological services	**100**	100	100
Cancer Centre Pte. Ltd.[(a)]	Singapore	Provision of oncology services	**90**	90	80
The Lasik Surgery Clinic Pte. Ltd.[(a)]	Singapore	Provision of LASIK and general ophthalmological services	**100**	100	100
The Dental Studio Pte. Ltd.[(a)]	Singapore	Provision of dental services	**65**	65	65
Singapore Lipo, Body & Face Centre Pte. Ltd.[(b)]	Singapore	Dormant company	**–**	100	100
SMG Specialist Centre Pte. Ltd.[(a)]	Singapore	Provision of multi-disciplines specialist medical services	**100**	100	100
SMG International Partners Pte. Ltd.[(a)]	Singapore	Provision of business consultancy services	**100**	100	100
The Obstetrics & Gynaecology Centre Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services	**100**	100	100
The Medical Suite Pte. Ltd.[(a)]	Singapore	Provision of family medicine and health screening services	**100**	100	100
Centre for Eye Surgery Pte. Ltd.[(c)]	Singapore	Dormant company	**–**	–	100
PT Singapore Medical Group[(b)]	Indonesia	Dormant company	**–**	65	65
SMG Orthopaedic Group Pte. Ltd.[(a)]	Singapore	Provision of general orthopaedic services	**100**	100	100
Centre for Wellness & Healthy Aging Pte. Ltd.[(a)]	Singapore	Provision of aesthetic services	**100**	100	100
SMG Dental Pte. Ltd.[(a)]	Singapore	Dormant company	**80**	80	80
Wellness & Gynaecology Centre Pte. Ltd. (formerly known as SMG Ear, Nose & Throat Centre Pte. Ltd.)[(a)]	Singapore	Provision of obstetrics and gynaecology services	**100**	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of company	Principal place of business	Principal activities	Proportion (%) of ownership interest 31.12.2018	31.12.2017	1.1.2017
SMG Dermatology Centre Pte. Ltd.[(a)]	Singapore	Dormant company	**100**	100	100
TOGC @Gleneagles Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services	**100**	100	100
Novena Radiology Pte. Ltd.[(a)]	Singapore	Provision of radiology/diagnostic imaging services	**100***	100*	100*
Lifescan Imaging Pte. Ltd.[(a)]	Singapore	Provision of radiology/diagnostic imaging services	**100**	100	100
SMG Astra Women's Specialists Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services and investment holding	**100**	100	100
SMG Astra O&G Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services	**100**	100	–
SMG Kids Clinic Pte. Ltd.[(a)]	Singapore	Provision of paediatrics services and investment holding	**100**	100	–
SMG Aesthetics & Plastic Surgery Pte. Ltd.[(a)]	Singapore	Provision of aesthetic services and investment holding	**85**	100	–
SMG Heart Centre Pte. Ltd.[(a)]	Singapore	Provision of cardiology services	**60**	100	–
SMG Astra Women's Health Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services	**100**	100	–
HiDoc Pte. Ltd.[(a)]	Singapore	Development of software/e-commerce applications for medical related services	**80**	–	–
Held through SMG Astra Women's Specialists Pte. Ltd.					
Alpha Healthcare International Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services	**100**	100	–

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of company	Principal place of business	Principal activities	Proportion (%) of ownership interest 31.12.2018	31.12.2017	1.1.2017
Astra Centre for Women & Fertility Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services	**100**	100	–
Astra Women's Specialists (JL) Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services	**100**	100	–
Astra Women's Specialists (WB) Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services	**100**	100	–
Fong's Clinic (TB) Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services	**100**	100	–
TCK @Novena Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services	**100**	100	–
The Women's Specialists Centre (HC) Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services	**100**	100	–
Held through SMG Kids Clinic Pte. Ltd.					
Children's Clinic Central Pte. Ltd.[(a)]	Singapore	Provision of paediatrics services	**100**	100	–
Kids Clinic @ Bishan Pte. Ltd.[(a)]	Singapore	Provision of paediatrics services	**100**	100	–
Babies and Children Specialist Clinic Pte. Ltd.[(a)]	Singapore	Provision of paediatrics services	**100**	100	–
Held through SMG Aesthetics & Plastic Surgery Pte. Ltd.					
Pheniks Pte. Ltd.[(a)]	Singapore	Provision of aesthetics services	**100**	–	–
SW1 (Vietnam) Pte. Ltd.[(a)]	Singapore	Investment holding	**57****	–	–
Held through Pheniks Pte. Ltd.					
SW1 Plastic Surgery Pte. Ltd.[(a)]	Singapore	Provision of aesthetics services	**68**	–	–

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Audited by Ernst & Young LLP, Singapore
(b) The subsidiary is officially liquidated during the financial year.
(c) The subsidiary was officially liquidated in 2017.
* 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.
** The Group holds 57% ownership interest in SW1 (Vietnam) Pte. Ltd. through the 60% interest held by SMG Aesthetics & Plastic Surgery Pte. Ltd., an 85% owned subsidiary of the Company, and the 40% interest held by CityClinic Asia Investments Pte. Ltd., an associated company which the Company has an indirect interest of 16%.

Amounts due from subsidiaries are unsecured, non-interest bearing and repayable at the discretion of the subsidiaries, only when the cash flows of the subsidiaries permit. These amounts relate to contributions from the Company, which form a part of the Company's net investments in subsidiaries and are accounted for at cost less accumulated impairment losses.

During the financial year, in view of the continued losses incurred by certain subsidiaries, impairment loss of $3,466,000 (2017: $Nil), representing the full outstanding amounts due from these subsidiaries, were recognised for the Company.

For subsidiaries with indicators of impairment, 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 rate applied to the cash flow projections was 10.5% (2017: 9.5%). Management had applied 1.0% (2017: 1.0%) growth rate to extrapolate cash flow projections beyond the 5-year period for 2018.

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

The Group has the following subsidiaries which have NCI that are material to the Group.

Name of Subsidiary	Principal activities and place of business	Proportion of ownership interest held by non-controlling interest	Profit/(loss) 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 2018:					
Cancer Centre Pte. Ltd. ("CCPL")	Provision of oncology services (Singapore)	**10%**	**389**	**904**	**250**
SMG Heart Centre Pte. Ltd. ("SHCPL")[(a)]	Provision of cardiology services (Singapore)	**40%**	**(313)**	**(313)**	**–**
31 December 2017:					
Cancer Centre Pte. Ltd.	Provision of oncology services (Singapore)	10%	456	764	226
1 January 2017:					
Cancer Centre Pte. Ltd.	Provision of oncology services (Singapore)	20%	584	1,130	460

(a) The subsidiary was dormant in prior year and there was no material NCI interest to the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

	CCPL			SHCPL
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Assets	**4,858**	10,448	7,701	**207**
Liabilities	**2,646**	2,784	2,058	**245**
Net current assets/(liabilities)	**2,212**	7,664	5,643	**(38)**
Non-current				
Assets	**6,858**	12	36	**121**
Liabilities	**31**	31	31	**865**
Net non-current assets/(liabilities)	**6,827**	(19)	5	**(744)**
Net assets/(liabilities)	**9,039**	7,645	5,648	**(782)**

Summarised statement of comprehensive income

	CCPL		SHCPL
	2018	**2017**	**2018**
	$'000	**$'000**	**$'000**
Revenue	**18,462**	18,188	**853**
Profit/(loss) before income tax	**3,669**	3,154	**(782)**
Income tax credit/(expense)	**224**	(29)	**–**
Profit/(loss) for the year, representing total comprehensive income for the year	**3,893**	3,125	**(782)**

Other summarised information

	CCPL		SHCPL
	2018	**2017**	**2018**
	$'000	**$'000**	**$'000**
Net cash flows from operations	**2,614**	1,262	**(629)**
Acquisition of significant property, plant and equipment	**6**	5	**143**

16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Acquisition of subsidiaries

Acquisition during the financial year

Acquisition of Pheniks Pte. Ltd. ("Pheniks")

On 23 April 2018, the Group acquired 85% equity interest in Pheniks, a provider of aesthetics services in Singapore. Upon the acquisition, Pheniks became a subsidiary of the Group.

