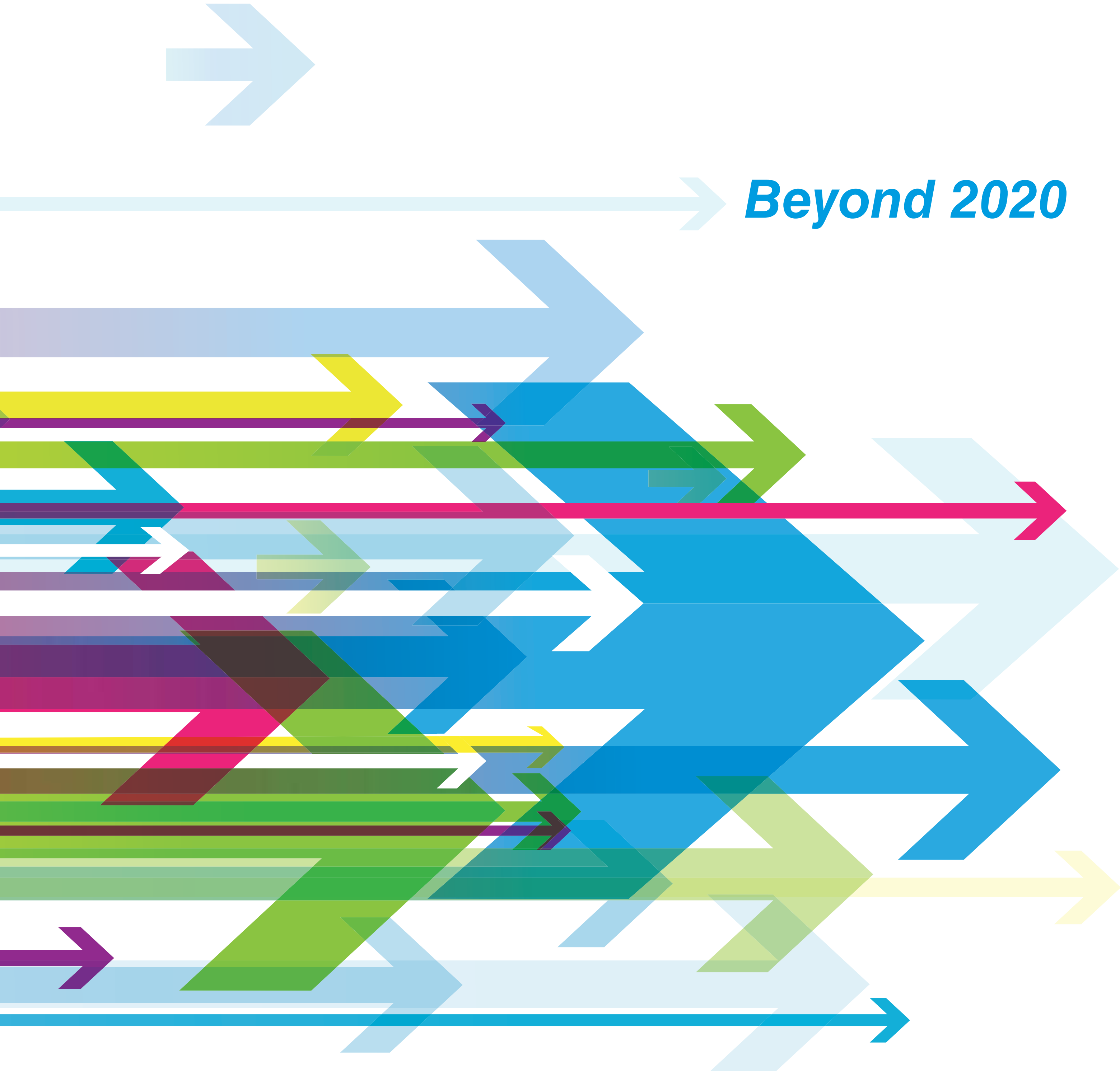
ANNUAL REPORT 2019

SMG
SINGAPORE MEDICAL GROUP

Beyond 2020



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This document has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch, (the "Sponsor") in accordance with Rule 226(2) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist. This document has not been examined or approved by the SGX-ST. The SGX-ST assume no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

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VISION, MISSION, VALUES AND STRATEGIC SERVICE INTENT

VISION

Asia's Best Healthcare Network

SMG SINGAPORE MEDICAL GROUP

CORE VALUES

Service
Passion
Innovation
Respect
Integrity
Teamwork

MISSION

Excellent clinical outcomes

Great patient experience

SMG

We
Communicate
Anticipate
Responsive
Empathy
... because you matter

The Cancer Centre

Cardiac Centre International

SMG Urology Centre with Beng Surgery

SMG Specialist Centre

Lifescan Imaging

Lifescan Medical Centre

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

The Breast Clinic

Kids Clinic

The Dental Studio

LSC Eye clinic

SW1 Clinic

KEY DEVELOPMENTS IN 2019 – MARCH 2020

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.

2 MAY 2019

Opened a new breast care clinic under The Breast Clinic at Paragon

24 MAY 2019

CHA Healthcare Singapore Pte. Ltd. ("CHS") became the major shareholder of the Company

4 JUNE 2019

Drawdown of Convertible Loan facility of S$10 million from CHS, which allows CHS the option to convert the full loan amount into 23,640,662 ordinary share of the Company on repayment date

6 AUGUST 2019

Conversion of convertible loan given to CityClinic Asia Investments Pte. Ltd. (“CCAI”) into 177,670 ordinary shares of CCAI and acquisition of additional 65,647 ordinary shares of CCAI resulting in the Group holding an effective interest of 24.4% in CCAI

27 NOVEMBER 2019

Dilution of interest to 40% in CardioScan Asia Pte. Ltd. (f.k.a SMG CardioScan Pte. Ltd.), an associated Company

2 DECEMBER 2019

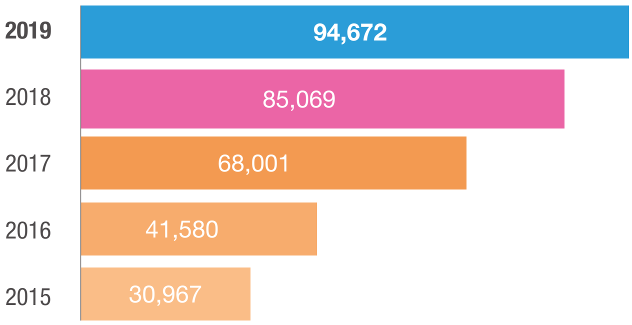
Opened a new paediatrics clinic under Kids Clinic at Novena

7 FEBRUARY 2020

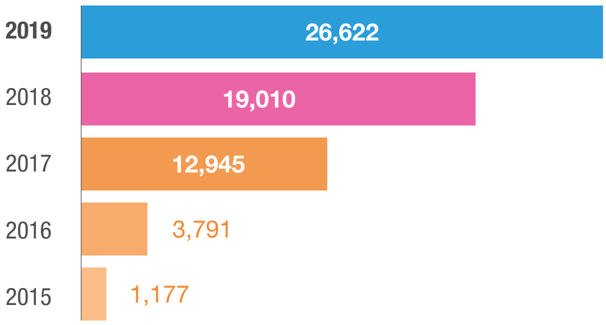
Subscription of additional 76,269 ordinary shares in CCAI resulting in the Group's effective interest increasing to 25.7%

FINANCIAL HIGHLIGHTS

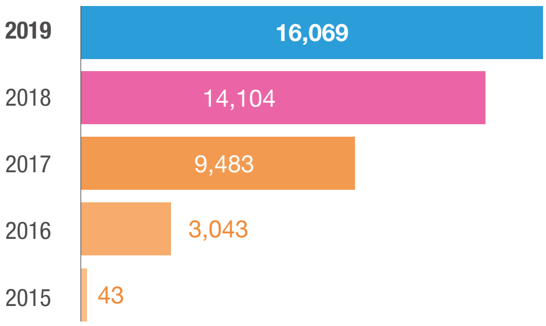
REVENUE
(S$'000)



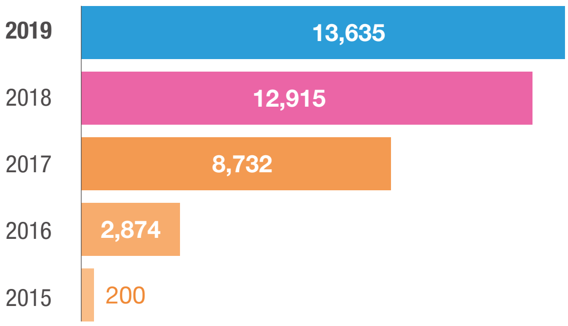
EBITDA (excluding other gains and expenses)
(S$'000)



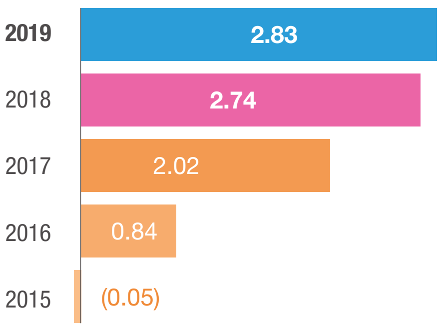
PROFIT BEFORE TAX
(S$'000)



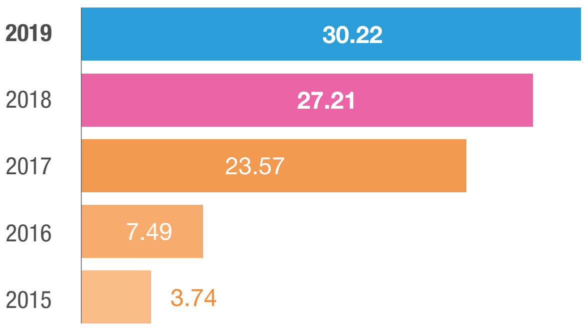
PROFIT FOR THE YEAR
(S$'000)



EARNINGS PER SHARE
(cents)

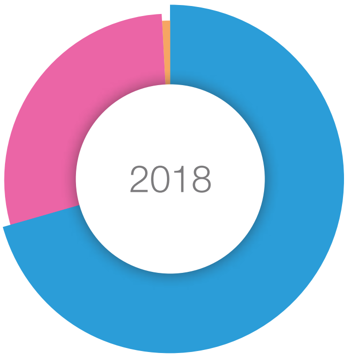


NET ASSET VALUE PER SHARE
(cents)



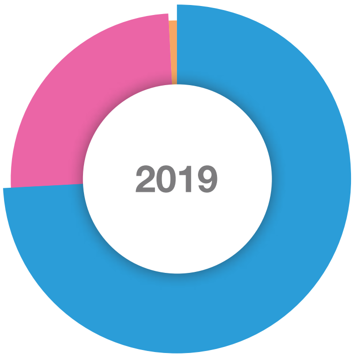
PERFORMANCE **AT A GLANCE**

SEGMENT REVENUE (S$'000)



85,069

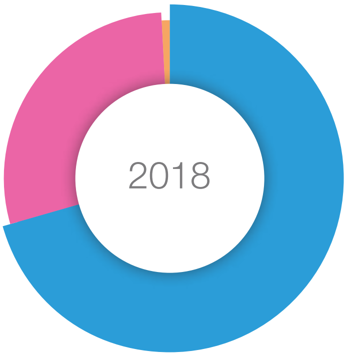
Health	60,129
Diagnostic and Aesthetics	24,368
Others	572



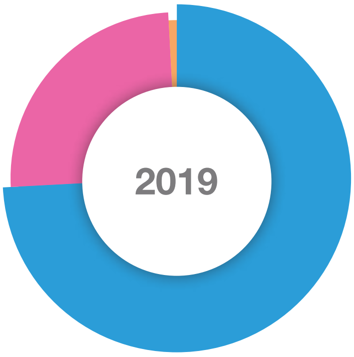
94,672

Health	62,766
Diagnostic and Aesthetics	31,803
Others	103

SEGMENT REVENUE (Composition %)



Health	70.7%
Diagnostic and Aesthetics	28.6%
Others	0.7%



Health	66.3%
Diagnostic and Aesthetics	33.6%
Others	0.1%

SEGMENT REVENUE (Y-O-Y change %)

Health

4%

Diagnostic and Aesthetics

31%

Others

(82)%

MESSAGE TO SHAREHOLDERS

DEAR SHAREHOLDERS,

In 2019, we achieved another record year of revenue and profitability as our ability to steadily execute our growth strategies in key specialist verticals such as women's and children's health, oncology, diagnostics and aesthetics. Throughout the year, we remained in growth mode by opening new clinics and hiring a slew of new specialists who will ensure our growth trajectory continues at a record setting pace.

Today, we are a pan-Asian specialist healthcare provider with a strengthening foundation in Singapore and high-growth markets in the region in countries such as Vietnam and Indonesia. Through our partnership with our major shareholder, CHA Healthcare Singapore Pte Ltd, an international subsidiary of leading Korean comprehensive healthcare group CHA Health Systems ("CHA"), we have become part of the largest fertility and women's health platform in the Asia-Pacific region with a network that spans the entire pacific rim including North Asia, Southeast Asia, the US and Australia.

Our growth aspirations remain on track backed by a clear vision of how we will take the Group forward for the next decade by exporting Singapore's best healthcare practices out into the region.

FUELING ORGANIC GROWTH IN SINGAPORE

In 2015, the number of specialist practitioners within our group amounted to 25. Fast forward to the present, SMG has amassed a total of 48 specialist doctors spanning verticals such as Obstetrics & Gynaecology ("O&G"), Paediatrics, Oncology, Breast Health, Aesthetic Medicine & Plastic Surgery, Age & Wellness Management, Cardiology, Dentistry, Radiology and Urology.

In the past, we focused on inorganic growth initiatives by adopting a "buy and grow" approach where profitable businesses were acquired with the intent to scale and aggressively grow through further organic growth initiatives. This strategy was in full effect in 2019 as we onboarded specialists in key growth verticals and opened new clinics across the island to meet the rising demand for private healthcare services.

Despite having completed three major acquisitions within the O&G and paediatrics segments during FY2017 and the addition of several renowned specialists since, the Board continues to see clear demand for women's and children's health in Singapore. Accordingly, we opened a new O&G clinic under the Astra Women's Specialists umbrella and a new Paediatrics clinic under the Kids Clinic brand in Punggol in January 2019. Co-located within the same establishment in Punggol, we are reaping synergies between both specialties at this one-stop shop for mothers. Within the women's and children's segment, we also opened The Breast Clinic in Paragon in May 2019 and added a new Breast Cancer surgeon to broaden the depth of our specialist talent pool and follow our patients' lifelong journey in health and wellness.

Highly synergistic and complementary to our women's health segment, we continued to grow SW1 Clinic, one of the largest aesthetic, plastic surgery and medical spa clinics in Singapore with its team of four medical aesthetics practitioners and two plastic surgeons. Following the success of our 7,000 square feet aesthetics centre in Paragon Medical Centre, we opened our second SW1 Clinic in downtown Singapore.

EXPANDING OUR REGIONAL FOOTPRINT IN HIGH-GROWTH MARKETS

Vietnam is one of our most exciting markets as current gaps in Vietnam's public healthcare system have created opportunities for private providers to get involved. Acknowledging its limitations in meeting the growing demand for healthcare services, Vietnam's government has allowed private providers to take on a more prominent role in the healthcare service market. Against the backdrop of its rapidly advancing economy and a large pool of expatriates, we continued to grow our two 15,000 square feet clinics in Ho Chi Minh City. At present, we have over 60 multidisciplinary 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. As we have seen steady growth across these segments, on 7 February 2020, we increased our equity stake in this joint venture and expect this joint venture to contribute positively to the Group's financial performance in the mid-term.

We are aggressively scaling our presence and footprint in Vietnam. Continuing our strategy of exporting Singapore's best healthcare practices, we officially launched SW1 Vietnam in April 2019 with the opening of a new 4,000 square feet aesthetics centre in Ho Chi Minh City.

In Indonesia, our joint venture eye clinic, Ciputra SMG Eye Clinic, was modelled after the highly successful LSC Eye Clinic which is one of the largest and most established private laser vision correction centres in Singapore. During the year, Ciputra SMG Eye Clinic continued its strong profitability growth. Amid rising demand, we intend to continue to grow our eye clinic business in Indonesia and are currently exploring the possibility of setting up of a new eye clinic in Indonesia.

In Australia, the CHA-SMG partnership continues to grow its fertility and women's health platform, strengthening its leadership position as the largest in the Asia Pacific Region. Through its majority stake in CFC Global Pty. Ltd. ("CFC") which operates the City Fertility group of clinics, the CHA-SMG consortium officially opened its new flagship clinic at Sydney's iconic Gateway building. This new 13,000 square feet IVF facility is one of Australia's most advanced IVF clinics. Today, the CHA-SMG consortium is working with CFC to open another IVF clinic in Melbourne by 3Q2020.

Beyond our existing footprints in Singapore, Vietnam, Indonesia and Australia, we continue to explore new areas for growth in Vietnam, Indonesia, Cambodia, Thailand and Malaysia.

EXPLORING M&A OPPORTUNITIES

Against the backdrop of Covid-19 and softening market conditions, opportunities for inorganic growth are starting to present itself. We will remain aggressive in seeking out earnings accretive acquisitions in both key and complementary verticals in Singapore. These initiatives are supported by robust core business operations which generated strong positive operating cash flows of S$26.1 million for FY2019 (FY2018: S$17.4 million) and a cash position of S$27.3 million as at 31 December 2019 (31 December 2018: S$20.0 million). Our debt-to-equity ratio remains healthy at 15.3% while our net cash position of S$5.1 million provides further impetus to pursue M&A opportunities.

OUR COMMITMENT TO REWARDING SHAREHOLDERS

Backed by strong cash flow generation and a strengthened balance sheet, the Board of Directors has declared a maiden dividend of 0.8 cents per share, representing a dividend payout ratio of 28.3%.

As we continue to grow, we remain committed to rewarding shareholders. As such, we are pleased to announce a formal dividend policy to declare dividends of not less than 20% of the Group's core earnings excluding the share of results of joint ventures and associates in any financial year.