The Group had acquired Pheniks in order to expand its aesthetics services and provide synergies and cross-selling opportunities to the Group's women's health business.

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

Transaction costs

Transaction costs related to the acquisition of $11,000 have been recognised in the "Other expenses" line item in the Group's profit or loss for the year ended 31 December 2018.

Acquired receivables

The fair value of trade and other receivables was $360,000 and includes trade receivables with a fair value of $133,000. The gross contractual amount for trade receivables due was $133,000 and all trade receivables are expected to be collectible.

Goodwill arising from acquisition and provisional accounting of the acquisition of Pheniks

The goodwill of $6,813,000 comprises the value of strengthening the Group's market position in Singapore and the synergies expected to arise from integrating Pheniks into the Group's existing women's health business. Goodwill is allocated entirely to the diagnostic & aesthetics business segment. None of the goodwill recognised is expected to be deductible for income tax purposes.

The Group has engaged an independent valuer to determine the fair value of assets and liabilities arising from this acquisition. As at 31 December 2018, 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.

Impact of the acquisition on profit or loss

From the acquisition date, Pheniks has contributed revenue of $5,212,000 and profit of $552,000 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 $86,990,000 and $11,743,000 respectively.

NOTES TO THE **FINANCIAL STATEMENTS**

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16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Acquisition of subsidiaries (Continued)

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

	Fair value recognised on acquisition Pheniks $'000
Property, plant and equipment	89
Deferred tax assets	3
Inventories	104
Trade and other receivables	360
Cash and cash equivalents	646
	1,202
Trade and other payables	2,808
Total identifiable net liabilities at fair value	(1,606)
Non-controlling interest measured at the non-controlling interest's proportionate share of net identifiable liabilities	241
Goodwill arising from acquisition	6,813
	5,448
Consideration transferred for the acquisition of Pheniks	
Cash paid	1,284
Other payables	167
Deferred purchase consideration	1,000
Equity instruments issued (6,055,364 ordinary shares of the Company)	2,997
Total consideration transferred	5,448
Effect of the acquisition of Pheniks on cash flows	
Total consideration for 85% equity interest acquired	5,448
Less: Non-cash consideration	(2,997)
Less: Deferred purchase consideration	(1,000)
Less: Other payables	(167)
Consideration settled in cash	1,284
Less: Cash and cash equivalents of subsidiary acquired	(646)
Net cash outflow	(638)

Equity instruments issued as consideration transferred

In connection with the acquisition of the 85% equity interest in Pheniks, the Company issued 6,055,364 ordinary shares with a fair value of $0.495 each (Note 30). 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 $8,000 had been recognised directly in equity as a deduction from share capital.

16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Acquisition of subsidiaries (Continued)

Acquisitions in 2017

Acquisition of Astra Women's Specialists (WB) Pte. Ltd., The Women's Specialist Centre (HC) Pte. Ltd., Fong's Clinic (TB) 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. None of the goodwill recognised is expected to be deductible for income tax purposes.

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.

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16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Acquisition of subsidiaries (Continued)

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.

Goodwill arising from acquisition

The purchase price allocation of the Kids Clinics in the financial year ended 31 December 2017 were provisional as the Group sought independent valuation for the assets and liabilities of the Kids Clinics. The results of this valuation had not been received at the date the 2017 financial statements were authorised for issue. On completion of the valuation in May 2018, goodwill arising from the acquisition increased by $40,000 from the provisional value of $27,620,000 to $27,660,000. None of the goodwill recognised is expected to be deductible for income tax purposes.

Adjustment to goodwill principally arose due to revision to the fair value of cash and cash equivalents which decreased by $40,000.

Comparative information has not been restated to reflect this adjustment because it is not material to the Group's financial performance or position.

Goodwill 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.

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.

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16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Acquisition of subsidiaries (Continued)

Goodwill arising from acquisition

The purchase price allocation of BCSC in the financial year ended 31 December 2017 were provisional as the Group was in the process of determining the valuation for the assets and liabilities of BCSC. The results of this valuation had not been received at the date the 2017 financial statements were authorised for issue. On the completion of the valuation in October 2018, goodwill arising from the acquisition increased by $49,000 from the provisional value of $7,607,000 to $7,656,000. None of the goodwill recognised is expected to be deductible for income tax purposes.

Adjustments to goodwill principally arose due to revisions to the fair value of acquired trade receivables and cash and cash equivalents, which decreased by $1,000 and $14,000 respectively, and other payables, which increased by $34,000.

Comparative information has not been restated to reflect these adjustments because they are not material to the Group's financial performance or position.

Goodwill 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 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)

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16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Acquisition of subsidiaries (Continued)

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.

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 30). 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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Acquisition of subsidiaries (Continued)

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.

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 recognised 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Acquisition of subsidiaries (Continued)

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
<u>Consideration transferred for the acquisitions</u>			
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
<u>Effect of acquisitions on cash flows</u>			
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

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16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Acquisition of subsidiaries (Continued)

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. 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.

Acquisition of ownership interest in subsidiary, without loss of control

On 14 July 2017, the Company acquired an additional 10% 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 30), increasing its ownership from 80% to 90%. 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 became 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)

17. INVESTMENT IN JOINT VENTURES

	Group			Company		
	31.12.2018 $'000	**31.12.2017 $'000**	**1.1.2017 $'000**	**31.12.2018 $'000**	**31.12.2017 $'000**	**1.1.2017 $'000**
Equity shares, at cost	**2,932**	2,932	1,639	**2,932**	2,932	1,639
Loans to joint ventures	**301**	217	1,407	**301**	217	1,407
Share of post-acquisition reserves	**(1,561)**	(1,420)	(1,073)	**–**	–	–
Impairment loss	**(30)**	(197)	(384)	**(692)**	(1,309)	(1,422)
	1,642	1,532	1,589	**2,541**	1,840	1,624

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17. INVESTMENT IN JOINT VENTURES (CONTINUED)

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		
		31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000	31.12.2018 %	31.12.2017 %	1.1.2017 %
PT Ciputra SMG (Indonesia)	Provision of LASIK and general ophthalmological services	**949**	949	896	**40**	40	40
SMG Leaders Pte. Ltd.[(a)] (Singapore)	Dormant company	**693**	693	693	**51**	51	51
SMG Cardioscan Pte. Ltd. (Singapore)	Provision of cardiac monitoring and reporting services	**50**	50	50	**50**	50	50
SMG International (Vietnam) Pte. Ltd. (Singapore)	Investment holding	**1,240**	1,240	–	**50**	50	50

Name of company (Country of incorporation and place of business)	Principal activities	Percentage of equity held by the Group		
		31.12.2018 %	31.12.2017 %	1.1.2017 %
Held by SMG Leaders Pte. Ltd.				
Dr. Leaders Pte. Ltd.[(b)] (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**	16	–

(a) The joint venture is under members' voluntary liquidation and is officially liquidated on 13 February 2019
(b) The joint venture was officially liquidated on 13 November 2018

Loans to joint ventures are unsecured and non-interest bearing, where the settlement of these loans are neither planned nor likely to occur in the foreseeable future. These amounts relate to contributions from the Company, which form a part of the Company's net investments in joint ventures and are accounted for at cost less accumulated impairment losses. As at 1 January 2017, included in loans to joint ventures was an amount of $1,240,000 which was an advance made to a joint venture for the subscription of the joint venture's shares.