APPRECIATION

On behalf of the Board of Directors, we would like to thank our shareholders for their unwavering support over the past year. Your support in us has provided us with the confidence to execute our vision of creating Asia's best healthcare network. While we set records in 2019, together, we look forward to achieving new heights in 2020.

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 was a Non-Independent Non-Executive Director of IGB Corporation Bhd until 2019. 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 was also the Chairman and major shareholder of Island Hospital Sdn Bhd in Malaysia until 2015. 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 qualified as a 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 as a leading disputes lawyer.

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 Yuen 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 Advisory Panel from June 2016 to May 2018. Apart from SMG, Ms Yuen Thio also sits on the board of ESR Funds Management (S) Limited which manages ESR-REIT, as well as ARA Trust Management (USH) Pte Ltd and ARA Business Trust Management (USH) Pte Ltd, the Manager of ARA US Hospitality Trust. She is also a board member of the Community Foundation of Singapore.

SMG MANAGEMENT TEAM

DR BENG TECK LIANG

Executive Director & 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 multinational 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.

WONG SIAN JING

Chief Financial Officer

Ms Wong Sian Jing is the Chief Financial Officer of the Group responsible for managing the entire spectrum of the Group's financial, taxation and treasury functions. Prior to joining the Group on 28 September 2011, she was the Senior Vice President – Group Operations and Finance of Asiasons WFG Financial Limited. Ms Wong has more than 15 years of professional experience with two international accounting firms where she provided assurance and advisory services to clients from a wide range of industries. She has also been actively involved in capital market transactions including initial public offerings, mergers and acquisitions and cross border offerings. She is a member of the Institute of Singapore Chartered Accountants and a Fellow Member of the Association of Chartered Certified Accountants.

DR CHRISTINA LOW

Managing Director (Singapore)

Dr Christina Low is responsible for developing and executing the Company's business strategies. She has over 19 years of clinical experience and has spent more than five years in senior leadership roles. She currently also helms the role of CEO and Co-founder of a health tech start-up company, Hidoc Pte Ltd. Prior to joining SMG's senior management team, Dr Low was a Clinical Director (Executive Health Screening) at Parkway Shenton Private Limited (a Primary Care Network Arm of Parkway Pantai Limited) where she provided medical leadership of various aspects such as utilisation management, cost containment, and medical quality improvement activities. Her other leadership role was a Medical Director of Lifescan Medical Centre, a subsidiary of Singapore Medical Group Limited. Dr Low has sat on several Medical Boards and Clinical Governance committees in both the public and private healthcare institutions.

ARIFIN NG

Managing Director, Lifescan Imaging & Lifescan Medical

Mr Arifin Ng is the Managing Director of Lifescan Imaging Centre and Lifescan Medical Centre. He is responsible for managing the diagnostics imaging and health screening business of the Group. Mr Ng has more than 20 years' experience in the healthcare industry covering operations, marketing and business development. Prior to joining the Group, he was the Director of Operations at International Cancer Specialists (2008 to 2011) and Senior Manager for Marketing at Parkway Group Healthcare (2001 to 2008). Mr Ng holds a Master of Business Administration (MBA) from the Australian National University (Australia). He recently attended Harvard Medical School's Southeast Asia Healthcare Leadership programme (2019-2020).

OPERATIONS REVIEW

FOR FY2019, the Group continued to drive organic growth across key specialist verticals through the addition of new specialists and the opening of new clinics.

DIAGNOSTICS & AESTHETICS

Diagnostics

Within the Diagnostics segment, overall business growth has been steady at its two diagnostic centres located at Paragon Medical Centre and Novena Medical Center under the Lifescan Imaging brand. The Group boasts over 9,000 square feet of medical space across both centres and is currently assessing the addition of more imaging equipment to meet rising demand. Looking ahead, the Group is also exploring the possibility of opening a third imaging centre in Singapore.

Aesthetics

Within its Aesthetics segment, the Group opened a second SW1 Clinic at OUE Downtown Gallery in January 2019 and has officially launched SW1 Vietnam in April 2019 with the opening of a new 4,000 square feet aesthetics centre in Ho Chi Minh City. Both of these new aesthetics centres leverage on the Group's flagship SW1 Clinic, one of the largest aesthetic, plastic surgery and medical spa clinics in Singapore with four medical aesthetics practitioners and two plastic surgeons spread across 7,000 square feet. SW1 Clinic offers a wide range of services and treatments spanning non-invasive dermatology to cutting edge plastic surgery.

Dental

The Dental Studio expanded its footprint outside of its central locations of Paragon and Tanjong Pagar into its very first heartland location in Bishan. At The Dental Studio in Bishan, the clinic offers extended hours in the evening to cater for busy working individuals. Located in close proximity to the Group's Paediatrics and Women's Health clinics in Bishan, the Group's intention was to promote cross-selling opportunities, leveraging on its diverse network of specialist healthcare services.

Eye

The Group's LSC Eye Clinic continued to chart steady growth through the expansion of its service offering. The Group welcomed a new ophthalmologist, Dr Errol Chan. Dr Chan's expertise include general ophthalmology, cataract surgery, uveitis, and the medical and surgical treatment of diseases affecting the retina.

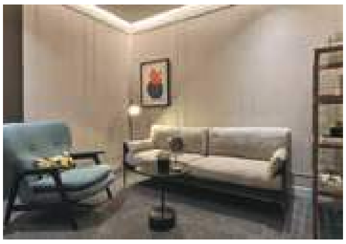
HEALTH

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

Women's Health

In the Women's Health segment, the Group continued to expand its Obstetrics & Gynaecology ("O&G") practice with the opening of two new clinics under the Astra Women's Specialists brand in Punggol and Paragon Medical Centre. Helmed by Dr James Lee, this new clinic in Punggol is conveniently located in the heartlands at Oasis Terraces next to the Oasis LRT station.

SW1 Clinic at OUE Downtown Gallery



SW1 Clinic at OUE Downtown Gallery

The Breast Clinic at Paragon Medical

LSC Eye Clinic at Paragon Medical

OPERATIONS REVIEW

Women's Health (Continued)

During the year, the Group also welcomed Dr Claudia Chi along with the opening of a new Astra Women's Specialists at Paragon Medical Centre. As part of its overarching strategy in the Women's Health segment, the Group aims to increase its footprint across the island to create top-of-mind awareness as the leading women's health and wellness care provider in Singapore.

Each of the Group's new Women's Health clinics opened since FY2018 have contributed positively to financial performance.

Paediatrics

Within the Paediatrics vertical, the Group registered strong growth through the addition of three new paediatricians for FY2019. The Group welcomed Dr Chua Xiuzhen, Dr Wendy Sinnathamby and Dr Leo Hamilton to its Kids Clinic brand. With the diverse cultural backgrounds of its paediatrics team, the Group is targeting a wider spectrum of the population to continue its growth momentum.

The Group expanded its Kids Clinic operations with the addition of two new clinics in Royal Square and Punggol. The Group's paediatrics clinic in Punggol is co-located with its O&G clinic, creating a one-stop shop for mothers as the Group promotes cross-selling from the synergies between both complementary specialist verticals.

Kids Clinic @ Punggol & Astra Women's Specialists at Oasis Terraces, Punggol

Kids Clinic @ Novena

Ciputra SMG Eye Clinic at Jakarta, Indonesia

City Fertility Centre at Melboume

Care Plus Vietnam

FINANCIAL **REVIEW**

CONSOLIDATED INCOME STATEMENT

The Group reported total revenue of $94.7 million for the financial year ended 31 December 2019 ("**FY2019**") as compared to $85.1 million for the financial year ended 31 December 2018 ("**FY2018**"). The increase in revenue of 11.3% was mainly attributed to:

(a) Revenue growth of the Health Business segment by $2.7 million, which mainly arises from the organic growth of the existing specialist clinics, offset by decrease in revenue from the closure of the Orthopaedic clinic as the Group restructures its non-core business to avoid competition with its imaging business; and

(b) Revenue growth of the Diagnostic & Aesthetics Business segment by $7.4 million, which was mainly contributed by the aesthetic clinic acquired in April 2018.

Gross profit increased by 14.4% from $37.8 million for FY2018 to $43.2 million for FY2019 mainly due to increase in revenue and the change in sales mix of the Health Business segment and Diagnostic & Aesthetics Business segment.

Distribution and selling expenses increased by 14.5% which were driven by increase in revenue and increase in marketing expenses incurred by the aesthetics business. Administrative expenses increased by 13.3% mainly due to the increase in staff headcount arising from the increase in the number of clinics and a higher maintenance costs for medical equipment following the expiry of warranty period for certain equipment. Financial expenses increased by 27.6% as a result of higher interest expenses incurred on bank loans and accretion of interest on lease liabilities arising from the adoption of the new accounting standard on leases, offset by lower accretion of interest on deferred purchase consideration.

The Group recorded an increase in share of profit of joint ventures and associates by 387.5% from $56,000 for FY2018 to $273,000 for FY2019. This is mainly due to improved financial performance from the joint venture entities, PT Ciputra SMG and SMG International (Vietnam) Pte. Ltd., offset by losses incurred by the associated company, CHA SMG (Australia) Pte. Ltd.