NOTES TO THE **FINANCIAL STATEMENTS**

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17. INVESTMENT IN JOINT VENTURES (CONTINUED)

In 2017:

(a) The Company subscribed to 849,915 new ordinary 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. The Company holds a 50% interest in the share capital of SMGIV.

(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 ordinary shares for a cash consideration of $2,345,000 (equivalent to USD1,620,000). SMGIV holds a 32% 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.

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 $167,000 (2017: $187,000) and $617,000 (2017: $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.

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 rate applied to the cash flow projections was 12.0% (31 December 2017 and 1 January 2017: 10.5%). Management had applied 1.0% (31 December 2017 and 1 January 2017: 1.0%) growth rate to extrapolate cash flow projections beyond the 5-year period for 2018.

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17. INVESTMENT IN JOINT VENTURES (CONTINUED)

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

	31.12.2018		31.12.2017		1.1.2017	
	SMGIV $'000	Others $'000	SMGIV $'000	Others $'000	SMGIV $'000	Others $'000
Summarised statement of comprehensive income						
Revenue	**–**	**3,145**	–	1,422	–	502
Operating expenses	**(36)**	**(2,309)**	(41)	(1,116)	(4)	(1,443)
Depreciation and amortisation	**–**	**(359)**	–	(411)	–	(370)
Interest expense	**–**	**–**	–	–	–	–
Share of results of associate	**(488)**	**–**	(386)	–	–	–
(Loss)/profit before tax	**(524)**	**477**	(427)	(105)	(4)	(1,311)
Income tax expense	**–**	**–**	–	–	–	–
(Loss)/profit after tax, representing total comprehensive income for the year	**(524)**	**477**	(427)	(105)	(4)	(1,311)
Summarised balance sheet						
Current assets[(i)]	**131**	**1,001**	81	755	1,225	851
Non-current assets	**1,257**	**1,665**	1,837	1,389	1,254	2,180
Total assets	**1,388**	**2,666**	1,918	2,144	2,479	3,031
Current liabilities (excluding trade, other payables and provisions)	**(9)**	**(105)**	–	(144)	–	(101)
Other current liabilities	**(1)**	**(285)**	(58)	(267)	(3)	(1,122)
Total current liabilities	**(10)**	**(390)**	(58)	(411)	(3)	(1,223)
Non-current liabilities	**–**	**(32)**	–	(256)	–	(18)
Total liabilities	**(10)**	**(422)**	(58)	(667)	(3)	(1,241)
Net assets	**1,378**	**2,244**	1,860	1,477	2,476	1,790
Proportion of the Group's ownership	**50%**	**41.4%**	50.0%	54.1%	50.0%	41.1%
Group's share of net assets	**689**	**929**	930	799	1,238	735
Impairment loss	**–**	**(30)**	–	(197)	–	(384)
Other adjustments	**30**	**24**	–	–	–	–
Carrying amount of the investment	**719**	**923**	930	602	1,238	351
[(i)] Includes:						
Cash and cash equivalents	**52**	**861**	80	315	1,129	198
Trade receivables	**–**	**51**	–	27	–	33

Other joint ventures are individually not significant to the Group.

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18. INVESTMENT IN ASSOCIATE

	Group 2018 $'000	Company 2018 $'000
Equity shares, at cost	5,819	5,819
Amounts due from associate	226	226
Share of post-acquisition reserves	(331)	–
	5,714	6,045

Amounts due from associate are unsecured non-interest bearing and repayable at the discretion of the associate, only when the cash flows of the associate permit. The amount relates to contribution from the Company, which forms a part of the Company's net investment in associate and is accounted for at cost less accumulated impairment losses.

The associated company of the Group as at 31 December is as follows:

Name of company (Country of incorporation and place of business)	Principal activities	Cost 2018 $'000	Percentage of equity held by the Group 2018 %
CHA SMG (Australia) Pte. Ltd. and its subsidiaries (Singapore)	Investment holding and provision of fertility treatments	5,819	20

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

	CSA 2018 $'000
Summarised statement of comprehensive income	
Revenue	21,838
Operating expenses	(20,766)
Profit before tax	1,072
Summarised balance sheet	
Current assets	8,164
Non-current assets	44,258
Total assets	52,422
Current liabilities	(3,222)
Non-current liabilities	(5,626)
Total liabilities	(8,848)
Net assets	43,574
Less: Non-controlling interests	(14,892)
	28,682
Proportion of the Group's ownership	20%
Group's share of net assets	5,736
Other adjustments	(22)
Carrying amount of the investment	5,714

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19. INVENTORIES

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

Inventories amounting to $11,161,000 (2017: $11,875,000) were recognised as an expense in cost of sales.

20. TRADE RECEIVABLES

		Group	
	31.12.2018	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**
Trade receivables	**6,031**	4,749	3,460

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to $4,749,000 as at 31 December 2017 and $3,460,000 as at 1 January 2017 that are past due but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet dates is as follows:

	Group	
	31.12.2017	**1.1.2017**
	$'000	**$'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	
	31.12.2017	**1.1.2017**
	$'000	**$'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 are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20. TRADE RECEIVABLES (CONTINUED)

Receivables that are impaired (Continued)

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Group 31.12.2018 $'000
Movement in allowance accounts:	
At 1 January	**74**
Charge for the year	**62**
Balance at 31 December	**136**

21. OTHER RECEIVABLES

	Group 31.12.2018 $'000	Group 31.12.2017 $'000	Group 1.1.2017 $'000	Company 31.12.2018 $'000	Company 31.12.2017 $'000	Company 1.1.2017 $'000
Non-current:						
Refundable deposits	**1,354**	1,181	887	**669**	768	664
Convertible loans to a related party	**619**	314	–	**619**	314	–
Loans to a related party	**927**	–	–	**–**	–	–
	2,900	1,495	887	**1,288**	1,082	664
Current:						
Refundable deposits	**349**	600	709	**87**	56	63
Goods and services tax receivables, net	**–**	–	–	**–**	153	–
Amounts due from joint ventures	**44**	161	755	**–**	51	116
Other receivables	**644**	1,454	320	**6**	928	17
	1,037	2,215	1,784	**93**	1,188	196
Less: Allowance for impairment	**–**	(93)	(408)	**–**	(51)	(116)
Current, net of allowance	**1,037**	2,122	1,376	**93**	1,137	80
Total other receivables	**3,937**	3,617	2,263	**1,381**	2,219	744
Movement in allowance account:						
At 1 January	**93**	408	–	**51**	116	–
Charge for the year	**–**	–	408	**–**	–	116
Allowance reversed	**–**	(45)	–	**–**	(65)	–
Written off	**(93)**	(270)	–	**(51)**	–	–
At 31 December	**–**	93	408	**–**	51	116

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. OTHER RECEIVABLES (CONTINUED)

The convertible loans to a related party mature 5 years from the date of drawdown and interest is charged at 7.00% per annum. The convertible loans may be converted into shares of the related party at the lender's option at the rate of 1 share per USD3.88 of the loan.

Loans to a related party are unsecured, non-interest bearing and repayable on demand. These loans are not expected to be repaid within the next 12 months and have been classified as non-current accordingly.

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

During 2017, with the improved performance of a joint venture, impairment losses of $45,000 and $65,000 previously recognised on the amounts due from the joint venture for the Group and Company had been reversed respectively. 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.

As at 1 January 2017, included in deposits of the Group was an amount of $500,000 which a subsidiary of the Group had placed with a financial institution as security for a finance lease liability (Note 27).

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

	Group			Company		
	31.12.2018 $'000	**31.12.2017 $'000**	**1.1.2017 $'000**	**31.12.2018 $'000**	**31.12.2017 $'000**	**1.1.2017 $'000**
USD	**1,546**	314	–	**619**	314	–

22. DUE FROM/(TO) RELATED COMPANIES

	Company		
	31.12.2018 $'000	**31.12.2017 $'000**	**1.1.2017 $'000**
Due from related companies:			
Due from subsidiaries	**8,525**	85,208	13,877
Less: Allowance for impairment	**–**	(5,807)	(4,732)
	8,525	79,401	9,145
Due to related companies:			
Due to subsidiaries:			
– current	**–**	(8,156)	(3,272)
– non-current	**(16,274)**	–	–
	(16,274)	(8,156)	(3,272)

Amounts due from subsidiaries are unsecured, non-interest bearing, repayable on demand and are to be settled in cash. At the end of the reporting period, the amounts due to subsidiaries have been reclassified from current to non-current since amounts are not due within a year.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

22. DUE FROM/(TO) RELATED COMPANIES (CONTINUED)

	Company		
	31.12.2018	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**
Movement in allowance account:			
At 1 January	**5,807**	4,732	4,530
Charge for the year	**–**	1,075	1,957
Written off	**(427)**	–	(1,755)
Transfer to investment in subsidiaries	**(5,380)**	–	–
At 31 December	**–**	5,807	4,732

As at 31 December 2017 and 1 January 2017, the Company had provided allowances for impairment of balances due from subsidiaries of $1,075,000 and $1,957,000 respectively, in view of continued losses incurred by these subsidiaries. The nominal amounts for balances due from subsidiaries were $2,441,000 and $6,960,000 as at 31 December 2017 and 1 January 2017 respectively.

23. CASH AND BANK BALANCES

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and bank balances as stated in the balance sheet	**20,012**	21,326	7,824	**6,071**	8,772	1,329
Deposit pledged for a bank facility	**–**	(25)	(25)	**–**	–	–
Cash and cash equivalents as stated in the consolidated statement of cash flow	**20,012**	21,301	7,799	**6,071**	8,772	1,329

Other than $9,721,000 (31 December 2017: $14,080,000, 1 January 2017: $6,773,000), cash at bank earns interest at floating rates based on daily bank deposit rates.

Deposit pledged represents a bank balance of a subsidiary, pledged to secure a merchant banking facility, which earned interest at 0.35% (31 December 2017: 0.35%, 1 January 2017: 0.35%) per annum.

24. TRADE PAYABLES

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

25. OTHER PAYABLES AND ACCRUALS

	Group			Company		
	31.12.2018 $'000	**31.12.2017 $'000**	**1.1.2017 $'000**	**31.12.2018 $'000**	**31.12.2017 $'000**	**1.1.2017 $'000**
Current:						
Goods and services tax payables, net	**1,008**	297	390	**81**	–	36
Medisave payable to patients	**113**	91	249	**–**	–	–
Accrued operating expenses	**7,939**	5,034	2,477	**648**	481	236
Amounts due to joint ventures	**5**	35	322	**–**	–	–
Loan due to a joint venture	**109**	–	–	**–**	–	–
Sundry creditors	**1,136**	3,130	474	**264**	622	156
	10,310	8,587	3,912	**993**	1,103	428
Non-current:						
Other accruals	**408**	309	270	**85**	15	15
Sundry creditors	**95**	1,428	–	**–**	–	–
	503	1,737	270	**85**	15	15
Total other payables and accruals	**10,813**	10,324	4,182	**1,078**	1,118	443

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

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

26. DEFERRED PURCHASE CONSIDERATION

	Group		Company	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Deferred purchase consideration:				
– current	**15,538**	17,379	**1,000**	–
– non-current	**1,335**	15,668	**–**	–
	16,873	33,047	**1,000**	–

Deferred purchase consideration relates to outstanding cash consideration arising from the acquisition of the Astra Companies, the Kids Clinics, BCSC and Pheniks. During the financial year, $17,432,000 (2017: $Nil) of the deferred purchase consideration was paid.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

27. 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:

	31.12.2018		31.12.2017		1.1.2017	
	Minimum lease payments $'000	Present value of payments $'000	Minimum lease payments $'000	Present value of payments $'000	Minimum lease payments $'000	Present value of payments $'000
Group						
Not later than 1 year	**1,478**	**1,446**	903	883	954	880
Later than 1 year but not later than 5 years	**1,773**	**1,724**	942	897	1,623	1,502
Total minimum lease payments	**3,251**	**3,170**	1,845	1,780	2,577	2,382
Less: Amounts representing finance charges	**(81)**	**–**	(65)	–	(195)	–
Present value of minimum lease payments	**3,170**	**3,170**	1,780	1,780	2,382	2,382

	2018	
	Minimum lease payments $'000	Present value of payments $'000
Company		
Not later than 1 year	**297**	**281**
Later than 1 year but not later than 5 years	**371**	**364**
Total minimum lease payments	**668**	**645**
Less: Amounts representing finance charges	**(23)**	**–**
Present value of minimum lease payments	**645**	**645**

There are no restrictions placed upon the Group and the Company by entering into the leases. The range of discount rate implicit in the leases is 1.65% to 4.27% (2017: 1.48% to 2.50%) per annum for the financial year ended 31 December 2018. The outstanding amount of finance lease obligations is secured by way of a charge over the lease assets (Note 14) and corporate guarantee by the Company and a deposit of $Nil (31 December 2017: $Nil, 1 January 2017: $500,000) (Note 21).

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. LOANS AND BORROWINGS

Term loans	Effective interest rate	Maturity	Group 31.12.2018 $'000	Group 31.12.2017 $'000	Group 1.1.2017 $'000	Company 31.12.2018 $'000	Company 31.12.2017 $'000	Company 1.1.2017 $'000
Current								
Term loans:	4.13% to 4.27%	2019 – 2022						
– secured			**4,557**	1,968	–	**–**	–	–
– unsecured			**216**	359	608	**216**	359	608
			4,773	2,327	608	**216**	359	608
Non-current								
Term loans:	4.13% to 4.27%	2019 – 2022						
– secured			**9,980**	7,161	–	**–**	–	–
– unsecured			**–**	214	573	**–**	214	573
			9,980	7,375	573	**–**	214	573
Total loans and borrowings			**14,753**	9,702	1,181	**216**	573	1,181

Loans and borrowings amounting to $11,908,000 (31 December 2017: $9,129,000, 1 January 2017: $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.