The Group recorded other gain of $29,000 in FY2019 compared to $167,000 in FY2018. Other gain for FY2019 relates to gain on dilution of interest in joint venture while other gain for FY2018 relates to reversal of impairment loss on investment in joint venture.

Income tax expense increased by 104.7% mainly due to higher tax payable resulting from a lower tax exemption on taxable income which is effective for the current financial year and lesser carried forward tax benefits.

Overall, the Group registered a net profit of $13.6 million for FY2019 as compared to a net profit of $12.9 million for FY2018.

CONSOLIDATED BALANCE SHEET

Assets

Total assets of the Group increased to $197.6 million as at 31 December 2019 from $181.8 million as at 31 December 2018 due to increase in intangible assets, right-of-use assets (which arise due to the adoption of the new accounting standard on leases), investment in joint ventures and associates, other investment, inventories, other receivables, and cash and bank balances, offset by decrease in property, plant and equipment (which arise mainly due to the reclassification of assets under hire purchase to right-of-use assets upon the adoption of the new accounting standard on leases), deferred tax assets, trade receivables and prepayments.

Net asset value per ordinary share was 30.2 cents as at 31 December 2019 compared to 27.2 cents as at 31 December 2018.

The deficit in net working capital had decreased from $7.3 million as at 31 December 2018 to $3.3 million as at 31 December 2019. This is mainly due to decrease in the current portion of the deferred purchase consideration which arose from the acquisition of subsidiaries in 2017 and 2018 and increase in cash and bank balances, offset by increase in the current portion of lease liabilities and convertible loan. Management, after considering the Group's projected operating cash flows and the existing debt facilities from financial institutions, believes that the Group will have sufficient funds from its operations to meet its financial obligations as and when they fall due.

Liabilities

Total liabilities increased from $51.5 million as at 31 December 2018 to $52.4 million as at 31 December 2019 mainly due to increase in trade and other payables, lease liabilities (which arise due to the adoption of the new accounting standard on leases), convertible loan, income tax payable and deferred tax liabilities, offset by decrease in contract liabilities, deferred purchase consideration, and loans and borrowings.

Shareholders' Equity

Shareholders' equity increased from $130.8 million as at 31 December 2018 to $146.0 million as at 31 December 2019 mainly due to: (i) increase in share capital of the Company arising from the issuance of shares following the exercise of share options under the SMG Share Option Scheme, (ii) recognition of the equity component of convertible loan upon issuance of the convertible loan in June 2019; and (iii) higher profits recorded in FY2019.

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
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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

The Board is pleased to present Singapore Medical Group Limited's Sustainability Report for the financial year 2019. 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, a global recognised sustainability framework. 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 2019 to 31 December 2019, with 1 January 2018 to 31 December 2018 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 regularly • Providing various channels to collect patients feedback such as dedicated email contacts and feedback hotlines	• 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 internally or 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 • Constantly explore alternative supplies that have positive impacts to both the environment and the Group
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

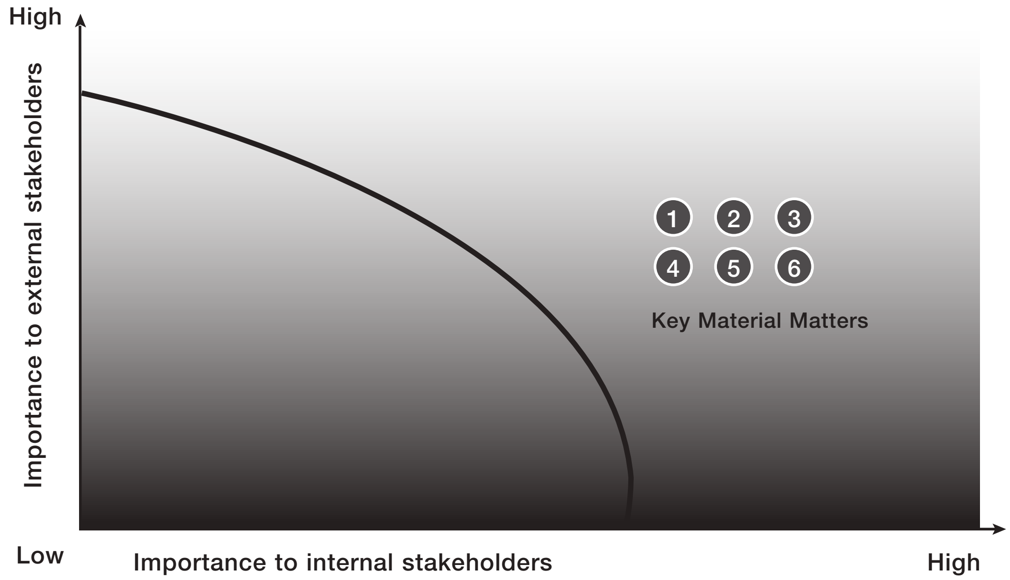
- Board validates and approves material matters presented by the management identified in step two

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 ("HSA") approved. All medications prescribed are labelled with clear and detailed instructions for suitable level of consumption. In FY2019 and FY2018, 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	FY2019 Status
Substantiated non-compliance cases regarding marketing and labelling	• No more than 3 queries from regulatory compliance and enforcement division of MOH	Achieved

SUSTAINABILITY REPORT

PATIENT PRIVACY

Similar to all the healthcare organisations that hold key patient data, SMG places great emphasis on protecting patient privacy, including preventing the loss of patients' data and breaches of patients' privacy that result from non-compliance with existing laws and regulations.

During 2019, SMG has engaged an external consulting firm to review its Personal Data Protection Act ("PDPA") policy and to strengthen its PDPA practices in the Group. 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 and to protect the patients' data.

In addition, the Group has reviewed the management of its monitoring mechanism in enhancing the robustness of the Group's IT system during the year. 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.

To further enhance the IT security posture within the workplace, endpoint protection with artificial intelligence that helps deter security threats are deployed across the organisation.

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 FY2019 and FY2018, there were no incident of breaches of patients' privacy or loss of patients' data arising from non-compliance with laws and regulations.

Key Area of Focus	Perpetual Target	FY2019 Status
Substantiated complaints regarding breach of patients' data or loss of data	• **Zero incidents of breaches or loss of patients' data arising from non-compliance with laws and regulations**	● **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. SMG has put in place containment policies with recommended response measures that are in line with the recommendations of MOH. The Group ensures sufficient personal protective equipment such as masks, hand gloves, disposable gowns and hand sanitisers are being kept at the clinics. We further ensure that our clinics and specialist centres are operating at premises that have been certified by Singapore Civil Defence Force ("SCDF") and are in compliance with the Building and Construction Authority ("BCA"), as applicable.

SUSTAINABILITY **REPORT**

In FY2019 and FY2018, 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.

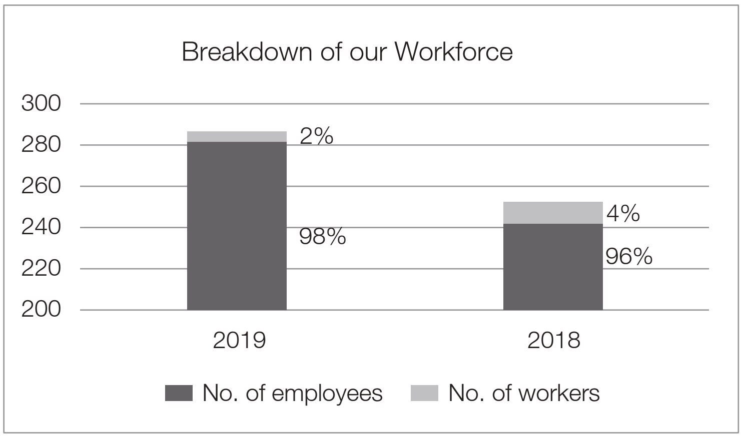
Key Area of Focus	Perpetual Target	FY2019 Status
Incidents of non-compliance cases regarding health and safety impacts of products and services	• **Zero incidents of non-compliance cases revolving around health and safety impacts from MOH, NEA and HSA**	**Achieved**

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.

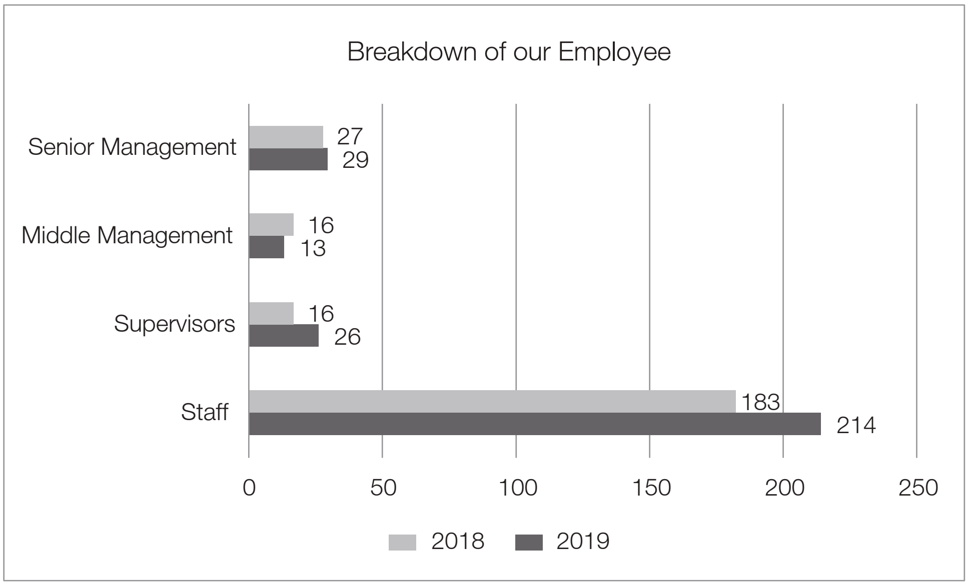
As at FY2019, SMG has 282 (FY2018: 242) employees and 5 (FY2018: 10) workers in total. The significant jump in new hires is largely due to the expansion of the Group's operations which occurred during the year.



* 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 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

SUSTAINABILITY **REPORT**

Consistent with prior years, there were zero report cases of work-related fatalities, injuries and occupational diseases in FY2019. The total absentee rate[1] for FY2019 is 0.98 percent (FY2018: 0.83 percent).

	FY2019			FY2018		
Absentee Rate			**Total**			**Total**
	0.57	**1.06**	**0.98**	**0.56**	**0.87**	**0.83**

Key Area of Focus	Perpetual Target	FY2019 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.

During 2019, SMG has embarked on various "Go Green" initiatives with the intention to reduce our carbon footprint and to promote environmental awareness. The "Go Green" initiative includes:

(i) Launched of patient portal for our imaging business to replace the use of films and CD;

(ii) Replaced plastic bags use in the clinics/business with biodegradeable cassava bags; and

(iii) Replaced paper records at the clinics with digital records.

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.

[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**

The total hazardous waste weighed in at 15,096 liter in FY2019 (FY2018: 14,270 liter). The 5.8% increase was largely attributed to the increase in the business activities whereby the bio-hazardous and medical waste generated were increased in tandem with the increase in services rendered. 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 FY2019 and approximately 90% of our clinics have adopted e-registration and electronic case notes.

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 its target of zero incidents of corruption in both FY2019 and FY2018.

Key Area of Focus	Perpetual Target	FY2019 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 15
102-2	Activities, brands, products, and services	Page 1; Page 62
102-3	Location of headquarters	Page 14
102-4	Location of operations	Back Page
102-5	Ownership and legal form	Page 142
102-6	Markets served	Page 129
102-7	Scale of the organisation	Page 20-22
102-8	Information on employees and other workers	Page 20-22
102-9	Supply chain	Page 22
102-10	Significant changes to the organisation and its supply chain	Page 2-3
102-11	Precautionary Principle or approach	Page 39-40
102-12	External initiatives	–
102-13	Membership of associations	–
Strategy		
102-14	Statement from senior decision-maker	Page 15
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behavior	Page 1
Governance		
102-18	Governance structure	Page 14; Page 27-31
102-23	Chair of the highest governance body	Page 14
102-32	Highest governance body’s role in sustainability reporting	Page 15
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102-40	List of stakeholder Groups	Page 15-16
102-41	Collective bargaining agreements	–
102-42	Identifying and selecting stakeholders	Page 15-16
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102-44	Key topics and concerns raised	Page 15-16

SUSTAINABILITY REPORT

GRI Standard Disclosure	Description	Page Reference
Reporting practice		
102-45	Entities included in the consolidated financial statements	Page 15
102-46	Defining report content and topic Boundaries	Page 17-18
102-47	List of material topics	Page 17-18
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102-50	Reporting period	Page 15
102-51	Date of most recent report	Page 15
102-52	Reporting cycle	Page 15
102-53	Contact point for questions regarding the report	Page 15
102-54	Claims of reporting in accordance with the GRI Standards	Page 15
102-55	GRI content index	Page 24-26
102-56	External assurance	Page 15
Topic-specific GRI Standard Disclosures		
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GRI 205: Anti-Corruption 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
205-3	Confirmed incidents of corruption and actions taken	Page 23
Category: Environmental		
GRI 306: Effluents and Waste 2016		
103-1	Explanation of the material topic and its Boundary	Page 22-23
103-2	The management approach and its components	Page 22-23
103-3	Evaluation of the management approach	Page 22-23
306-2	Waste by type and disposal method	Page 22-23
306-4	Transport of hazardous waste	Page 22-23
Category: Social		
GRI 403: Occupational Health and Safety 2016		
103-1	Explanation of the material topic and its Boundary	Page 21-22
103-2	The management approach and its components	Page 21-22
103-3	Evaluation of the management approach	Page 21-22
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Page 21-22

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 19-20
103-2	The management approach and its components	Page 19-20
103-3	Evaluation of the management approach	Page 19-20
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Page 19-20
GRI 417: Marketing and Labeling 2016		
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103-2	The management approach and its components	Page 18
103-3	Evaluation of the management approach	Page 18
417-1	Requirements for product and service information and labeling	Page 18
GRI 418: Customer Privacy 2016		
103-1	Explanation of the material topic and its Boundary	Page 19
103-2	The management approach and its components	Page 19
103-3	Evaluation of the management approach	Page 19
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 19

CORPORATE GOVERNANCE **REPORT**

Singapore Medical Group Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") 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 2019 ("**FY2019**") with specific reference made to the principles and provisions of the Code of Corporate Governance 2018 (the "**Code**") issued on 6 August 2018, which forms part of the continuing obligations of the Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Rules of Catalist**"). The Company has adhered to comply with the principles and provisions as set out in the Code where appropriate.

Board Matters

Principle 1: Board's Conduct of 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.

The Board objectively discharges their duties and responsibilities at all times as fiduciaries in the best interests of the Group and holds the Management accountable for performance. The Board puts in place policies, structures and mechanisms to ensure compliance with legislative and regulatory requirements. The Board also sets appropriate tone-from-the-top, desired organisational culture and standards of ethical behaviour. The Board has clear policies and procedures for dealing with conflicts of interests. Where a Director faces a conflict of interest, he or she will fully disclose the conflict of interest and recuse himself or herself from meetings and decisions involving the issue.

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.

CORPORATE GOVERNANCE **REPORT**

The Board comprises different classes of directors (executive, non-executive and independent directors) with different roles as follows:

- Executive Directors ("**EDs**") are members of the Management, and are involved in the day-to-day running of the business. EDs are expected to:

  (a) provide insights on the Company's day-to-day operations, as appropriate;

  (b) provide Management's views without undermining management accountability to the Board; and

  (c) collaborate closely with non-executive directors for the long term success of the company.

- Non-Executive Directors ("**NEDs**") are not part of the Management. They are not employees of the Company and do not participate in the Company's day-to-day management. NEDs are expected to:

  (a) be familiar with the business and stay informed of the activities of the Company;

  (b) constructively challenge Management and help develop proposals on strategy;

  (c) review the performance of Management in meeting agreed goals and objectives; and

  (d) participate in decisions on the appointment, assessment and remuneration of the executive directors and key management personnel generally.

- Independent Directors ("**IDs**") are NEDs who are deemed independent by the Board. IDs have the duties of the NEDs, and additionally provide an independent and objective check on the Management.

A formal letter of appointment is given to every newly-appointed director upon their appointment explaining among other matters, the roles, obligations, duties and responsibilities as a member of the Board. Management would conduct briefings and orientation programmes to familiarise newly-appointed directors with the various businesses, operations and processes of the Group. All newly-appointed directors with no prior experience as a director would be required to attend the Listed Company Director Programme conducted by the Singapore Institute of Directors.

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.

The Directors are also encourage to attend conferences and seminars relevant to their roles as Directors of the Company. The Company will bear the costs for the Directors to attend appropriate courses, conferences and seminars conducted by external professionals for them to stay abreast of relevant business developments and outlook.

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.

The Board formed 3 Board Committees and delegated specific responsibilities to the Board 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 Board Committees reports its activities regularly to the Board. The names of the Board Committee members are set out on page 14 of the Annual Report.

CORPORATE GOVERNANCE **REPORT**

The Board has approved the written terms of reference of the Audit Committee. 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;

CORPORATE GOVERNANCE **REPORT**

(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 Audit Committee; 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 Board has approved the written terms of reference of the Nominating Committee. 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.

The Board has approved the written terms of reference of the Remuneration Committee. 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.

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.

CORPORATE GOVERNANCE **REPORT**

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

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

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 and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities. The Board is also provided with management accounts of the Group's performance, position and prospects on a quarterly basis.

The Directors are entitled to request from Management and should be provided with additional information as needed to make informed choices. The Board has separate and independent access to senior management and the Company Secretary at all times. The Company Secretary or its representative attends all Board and Board Committees meetings and ensures that all Board procedures are followed. The Company Secretary also ensures that the Company complies with the requirements of the Companies Act, Cap. 50 (the "**Companies Act**") and the Rules of Catalist. The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Company Secretary's responsibility include ensuring good information flows within the Board and its Board Committees and between Management and Non-Executive Directors and advising the Board on corporate governance matters.