The Company has provided corporate guarantees for the remaining secured loan balances drawn down by three of its subsidiaries, amounting to $2,629,000 as at 31 December 2018 (31 December 2017 and 1 January 2017: $Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. LOANS AND BORROWINGS (CONTINUED)

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

	1.1.2018	Cash flows	Non-cash changes			31.12.2018
	$'000	$'000	Acquisition $'000	Amortisation of loan costs and interest accrued $'000	Other $'000	$'000
Group						
Loans and borrowings:						
– current	**2,327**	(5,608)	–	37	8,017	**4,773**
– non-current	**7,375**	10,600	–	45	(8,040)	**9,980**
Obligations under finance leases:						
– current	**883**	(1,590)	1,510	–	643	**1,446**
– non-current	**897**	–	1,447	–	(620)	**1,724**
Total	**11,482**	3,402	2,957	82	–	**17,923**

	1.1.2017	Cash flows	Non-cash changes			31.12.2017
	$'000	$'000	Acquisition $'000	Amortisation of loan costs and interest accrued $'000	Other $'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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	Group					Company		
	Consolidated Balance Sheet			Consolidated Income Statement		Balance Sheet		
	31.12.2018	**31.12.2017**	**1.1.2017**	**2018**	**2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Deferred tax assets:								
Unutilised tax losses	**7**	82	160	**(75)**	(78)	**–**	–	67
Excess of tax written down values over net book values of property, plant and equipment	**834**	957	562	**(123)**	395	**170**	170	103
Fair value adjustment on acquisition of subsidiary	**3**	–	–	**3**	–	**–**	–	–
	844	1,039	722	**(195)**	317	**170**	170	170
Deferred tax liabilities:								
Differences in depreciation for tax purposes	**117**	3	3	**(114)**	–	**–**	–	–
Fair value adjustment on acquisition of subsidiaries	**53**	100	4	**47**	–	**–**	–	–
	170	103	7	**(67)**	–	**–**	–	–
Deferred tax expense				**(262)**	317			

Unrecognised tax losses

At the balance sheet date, the Group has tax losses of approximately $2,970,000 (31 December 2017: $3,299,000, 1 January 2017: $3,156,000) that are available for offset against future taxable profits of the companies in which the losses arose, 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.

30. SHARE CAPITAL

	Group and Company			
	2018		**2017**	
	No. of shares '000	**$'000**	**No. of shares '000**	**$'000**
Issued and fully paid ordinary shares:				
At 1 January	**459,415**	**108,738**	311,033	29,197
Issued for Rights Issue (note a)	**14,256**	**6,843**	–	–
Issued for acquisition of subsidiary (note b)	**6,055**	**2,997**	108,471	60,261
Issued for Placement (note c)	**–**	**–**	30,000	15,000
Share issuance expenses	**–**	**(312)**	–	(401)
Issued for acquisition of non-controlling interests (note d)	**–**	**–**	5,392	3,748
Exercise of share options (note e)	**925**	**245**	4,519	933
Reclassification from share option reserve for share options exercised by employees	**–**	**407**	–	–
At 31 December	**480,651**	**118,918**	459,415	108,738

30. SHARE CAPITAL (CONTINUED)

(a) On 18 June 2018, the Company lodged an Offer Information Statement with Singapore Exchange Securities Trading Limited (the "SGX-ST"), acting as agent on behalf of the Monetary Authority of Singapore, for the renounceable non-underwritten rights issue of up to 23,341,800 new ordinary shares in the issued share capital of the Company, at an issue price of $0.48 for each rights share, on the basis of one rights share for every twenty existing ordinary shares in the issued share capital of the Company held by entitled shareholders (the "Rights Issue"). Following the completion of the Rights Issue on 10 July 2018, the Company received a net proceed of $6,539,000. The number of issued shares of the Company increased from 466,171,036 shares to 480,426,635 shares.

(b) On 23 April 2018, the Company issued a total of 6,055,364 ordinary shares to 2 individuals, pursuant to the sale and purchase agreement between the Company and the 2 individuals, as part of the consideration for the acquisition of the 85% equity interest in Pheniks. Upon the completion of the acquisition, Pheniks became an 85% owned subsidiary of the Company (Note 16).

In prior year, 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).

(c) On 16 February 2017, the Company had 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.

(d) On 14 July 2017, the Company 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% equity interest in CCPL. Upon completion of the acquisition, CCPL became a 90% owned subsidiary of the Company (Note 16).

(e) During the financial year, the Company issued 925,000 (2017: 4,519,000) ordinary shares following the exercise of share options under the SMG Share Option Scheme.

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 restriction and have no par value.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. 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.

32. FOREIGN CURRENCY TRANSLATION RESERVE

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

33. SHARE-BASED PAYMENT ARRANGEMENT

At 31 December 2018, 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 consecutive 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:

	2018		**2017**	
	No.	**WAEP ($)**	**No.**	**WAEP ($)**
Outstanding at 1 January	**6,480,000**	**0.266**	10,404,000	0.258
– Granted	**5,320,000**	**0.493**	765,000	0.544
– Exercised	**(925,000)**	**0.265**	(4,519,000)	0.206
– Forfeited	**–**	**–**	(170,000)	0.431
Outstanding at 31 December	**10,875,000**	**0.411**	6,480,000	0.266
Exercisable at 31 December	**2,865,000**	**0.323**	1,140,000	0.297

– The weighted average fair value of options granted during the financial year was $0.411 (2017: $0.266).

– The weighted average share price at the date of exercise of the options exercised during the financial year was $0.518 (2017: $0.570).

– The range of exercise prices for options outstanding at the end of the year was $0.303 to $0.544 (2017: $0.145 to $0.544). The weighted average remaining contractual life for these options is 3.56 (2017: 3.32) years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33. SHARE-BASED PAYMENT ARRANGEMENT (CONTINUED)

SMG Share Option Scheme (Continued)

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 2018, 31 December 2017 and 1 January 2017:

	31.12.2018	**31.12.2017**	**1.1.2017**
Dividend yield	–	–	–
Expected volatility (weighted-average)	**28.0%**	37.4%	27.6%
Risk free interest rate (weighted-average)	**2.08%**	1.53%	1.04%
Expected life of options (weighted-average)	**3.7 years**	3.5 years	3.5 years
Weighted average share price	**$0.500**	$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.

SMG Performance Share Plan

Under the SMG Performance Share Plan ("PSP"), share awards are granted to selected employees of the Group (including Executive Directors who are Controlling Shareholders and their associates). The share awards will vest in two equal tranches on the second and third anniversary from the date of grant when the Performance Targets are achieved, subjected to approval by the Remuneration Committee. There is no vesting period beyond the performance periods.

During the financial year, 336,000 performance shares were granted to a director of the Company and the market price of the Company's shares on the date of grant was $0.500. There has been no cancellation or modification to the share awards during the financial year ended 31 December 2018.

NOTES TO THE **FINANCIAL STATEMENTS**

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34. COMMITMENTS

(a) Operating lease commitments – as lessee

The Group has entered into commercial leases relating to the rental of office and clinic premises and equipment. The leases have an average tenure of between one to five years, of which certain leases have renewal options.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2018 amounted to $5,313,000 (2017: $4,599,000).

Future minimum lease payments under the operating leases at the end of the reporting period are as follows:

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**
Not later than 1 year	**5,600**	5,453	3,601
Later than 1 year but not later than 5 years	**10,072**	13,119	9,085
More than 5 years	**–**	676	–
	15,672	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.

(b) Operating lease commitments – as lessor

The Group has entered into a commercial lease relating to the rental of its clinic premise. The lease has a remaining lease term of five years.