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

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. While Independent Directors make up half of the Board given that the Chairman is not independent, the Company is allowed a transitional period of up to 31 December 2021 (the "**Transitional Period**") to comply with the guideline as set out in Provision 2.2 of the Code. The Board is in the process of identifying a new Independent Director in order to comply with Provision 2.2 of the Code before the end of the Transitional Period. Key information regarding the Directors is set out on pages 8 and 9 of the Annual Report.

The Board adopts the Code's definition of what constitutes an Independent Director in its review. The Board considers an Independent Director as one who is independent in conduct, character and judgement and 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 judgement with a view to the best interest of the Company and Group's affairs.

CORPORATE GOVERNANCE **REPORT**

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

The 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 2018.

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, who make up a majority of the Board, 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.

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 Chairman and the CEO are not related to each other.

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 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 consists 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 provide leadership in situations since the Chairman is not independent. The Lead Independent Director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.

CORPORATE GOVERNANCE **REPORT**

Principle 4: Board Membership

The Board establishes a Nominating Committee ("**NC**") to make recommendations to the Board on relevant matters relating to:–

(a) the review of succession plans for Directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;

(b) the process and criteria for evaluation of the performance of the Board, the Board Committees and the Directors;

(c) the review of training and professional development programmes for the Board and the Directors; and

(d) the appointment and re-appointment of Directors.

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 lead independent director is also a member of the NC.

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.

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 ("**AGM**") 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 Dr Beng Teck Liang and Mr Jimmy Yim Wing Kuen 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.

Dr Beng Teck Liang will, upon re-election as a Director, continue in office as Executive Director and Chief Executive Officer.

Mr Jimmy Yim Wing Kuen will, upon re-election as a Director, remain as an Independent Director, the Member of Audit Committee and the Chairman of both Nominating Committee and Remuneration Committee. Mr Jimmy Yim Wing Kuen will be considered independent for the purposes of Rule 704(7) of the Rules of Catalist.

CORPORATE GOVERNANCE **REPORT**

The independence of each Director has been and will be reviewed annually by the NC. 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 judgement in the best interests of the Company. The NC has reviewed and determined that the said Directors are independent in conduct, character and judgement.

The NC 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 NC 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 conduct, 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 NC 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.

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.

The NC, with the assistance of the 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 with a formal letter setting out their duties and obligations.

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The NC had considered the Directors' overall contributions and performance to decide if a Director is able to and has been adequately carrying out his or her duties as a Director of the Company. The details of the Board member's directorship are disclosed as follows:

Name of Directors	**Date of first appointment**	**Date of last re-election**	**Nature of Appointment**	**Membership of Board Committee**	**Past Directorships in other listed companies and other major appointments over the preceding three years**	**Present Directorships in other listed companies and other major appointments**
Tony Tan Choon Keat	2 December 2013	25 April 2019	Non-Executive Chairman	Chairman of the Board of Directors, Member of Nominating Committee, Member of Remuneration Committee and Member of Audit Committee.	Non-Independent and Non-Executive Director, IGB Corporation Bhd	Nil
Dr Beng Teck Liang	2 December 2013	28 April 2017	Executive Director and Chief Executive Officer	N/A	Nil	Nil
Ho Lon Gee	22 June 2009	25 April 2019	Independent Director	Chairman of Audit Committee; Member of Nominating Committee and Member of Remuneration Committee	Nil	Chief Executive Officer, Tricor Singapore Pte Ltd
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 Chairman, Drew & Napier LLC
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: 1) ESR Funds Management (S) Limited; 2) ARA Trust Management (USH) Pte Ltd; and 3) ARA Business Trust Management (USH) Pte Ltd Executive Director, TSMP Law Corporation

CORPORATE GOVERNANCE **REPORT**

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.

The Board member's shareholding in the Company and its related companies are set out on page 47 of the Annual Report.

Principle 5: Board Performance

The NC recommended for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole and of each Board Committee separately.

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, 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.

A formal assessment process is also in place to assess the effectiveness of each Board Committee separately. Assessment parameters include the standard of conduct of each Board Committee, its structure and reporting process to the Board.

The NC has assessed the performance of the Board as a whole and of each Board Committee to-date and is of the view that the performance was satisfactory.

The evaluation of the Board, the Board Committees and the Directors 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.

Principle 6: Procedures for Developing Remuneration Policies

The Board establishes a Remuneration Committee ("**RC**") to review and make recommendations to the Board on:–

(a) a framework of remuneration for the Board and key management personnel; and

(b) the specific remuneration packages for each Director as well as for the key management personnel.

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

CORPORATE GOVERNANCE **REPORT**

The current RC comprises the following 3 members, all of whom are non-executive and 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 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.

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.

Principle 7: Level and Mix of Remuneration

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 and appropriate proportion of executive directors' and key management personnel's remuneration should be structured so as to link rewards to corporate and individual performance.

The Company sets remuneration packages which:

(a) align interests of Executive Directors with those of shareholders and other stakeholders 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.

The remuneration of the Non-Executive Directors and Independent Directors is appropriate to their individual contribution and is in the form of a fixed fee, taking into accounts factors such as effort, time spent and responsibilities. The Directors' fees, as a lump sum, will be subject to the approval by shareholders at the forthcoming AGM.

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, 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.

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

CORPORATE GOVERNANCE **REPORT**

Principle 8: Disclosure of Remuneration

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 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 Beng Teck Liang	61%	10%	–	29%	100%
Dr Wong Seng Weng	42%	56%	–	2%	100%
Below S$250,000					
Mr Ho Lon Gee	–	–	100%	–	100%
Mr Jimmy Yim Wing Kuen	–	–	100%	–	100%
Ms Stefanie Yuen Thio	–	–	100%	–	100%
Mr Tony Tan Choon Keat	–	–	–	–	–

* For competitive reasons, remuneration above S$500,000 is not disclosed in bands of S$250,000. There are no directors who draw remuneration between S$250,000 to S$500,000.

Remuneration Bands	Salary	Variable Bonus	Fair Value of Share Options	Total
Executive Officers				
S$250,000 – S$500,000				
Ms Wong Sian Jing	76%	12%	12%	100%
Below S$250,000				
Mr Arifin Ng	82%	12%	6%	100%
Dr Christina Low	91%	4%	5%	100%

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

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Saved as disclosed below, no other employee whose remuneration exceeded S$100,000 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 48 to 49 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 9: 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 Board Risk Committee to specifically address to determine the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation. 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 130 to 136 of the Annual Report.

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 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.

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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. The Board received assurance in writing from CEO and the Chief Financial Officer ("**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.

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.

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.

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 Board is of the opinion that the system of internal controls maintained by the Group's management, and that was in place throughout FY2019 and up to the date of this Report, is adequate to meet the needs of the Group in its current business environment.

Principle 10: Audit Committee

The duties of the AC include:–

(a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;

(b) reviewing at least annually the adequacy and effectiveness of the Group's internal controls and risk management systems;

(c) reviewing the assurance from the CEO and the CFO on the financial records and financial statements;

(d) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;

(e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function; and

(f) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The Group publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.

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

(a) Mr Ho Lon Gee (Chairman);

(b) Mr Tony Tan Choon Keat;

(c) Mr Jimmy Yim Wing Kuen; and

(d) 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 judgement.

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 does not comprise former partners or directors of the Company's existing auditing firm or auditing corporation within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, for as long as they have any financial interest in the auditing firm or auditing corporation.

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.

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 FY2019 are as follows:

	S$'000
Audit fees	264
Tax fees	110
Total	374

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

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 Auditors have 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 FY2019. The AC is satisfied that the internal audit is adequately resourced and has the appropriate standing within the Group.

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.

Shareholder Rights and Engagement

Principle 11: Shareholder Rights and Conduct of General 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 and news releases. 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 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. Additionally, the Company prepares minutes of general meetings, which are made available to shareholders upon their request. Moving forward, minutes of the general meeting will be accessible via the SGXNET and the Company's website. 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.

CORPORATE GOVERNANCE **REPORT**

The Company ensures that there are separate resolutions at general meetings on each distinct issue unless the issues are interdependent and linked so as to form one significant proposal. Where resolutions are combined, the Company will explain the reasons and material implications in the notice of meeting.

At the general meetings of the shareholders, 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.

The Directors' attendance at the general meetings of the shareholders held in FY2019 is as follows:–

		General Meeting
No. of meetings held		**1**
Name	**Designation**	**No. of meetings attended**
Mr Tony Tan Choon Keat	Non-Executive Chairman	1
Mr Ho Lon Gee	Lead Independent Director	1
Mr Jimmy Yim Wing Kuen	Independent Director	1
Ms Stefanie Yuen Thio	Independent Director	1
Dr Beng Teck Liang	Executive Director/ Chief Executive Officer	1
Dr Wong Seng Weng	Executive Director	1

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

The minutes of the general meetings are available to shareholders upon request. Moving forward, the minutes of the general meeting will be accessible via the SGXNET and the Company's website. The minutes disclose the names of the Directors and Senior Officers who attended the AGM as well as detailed records of the proceedings including the comments and questions raised by the meeting attendees, together with the responses from the Board and the Management.

In light of the Group's financial performance and to reward shareholders for their continued support, the Group has on 24 February 2020 announced the adoption a dividend policy that aims to provide shareholders of the Company with a dividend payout of not less than 20% of the Group's core operating earnings excluding share of results of joint ventures and associates, of any financial year.