Future minimum rental receivable under the operating leases at the end of the reporting period are as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Not later than 1 year	**84**	82
Later than 1 year but not later than 5 years	**355**	368
More than 5 years	**–**	71
	439	521

35. SEGMENT INFORMATION

For 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) Obstetrical and gynaecological services caters to the wellness of women for every momentous stage of life; (b) Oncology services including the prevention, diagnosis and treatment of cancer, cancer screening and cancer genetic and risk assessment; (c) Paediatrics services; (d) General ophthalmological services such as implantable contact lens, cataract surgery, glaucoma and retinal disease treatment; (e) Orthopaedic services including treatments for joint and cartilage injuries, knee and hip replacements, fractures, musculoskeletal and sports injuries, trauma care and general orthopaedics; (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) Cardiology 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, VASER-assisted LipoSelection and Plastic surgery.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. SEGMENT INFORMATION (CONTINUED)

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. Inter-segment revenues are eliminated on consolidation.

	Health $'000	Diagnostic and Aesthetics $'000	Others $'000	Adjustments and eliminations $'000	Total $'000
2018					
Revenue:					
External customers	60,129	24,368	572	–	85,069
Inter-segment	100	1,400	421	(1,921)	–
Total revenue	60,229	25,768	993	(1,921)	85,069
Segment results:					
Segment gross profit	24,149	13,305	762	(421)	37,795
Depreciation of property, plant and equipment	(987)	(2,215)	(680)	–	(3,882)
Amortisation of intangible assets	–	(73)	(7)	–	(80)
Gain/(loss) on disposal of property, plant and equipment	23	1	(1)	–	23
Share-based compensation	–	–	(324)	–	(324)
Reversal of impairment loss on investment in joint ventures	–	167	–	–	167
Impairment of trade receivables	(17)	(45)	–	–	(62)
Bad debt written off	(4)	(1)	–	–	(5)
Finance income	–	–	71	–	71
Interest expenses	(585)	(142)	(70)	–	(797)
Amortisation of loan costs	(45)	–	–	–	(45)
Accretion of interest on deferred purchase consideration	(258)	–	–		(258)
Share of results of joint ventures and associate	(120)	176	–	–	56
Unallocated expenses					(18,555)
Profit before tax					14,104

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. SEGMENT INFORMATION (CONTINUED)

	Health $'000	Diagnostic and 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 of property, plant and equipment	(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 ventures	(230)	(24)	–	–	(254)
Unallocated expenses					(15,837)
Profit before tax					9,483

Geographical information

The Group mainly derives its revenue from Singapore, except for its share of results from joint ventures and an associate of $85,000 (2017: $254,000) losses and $141,000 (2017: $Nil) profit respectively.

The share of losses from joint ventures from foreign operations includes losses from Vietnam of $261,000 (2017: $237,000) and profits from Indonesia of $176,000 (2017: losses $24,000). The share of profits from an associate of $141,000 was derived from Australia (2017: $Nil).

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group's and the Company's principal financial instruments comprise obligations under finance leases, bank loans and borrowings 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 key financial 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 2018 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 2018 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 28 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 (2017: 100) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $45,000 (2017: $97,000) 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. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

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. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

Liquidity risk (Continued)

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				
31 December 2018				
Financial liabilities				
Trade payables	24	**1,648**	**–**	**1,648**
Other payables and accruals*	25	**9,302**	**503**	**9,805**
Deferred purchase consideration		**15,611**	**1,392**	**17,003**
Obligations under finance leases	27	**1,478**	**1,773**	**3,251**
Loans and borrowings and related interest expense		**5,161**	**10,175**	**15,336**
Total undiscounted financial liabilities		**33,200**	**13,843**	**47,043**
31 December 2017				
Financial liabilities				
Trade payables	24	1,912	–	1,912
Other payables and accruals*	25	8,290	1,737	10,027
Deferred purchase consideration		17,431	16,002	33,433
Obligations under finance leases	27	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
1 January 2017				
Financial liabilities				
Trade payables	24	1,841	–	1,841
Other payables and accruals*	25	3,522	270	3,792
Obligations under finance leases	27	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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	Note	One year or less $'000	One to five years $'000	Total $'000
Company				
31 December 2018				
Financial liabilities				
Trade payables	24	**2**	**–**	**2**
Other payables and accruals*	25	**912**	**85**	**997**
Deferred purchase consideration		**1,000**	**–**	**1,000**
Due to related companies	22	**–**	**16,274**	**16,274**
Obligations under finance leases	27	**297**	**371**	**668**
Loans and borrowings and related interest expense		**217**	**–**	**217**
Total undiscounted financial liabilities		**2,428**	**16,730**	**19,158**
31 December 2017				
Financial liabilities				
Trade payables	24	2	–	2
Other payables and accruals*	25	1,103	15	1,118
Due to related companies	22	8,156	–	8,156
Loans and borrowings and related interest expense		374	217	591
Total undiscounted financial liabilities		9,635	232	9,867
1 January 2017				
Financial liabilities				
Trade payables	24	2	–	2
Other payables and accruals*	25	392	15	407
Due to related companies	22	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 "Goods and services tax payables".

36. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

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 bank balances), the Group and the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. 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 considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event of a financial asset to be when the counterparty fails to make contractual payments, within 180 days when they fall due, which are derived based on the Group's historical information.

To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on other financial instruments of the same borrower
- Significant changes in the expected performance and behaviour of the borrower including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is a significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty.

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 180 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. When loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

Credit risk (Continued)

The following are credit management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Loans at amortised costs

The Group's current credit risk grading framework comprises three categories for loans, which reflect their credit risk and how loss provision is determined for each of those categories. The credit risk ratings are determined through incorporating both qualitative and quantitative information.

The Group computes expected credit loss for the above-mentioned group of financial assets using the probability of default approach. In calculating the expected credit loss rates, the Group considers implied probability of default from external rating agencies where available and historical loss rates for each category of counterparty, and adjusts for forward looking macroeconomic data such as GDP growth.

A summary of the Group's credit risk grading framework in the computation of the Group's expected credit loss model for loans at amortised cost is as follows:

Category	Definition of category	Basis for recognising ECL	Basis for calculating interest revenue
I	Counterparty has a low risk of default and does not have any past due amounts.	12-month ECL	Gross carrying amount
II	Loans for which there is an increase in credit risk; an increase in credit risk is presumed if interest and/or principal repayments are 30 days past due.	Lifetime ECL	Gross carrying amount
III	Interest and/or principal repayments are 180 days past due.	Lifetime ECL	Amortised cost of carrying amount (net of credit allowance)

There are no significant changes to the estimation techniques or assumptions made during the reporting period.

The Group assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Group measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

There is no loss allowance provision for loans at amortised cost as at 31 December 2018.

The gross carrying amount of loans at amortised cost based on 12-month ECL of the Group and the Company, without taking into account of any collaterals held or other credit enhancements, which represents the maximum exposure to loss is $3,318,000 and $9,287,000 respectively as at 31 December 2018.

The gross carrying amounts of trade receivables of the Group are disclosed in Note 20.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

Credit risk (Continued)

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance with days past due. The loss allowance provision as at 31 December 2018 is determined below whereby, the expected credit losses have also incorporated forward looking information such as forecast of economic conditions.

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix:

31 December 2018	Less than 30 days past due $'000	More than 30 days past due $'000	More than 60 days past due $'000	More than 90 days past due $'000	Total $'000
Gross carrying amount	1,848	1,398	804	2,117	6,167
Loss allowance provision	–	–	–	(136)	(136)
Net carrying amount	1,848	1,398	804	1,981	6,031

Information regarding the expected loss allowance movement of trade receivables are disclosed in Note 20.

During the financial year, the Group wrote off $5,000 of trade receivables, which are more than 180 days past due as the Group does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously written off.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

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 20 and 21.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

Foreign currency risk

The Group's and the Company's exposure to foreign currency risk arises primarily from the convertible loans to a related party that is denominated in USD, which differs from the functional currency of the Company.

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.

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 other variables held constant.

		Group	
		2018	**2017**
		$'000	**$'000**
		Profit before tax	**Profit before tax**
USD/SGD	– strengthened 5% (2017: 5%)	**+72**	+16
	– weakened 5% (2017: 5%)	**-72**	-16

37. 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.

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Assets measured at fair value

Financial assets measured at fair value	Note	Fair value measurements at the end of the reporting year using significant unobservable inputs (Level 3) 2018 $'000	2017 $'000
Group and Company			
Convertible loans to a related party	21	**619**	314

(c) Level 3 fair value measurements

(i) *Information about significant unobservable inputs used in Level 3 fair value measurements*

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value at year end $'000	Valuation technique	Unobservable inputs	Range (weighted average)
Recurring fair value measurements				
Group and Company				
2018				
Convertible loans to a related party	**619**	Discounted cash flow	Cost of capital	5.0% to 9.0% (7.0%)
2017				
Convertible loans to a related party	314	Discounted cash flow	Cost of capital	5.4% to 9.4% (7.4%)

A significant increase/(decrease) in the cost of capital will result in a significantly higher/(lower) fair value measurement.

(d) Valuation policies and procedures

The board of directors oversees the Group's financial reporting valuation process and management is responsible for setting and documenting the Group's valuation policies and procedures.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 13 fair value measurement guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Valuation policies and procedures (Continued)

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

The Group documents and reports its analysis and results of the valuations to the board of directors, who will perform a high-level review of the valuation process and results and recommend if any revisions need to be made before approval.

(e) 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 23), current trade and other receivables (Note 20 and 21), current amounts due from/(to) related companies (Note 22), current trade, other payables and accruals (Note 24 and 25), current deferred purchase consideration (Note 26), obligations under finance leases (current) (Note 27), and loans and borrowings (Note 28).

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.

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:

		31.12.2018		31.12.2017		1.1.2017	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Group							
Financial assets:							
Other receivables (non-current)	21	**2,281**	**2,001**	1,181	1,055	887	855
Financial liabilities:							
Other accruals (non-current)	25	**408**	**373**	309	276	270	259
Sundry creditors (non-current)	25	**95**	**84**	1,428	1,260	–	–
Deferred purchase consideration (non-current)	26	**1,335**	**1,228**	15,668	13,873	–	–
Obligations under finance leases (non-current)	27	**1,724**	**1,818**	897	966	1,502	1,670
Company							
Financial assets:							
Other receivables (non-current)	21	**669**	**657**	768	658	644	624
Financial liabilities							
Due to related companies (non-current)	22	**16,274**	**14,970**	–	–	–	–
Other accruals (non-current)	25	**85**	**78**	15	14	15	14
Obligations under finance leases (non-current)	27	**364**	**379**	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Determination of fair value

Other receivables (non-current) (Note 21), amounts due to related companies (non-current) (Note 22), other payables and sundry creditors (non-current) (Note 25), deferred purchase consideration (non-current) (Note 26) and obligations under finance leases (non-current) (Note 27)

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.

(f) 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		
	31.12.2018 $'000	31.12.2017 $'000	1.1.2017	31.12.2018 $'000	31.12.2017 $'000	1.1.2017
Financial assets at fair value through profit or loss						
Convertible loans to a related party	**619**	314	–	**619**	314	–
Financial assets at amortised cost						
Financial assets						
Trade receivables	**6,031**	4,749	3,460	**–**	–	–
Other receivables	**3,318**	3,303	2,263	**762**	1,752	724
Loans to joint venture	**–**	–	1,240	**–**	–	1,240
Due from related companies	**–**	–	–	**8,525**	79,401	9,145
Cash and bank balances	**20,012**	21,326	7,824	**6,071**	8,772	1,329
	29,361	29,378	14,787	**15,358**	89,925	12,438
Financial liabilities at amortised cost						
Financial liabilities						
Trade payables	**1,648**	1,912	1,841	**2**	2	2
Other payables and accruals*	**9,805**	10,027	3,792	**997**	1,118	407
Deferred purchase consideration	**16,873**	33,047	–	**1,000**	–	–
Due to related companies	**–**	–	–	**–**	8,156	3,272
Obligation under finance leases	**3,170**	1,780	2,382	**645**	–	–
Loans and borrowings	**14,753**	9,702	1,181	**216**	573	1,181
	46,249	56,468	9,196	**2,860**	9,849	4,862

* Other payables and accruals exclude "Goods and services tax payables".

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

38. CAPITAL MANAGEMENT

Capital includes debt and equity items as disclosed in the table below.

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 2018 and 2017.

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	
	2018	**2017**
	$'000	**$'000**
Obligations under finance leases (Note 27)	**3,170**	1,780
Loans and borrowings (Note 28)	**14,753**	9,702
Total borrowings	**17,923**	11,482
Equity attributable to shareholders of the Company	**130,778**	108,283
Total capital	**130,778**	108,283
Gearing ratio	**14%**	11%

39. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 7 February 2019, the Group drawn down $3,000,000 available banking facilities for payment of a portion of the deferred purchase consideration.

40. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 29 March 2019.

SHAREHOLDERS' INFORMATION

AS AT 20 MARCH 2019

Number of shares	:	480,721,635
Issued and fully paid-up capital	:	$100,136,970.02
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 20 March 2019 are as follows:–

	Direct Interest	%	Deemed Interest	%
Dr Beng Teck Liang	60,975,058	12.68	–	–
Tony Tan Choon Keat[1]	64,008,073	13.31	400,000	0.08
Silver Mines Global Limited[2]	44,449,348	9.25	–	–
Red Ancient Global Ltd[2]	377,000	0.08	44,449,348	9.25
CHA Healthcare Singapore Pte Ltd[3]	33,000,000	6.86	83,000,000	17.27
Dr Ho Choon Hou[2]	–	–	44,826,348	9.33
CHA Healthcare Co., Ltd[3]	–	–	116,000,000	24.13
CHA Biotech Co., Ltd[3]	–	–	116,000,000	24.13

Notes:

(1) Mr. Tony Tan Choon Keat is deemed interested in the 400,000 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 44,449,348 shares held by Silver Mines and HCH is deemed to have an interest in the 44,449,348 shares and 377,000 shares held by Silver Mines and Red Ancient respectively by virtue of Section 7(4A) of the Companies Act, Chapter 50 (the "Act").

(3) (a) On 20 February 2019, CHA Healthcare Singapore Pte. Ltd. ("CHAS") entered into a share purchase agreement, under which Mr. Tony Tan Choon Keat, Dr. Beng Teck Liang, Dr. Ho Choon Hou, Dr. Wong Seng Weng and Ms. Wong Sian Jing agreed to sell to CHAS 83,000,000 shares ("Vendor Share Sale"). Completion of the Vendor Share Sale has yet to take place. Pending completion of the Vendor Share Sale, CHAS is deemed to have an interest in the 83,000,000 shares subject to the Vendor Share Sale.

(b) 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 33,000,000 shares directly held by CHAS and 83,000,000 shares deemed 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 20 March 2019, approximately 53.77% 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 20 March 2019.