The Board endeavours to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend policy. In considering the form, frequency and the amount of dividends that the Board may recommend or declare in respect of each financial year, the Board takes into account various factors including:

(a) the level of the Group's cash and retained earnings;

(b) the Group's actual and projected financial performance;

(c) the Group's projected levels of capital expenditure and other investment plans, including strategic and opportunistic investments;

(d) the Group's working capital requirements and general business and financing conditions;

CORPORATE GOVERNANCE **REPORT**

(e) restrictions on payment of dividends imposed on the Group by the Group's financing arrangements (if any); and

(f) any other factors the Board may deem relevant.

The Board is recommending a final one-tier tax-exempt dividend of 0.8 Singapore cents per ordinary share for FY2019 for the shareholders' approval in the forthcoming AGM.

Principle 12: Engagement with Shareholders

The Group is committed to corporate governance and transparency by disclosing to its stakeholders, including its shareholders, as much relevant information as is possible, in a timely, fair and transparent manner as well as to hearing its shareholders' views and addressing their concerns. By supplying shareholders with reliable and timely information, the Group is able to strengthen the relationship with its shareholders based on trust and accessibility.

The Group strives to release its unaudited quarterly and full-year results announcement as early as is possible, which may be accompanied by a press release. Briefings for analysts are held in conjunction with the release of the Group's results, with the presence of the CEO and CFO to answer the relevant questions which the analysts might have. When necessary and appropriate, the CEO and CFO will also meet analyst and fund managers who like to seek a better understanding of the Group's operations. When opportunities arise, the CEO conducts media interviews to give shareholders and the general public a prospective view of the Group's business prospects.

The CFO handles the investor relations function and is responsible to attend to any queries or concerns from the stakeholders including shareholders, regulators, etc. Shareholders are able to contact the Company via the Company's website and the Company has procedures in place for following up and responding to stakeholders' queries as soon as applicable.

Managing Stakeholders Relationships

Principle 13: Engagement with Stakeholders

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served. The Company has arrangements in place to identify and engage with its material stakeholder groups, which include shareholders, employees, customers/patients, suppliers and regulators.

For FY2019, the Company's strategy and key areas of focus in relation to the management of stakeholder relationships can be found under Sustainability Report on pages 15 to 16 of the Annual Report.

All material information on the performance and development of the Group is disclosed in a timely, accurate and comprehensive manner through SGXNET. The Company does not practice selective disclosure of material information. The annual report are available on the Company's website. The Company's website, which is updated regularly, contains various information on the Group which provides information to all stakeholders.

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 a prescribed period in accordance to the Rules of Catalist (Dealing in Securities) immediately preceding, and up to the time of each announcement of the Group's financial 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.

CORPORATE GOVERNANCE **REPORT**

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 FY2019 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 FY2019 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.

The aggregate value of recurrent interested persons transactions entered into by the Company during FY2019 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]	188	–
MW Medical Pte Ltd[2]	4	–
MW Medical Holdings Pte Ltd[2]	162	–
CHA Healthcare Singapore Pte Ltd[3]	202	–
TSMP Law Corporation[4]	121	–

1 K S Beng Pte Ltd is wholly-owned by the immediate family member of Dr Beng Teck Liang, the Company's Executive Director and CEO and substantial shareholder of the Company.
2 MW Medical Pte Ltd and MW Medical Holdings Pte Ltd are owned by Dr Wong Seng Weng, the Executive Director of the Company.
3 CHA Heathcare Singapore Pte Ltd is a substantial shareholder of the Company.
4 TSMP Law Corporation is managed by Ms Stefanie Yuen Thio, the Company's Independent Director.

CORPORATE GOVERNANCE **REPORT**

Non-Sponsor Fees

No non-sponsor fees were paid to the Company's sponsor, CIMB Bank Berhad, Singapore Branch for FY2019.

Update on Use of Convertible Loan Proceeds

The status on the use of proceeds from the Convertible Loan are as follows:

	Allocation of Net Proceeds S$'million	Balance of unutilised Net Proceeds as at 24 February 2020 (being date of the last update) S$'million	Utilisation of Net Proceeds from 25 February 2020 to 31 March 2020 S$'million	Balance of unutilised Net Proceeds as at 31 March 2020 S$'million
Net Proceeds:				
(i) Merger and acquisitions	7.8	7.0	–	7.0
(ii) General business purposes	1.9	1.9	–	1.9
	9.7	8.9	–	8.9

The above use of proceeds is in accordance with the intended use as stated in the announcement relating to the Convertible Loan. The Company will continue to make periodic announcements via SGXNET upon utilisation of the Convertible Loan proceeds as and when the funds are materially disbursed.

DIRECTORS' STATEMENT

The directors are pleased to present their statement 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 2019.

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 2019 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

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**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares of the Company				
Tony Tan Choon Keat	64,008,073	35,708,073	400,000	600,000
Dr Beng Teck Liang	60,975,058	33,275,058	–	–
Ho Lon Gee	100,000	100,000	–	–
Jimmy Yim Wing Kuen	1,360,300	1,360,300	–	–
Dr Wong Seng Weng	17,568,853	10,868,853	–	–
Stefanie Yuen Thio	–	100,000	–	–
Share options of the Company				
Dr Beng Teck Liang	5,100,000	4,400,000	–	–
Dr Wong Seng Weng	1,600,000	800,000	–	–
Performance shares of the Company				
Dr Beng Teck Liang	336,000	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 2020.

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 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 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 2019	Options granted	Options exercised	Options forfeited/ expired	Options outstanding at 31 December 2019	Exercise period
22/09/2016	S$0.303	**4,880,000**	–	(2,370,000)	–	**2,510,000**	22/09/2017 to 21/09/2021
03/04/2017	S$0.544	**675,000**	–	–	(90,000)	**585,000**	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
31/05/2019	S$0.393	**–**	1,935,000*	–	–	**1,935,000**	31/05/2020 to 30/05/2024
		10,875,000	1,935,000	(2,370,000)	(90,000)	**10,350,000**	

* Options granted during the financial year had been announced via SGXNET on 31 May 2019

DIRECTORS' STATEMENT

SMG Share Plan ("SSP")

The SSP 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 awards, provided that none shall be an undischarged bankrupt. The awards granted under SSP 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 period beyond the performance period.

Performance shares granted/vested

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

Date of grant of performance shares	Performance shares outstanding at 1 January 2019	Performance shares granted	Adjustments#	Vested	Performance shares outstanding at 31 December 2019
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 2019	Aggregate options and performance shares granted since commencement of the Scheme to 31 December 2019	Aggregate options exercised and performance shares vested since commencement of the Scheme to 31 December 2019	Aggregate options and performance shares outstanding as at 31 December 2019
Share options of the Company				
Director of the Company				
Dr Beng Teck Liang	–	8,300,000	3,900,000	4,400,000
Dr Wong Seng Weng	–	2,400,000	1,600,000	800,000
Key executive of the Company				
Wong Sian Jing	300,000	2,740,000	1,520,000	1,220,000
Christina Low	1,050,000	1,350,000	180,000	1,170,000
Arifin Ng	300,000	1,150,000	600,000	550,000
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 executives 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

31 March 2020

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 2019, 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 2019 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.

Impairment assessment of goodwill and investment in subsidiaries

As at 31 December 2019, the goodwill was carried at S$126.1 million, which represents 78.7% of the Group's total non-current assets and 86.8% 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 2019, the Company's investment in subsidiaries amounted to S$125.1 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$21.4 million as at 31 December 2019. Management performed the impairment assessment for subsidiaries with indicators of impairment and determined their recoverable amounts based on value-in-use calculations.

INDEPENDENT **AUDITOR'S REPORT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 2019. 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.

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.

INDEPENDENT **AUDITOR'S REPORT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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.

- 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.