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

SHAREHOLDERS' INFORMATION

AS AT 20 MARCH 2019

TWENTY LARGEST SHAREHOLDERS AS AT 20 MARCH 2019

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	RAFFLES NOMINEES (PTE) LIMITED	118,412,834	24.63
2	DBS NOMINEES PTE LTD	84,839,301	17.65
3	CITIBANK NOMINEES SINGAPORE PTE LTD	54,994,150	11.44
4	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	40,215,574	8.37
5	WONG SENG WENG	17,568,853	3.65
6	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	16,526,440	3.44
7	LEE WENG SOON JAMES	16,242,062	3.38
8	HENG SIOK KHENG	12,997,784	2.70
9	CHENG HUNG HENRY	8,600,031	1.79
10	CHENG YONG LIANG	8,187,269	1.70
11	NG PAU LING SIMON	5,727,521	1.19
12	ER CHOON HUAT	4,950,000	1.03
13	CHAN WENG BUEN	3,317,062	0.69
14	HSBC (SINGAPORE) NOMINEES PTE LTD	2,330,000	0.48
15	PHILLIP SECURITIES PTE LTD	2,296,400	0.48
16	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,285,700	0.48
17	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,829,040	0.38
18	UOB KAY HIAN PTE LTD	1,701,175	0.35
19	LIM SHIOU GHAY	1,700,000	0.35
20	OCBC SECURITIES PRIVATE LTD	1,658,200	0.34
	TOTAL	**406,379,396**	**84.52**

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 20 MARCH 2019

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	11	0.51	339	0.00
100 – 1,000	117	5.42	65,510	0.01
1,001 – 10,000	883	40.90	6,006,825	1.25
10,001 – 1,000,000	1,121	51.92	58,788,890	12.23
1,000,001 AND ABOVE	27	1.25	415,860,071	86.51
TOTAL	**2,159**	**100.00**	**480,721,635**	**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 1 Orchard Road, Level 4 Tan Chin Tuan Function Room 2, Singapore 238824 on Thursday, 25 April 2019 at 4.00 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 2018 together with the Auditors' Report thereon.

   (Resolution 1)

2. To re-elect Mr Tony Tan Choon Keat, 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 Mr Ho Lon Gee, 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$130,000 for the financial year ended 31 December 2018. [31 December 2017: 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. **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

NOTICE OF **ANNUAL GENERAL MEETING**

(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.

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 6)

[See Explanatory Note (iii)]

8. **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 7)

[See Explanatory Note (iv)]

NOTICE OF **ANNUAL GENERAL MEETING**

9. **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 8)

[See Explanatory Note (v)]

10. **PROPOSED ADOPTION OF THE SHARE BUY-BACK MANDATE**

"That:

(a) for the purposes of the Companies Act, Cap. 50 of Singapore (the "Act") and Part XI of Chapter 8 of the Rules of Catalist, the Directors of the Company be authorised and empowered to purchase or otherwise acquire issued ordinary shares in the capital of the Company ("Shares") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market purchases ("Market Purchase"), transacted on the Singapore Exchange Securities Trading Limited (the "SGX-ST") through the ready market and which may be transacted through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-market purchases ("Off-Market Purchase") (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as defined in Section 76C of the Act and which will satisfy all the conditions prescribed by the Constitution and the Catalist Rules;

and otherwise in accordance with all other laws and regulations, including but not limited to the provisions of the Companies Act and the Listing Manual of the SGX-ST, as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Buy-Back Mandate");

(b) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the proposed adoption of the Share Buyback Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the passing of this resolution and expiring on the earliest of:

(i) the conclusion of the next AGM or the date by which such AGM is required by law or the Constitution to be held; or
(ii) the date on which the buy-back of the Shares are carried out to the full extent mandated; or
(iii) the date on which the authority conferred in the Share Buy-Back Mandate is varied or revoked by the Shareholders in a general meeting.

NOTICE OF **ANNUAL GENERAL MEETING**

(c) In this resolution:

"**Maximum Limit**" means the number of Shares representing not more than ten percent (10%) of the total issued share capital of the Company ascertained as at the date of the passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Act at any time during the Relevant Period (as hereafter defined), in which event the total number of Shares of the Company shall be taken to be the total number of Shares of the Company as altered (excluding any treasury shares and subsidiary holdings);

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the purchase price (including brokerage, stamp duties, commissions, applicable goods and services tax, and other related expenses) must not exceeding:

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price (as defined hereinafter),

where:

"**Relevant Period**" means the period commencing from the date on which this Resolution is passed and expiring on the earliest of the date on which the next AGM is held or is required by law to be held, or the date the said mandate is revoked or varied by the Company in a general meeting;

"**Average Closing Price**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"**day of the making of the offer**" means the day on which the Company announces its intention to make an Off-Market Share Buyback from shareholders of the Company, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Share Buyback; and

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution."

(Resolution 9)]

[See Explanatory Note (vi)]

On Behalf of the Board
Tony Tan Choon Keat
Non-Executive Chairman

Singapore, 10 April 2019

NOTICE OF **ANNUAL GENERAL MEETING**

Explanatory Notes:

(i) The Ordinary Resolution 2 is to re-elect Mr Tony Tan Choon Keat 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 Member of the Audit Committee, Nominating Committee and Remuneration Committee and he will continue in office as Non-Executive Director. Key information on Mr Tony Tan is found on page 8 of the Annual Report.

(ii) The Ordinary Resolution 3 is to re-elect Mr Ho Lon Gee who will be retiring pursuant to Article 94 of the Company's Article of Constitution and if re-elected, he will remain as the Lead Independent Director, Chairman of the Audit Committee and members of Nominating Committee and Remuneration 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 Ho is found on page 8 of the Annual Report.

(iii) The Ordinary Resolution 6 proposed in item 7 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.

(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 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.

(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 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.

(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 exercise all powers of the Company to purchase or otherwise acquire (whether by way of market purchases or off-market purchases) Shares on the terms of the Share Buy-Back Mandate, as set out in the Appendix to Shareholders dated 10 April 2019. Please refer to the aforementioned Appendix to Shareholders for further details.

The Company may use internal sources of funds and/or external borrowings to finance the Company's purchases and acquisitions of its Shares pursuant to the Share Buy-Back Mandate. The Directors do not propose to exercise the Share Buy-Back Mandate in a manner and to such extent that the liquidity and capital adequacy position of the Company or the Group would be materially adversely affected.

The amount of financing required for the Company to purchase its Shares pursuant to the Share Buy-Back Mandate and the impact on the Company's financial position, cannot be realistically ascertained as at the date of this Notice as this will depend on factors such as the aggregate number of Shares purchased or acquired, the purchase prices paid at the relevant times and the amount (if any) borrowed by the Company to fund the purchases, whether the purchase or acquisition is made out of profits or capital, and whether the Shares purchased are held in treasury or cancelled.

Illustrative financial effects of the Share Buy-Back are set out in the aforementioned Appendix to Shareholders.

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.

NOTICE OF ANNUAL GENERAL 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.

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 10 April 2019.

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 1 Orchard Road, Level 4 Tan Chin Tuan Function Room 2, Singapore 238824 on Thursday, 25 April 2019 at 4.00 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 2018		
2.	Re-election of Mr Tony Tan Choon Keat as a Director		
3.	Re-election of Mr Ho Lon Gee as a Director		
4.	Approval of Directors' fees for the financial year ended 31 December 2018		
5.	Re-appointment of Messrs Ernst & Young LLP as Auditors of the Company		
6.	General authority to issue and allot shares pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore		
7.	Authority to allot and issue shares pursuant to the SMG Share Option Scheme		
8.	Authority to allot and issue shares pursuant to the SMG Share Plan		
9	Adoption of the Share Buy-Back Mandate		

*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 ______________ 2019

____
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.

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OUR **CLINICS**

WOMEN'S HEALTH

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