INDEPENDENT **AUDITOR'S REPORT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

31 March 2020

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 $'000	Group 2018 $'000
Revenue	4	**94,672**	85,069
Cost of sales		**(51,431)**	(47,274)
Gross profit		**43,241**	37,795
Finance income	5	**100**	71
Other income	6	**104**	275
Other gains	7	**29**	167
Other expenses	8	**–**	(11)
Distribution and selling expenses		**(4,142)**	(3,618)
Impairment losses on financial assets		**(146)**	(62)
Administrative expenses		**(21,986)**	(19,469)
Finance expenses	5	**(1,404)**	(1,100)
Share of results of joint ventures and associates		**273**	56
Profit before tax	9	**16,069**	14,104
Income tax expense	12	**(2,434)**	(1,189)
Profit for the year		**13,635**	12,915
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		**(3)**	(530)
Other comprehensive income for the year, net of tax		**(3)**	(530)
Total comprehensive income for the year		**13,632**	12,385
Profit attributable to:			
Owners of the Company		**13,661**	12,928
Non-controlling interests		**(26)**	(13)
		13,635	12,915
Total comprehensive income attributable to:			
Owners of the Company		**13,658**	12,398
Non-controlling interests		**(26)**	(13)
		13,632	12,385
Earnings per share attributable to owners of the Company (cents per share)			
Basic	13	**2.83**	2.74
Diluted	13	**2.72**	2.74

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

BALANCE **SHEETS**

AS AT 31 DECEMBER 2019

		Group		Company	
	Note	2019 $'000	2018 $'000	2019 $'000	2018 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	**7,742**	13,652	**1,102**	2,365
Intangible assets	15	**126,921**	126,543	**238**	19
Right-of-use assets	29	**13,007**	–	**4,103**	–
Investment in subsidiaries	16	**–**	–	**125,085**	113,664
Investment in joint ventures	17	**1,749**	1,642	**2,151**	2,541
Investment in associates	18	**5,868**	5,714	**6,395**	6,045
Other investment	19	**1,285**	–	**1,285**	–
Other receivables	22	**2,906**	2,900	**758**	1,288
Deferred tax assets	32	**754**	844	**286**	170
		160,232	151,295	**141,403**	126,092
Current assets					
Inventories	20	**1,800**	1,694	**–**	–
Trade receivables	21	**5,631**	6,031	**–**	–
Prepayments		**982**	1,775	**150**	352
Other receivables	22	**1,657**	1,037	**267**	93
Due from related companies	23	**–**	–	**11,312**	8,525
Cash and bank balances	24	**27,316**	20,012	**12,159**	6,071
		37,386	30,549	**23,888**	15,041
Total assets		**197,618**	181,844	**165,291**	141,133
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables	25	**2,120**	1,648	**2**	2
Other payables and accruals	26	**12,183**	10,310	**1,014**	993
Contract liabilities	4	**2,026**	2,313	**–**	–
Deferred purchase consideration	28	**1,377**	15,538	**–**	1,000
Due to related companies	23	**–**	–	**8,972**	–
Lease liabilities	29	**5,880**	1,446	**2,556**	281
Convertible loan	30	**9,201**	–	**9,201**	–
Loans and borrowings	31	**5,709**	4,773	**1,000**	216
Income tax payable		**2,174**	1,776	**–**	–
		40,670	37,804	**22,745**	2,492
Non-current liabilities					
Other payables and accruals	26	**379**	503	**212**	85
Deferred purchase consideration	28	**–**	1,335	**–**	–
Due to related companies	23	**–**	–	**7,783**	16,274
Lease liabilities	29	**5,797**	1,724	**1,297**	364
Loans and borrowings	31	**5,295**	9,980	**–**	–
Deferred tax liabilities	32	**228**	170	**–**	–
		11,699	13,712	**9,292**	16,723
Total liabilities		**52,369**	51,516	**32,037**	19,215
Net assets		**145,249**	130,328	**133,254**	121,918
Equity attributable to owners of the Company					
Share capital	33	**119,789**	118,918	**119,789**	118,918
Treasury shares	34	**(42)**	–	**(42)**	–
Retained earnings		**25,566**	12,059	**12,224**	2,557
Share option reserve	35	**680**	443	**680**	443
Equity component of convertible loan	36	**603**	–	**603**	–
Foreign currency translation reserve	37	**(645)**	(642)	**–**	–
		145,951	130,778	**133,254**	121,918
Non-controlling interests		**(702)**	(450)	**–**	–
Total equity		**145,249**	130,328	**133,254**	121,918
Total equity and liabilities		**197,618**	181,844	**165,291**	141,133

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 2019

	Attributable to owners of the Company								
Group	Share capital (Note 33) $'000	Treasury shares (Note 34) $'000	Retained earnings $'000	Share option reserve (Note 35) $'000	Equity component of convertible loan (Note 36) $'000	Foreign currency translation reserve (Note 37) $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
2019									
Balance at 1 January 2019	118,918	–	12,059	443	–	(642)	130,778	(450)	130,328
Profit for the year	–	–	13,661	–	–	–	13,661	(26)	13,635
Other comprehensive income									
Foreign currency translation differences	–	–	–	–	–	(3)	(3)	–	(3)
Other comprehensive income for the year, net of tax	–	–	–	–	–	(3)	(3)	–	(3)
Total comprehensive income for the year	–	–	13,661	–	–	(3)	13,658	(26)	13,632
Contributions by and distributions to owners									
Issue of shares	871	–	–	(153)	–	–	718	–	718
Purchase of treasury shares	–	(42)	–	–	–	–	(42)	–	(42)
Share-based payment transactions	–	–	–	390	–	–	390	–	390
Dividends paid by subsidiaries	–	–	–	–	–	–	–	(380)	(380)
Issue of convertible loan (Note 30)	–	–	–	–	603	–	603	–	603
Total contributions by and distributions to owners	871	(42)	–	237	603	–	1,669	(380)	1,289
Changes in ownership interests in subsidiaries									
Acquisition of non-controlling interests without a change in control (Note 16)	–	–	(154)	–	–	–	(154)	154	–
Total changes in ownership interests in subsidiaries	–	–	(154)	–	–	–	(154)	154	–
Total transactions with owners in their capacity as owners	871	(42)	(154)	237	603	–	1,515	(226)	1,289
Balance at 31 December 2019	119,789	(42)	25,566	680	603	(645)	145,951	(702)	145,249

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company						
Group	**Share capital (Note 33) $'000**	**(Accumulated losses)/ retained earnings $'000**	**Share option reserve (Note 35) $'000**	**Foreign currency translation reserve (Note 37) $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
2018							
Balance at 1 January 2018	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 2019

	Share capital (Note 33) $'000	Treasury shares (Note 34) $'000	Retained earnings/ (accumula-ted losses) $'000	Share option reserve (Note 35) $'000	Equity component of convertible loan (Note 36) $'000	Total $'000
Company						
2019						
Balance at 1 January 2019	**118,918**	**–**	**2,557**	**443**	**–**	**121,918**
Effect of adoption of SFRS(I) 16	**–**	**–**	**(96)**	**–**	**–**	**(96)**
Balance at 1 January 2019 (adjusted)	**118,918**	**–**	**2,461**	**443**	**–**	**121,822**
Profit for the year	**–**	**–**	**9,763**	**–**	**–**	**9,763**
Contributions by and distributions to owners						
Issue of shares	**871**	**–**	**–**	**(153)**	**–**	**718**
Purchase of treasury shares	**–**	**(42)**	**–**	**–**	**–**	**(42)**
Share-based payment transactions	**–**	**–**	**–**	**390**	**–**	**390**
Issue of convertible loan (Note 30)	**–**	**–**	**–**	**–**	**603**	**603**
Total transactions with owners in their capacity as owners	**871**	**(42)**	**–**	**237**	**603**	**1,669**
Balance at 31 December 2019	**119,789**	**(42)**	**12,224**	**680**	**603**	**133,254**
2018						
Balance at 1 January 2018	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

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 2019

	Note	Group 2019 $'000	Group 2018 $'000
Cash flows from operating activities			
Profit before tax		**16,069**	14,104
Adjustments for:			
Depreciation of property, plant and equipment	14	**3,009**	3,882
Depreciation of right-of-use assets	29	**5,924**	–
Amortisation of intangible assets	15	**245**	80
Share-based compensation expense	10	**390**	324
Impairment loss on trade receivables	9	**146**	62
Bad debts written off	9	**1**	5
Interest income	5	**(100)**	(71)
Interest expenses		**1,244**	797
Amortisation of loan costs	5	**45**	45
Accretion of interest on deferred purchase consideration	5	**115**	258
Gain on disposal of property, plant and equipment	6	**(12)**	(23)
Reversal of impairment loss on investment in joint ventures		**–**	(167)
Gain on dilution of interest in joint venture	17	**(29)**	–
Share of results of joint ventures and associates		**(273)**	(56)
Total adjustments		**10,705**	5,136
Operating cash inflows before changes in working capital		**26,774**	19,240
Changes in working capital:			
(Increase)/decrease in:			
Inventories		**(107)**	(68)
Trade and other receivables		**(705)**	(308)
Prepayments		**796**	(493)
Increase/(decrease) in:			
Trade payables		**470**	(349)
Contract liabilities, other payables and accruals		**1,685**	1,031
Total changes in working capital		**2,139**	(187)
Cash flows generated from operations		**28,913**	19,053
Interest received		**87**	71
Interest paid		**(1,003)**	(760)
Income tax paid		**(1,888)**	(924)
Net cash flows from operating activities		**26,109**	17,440
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,520)**	(2,898)
Purchase of intangible assets		**(623)**	(522)
Proceeds from disposal of property, plant and equipment		**–**	60
Investment in joint venture		**–**	(84)
Loans to a related party		**(653)**	(1,123)
Return of capital by a joint venture	17	**316**	–
Investment in associate		**–**	(6,045)
Loan to associate	18	**(300)**	–
Other investment	19	**(354)**	–
Net cash outflow from acquisition of subsidiary		**–**	(638)
Payment of deferred purchase consideration	28	**(15,611)**	(17,432)
Net cash flows used in investing activities		**(18,745)**	(28,682)

CONSOLIDATED **CASH FLOW STATEMENT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 $'000	Group 2018 $'000
Cash flows from financing activities			
Dividends paid to non-controlling interests		**(380)**	(250)
Issue of shares		**718**	7,088
Share issuance expenses		**–**	(312)
Purchase of treasury shares	34	**(42)**	–
Net proceeds from drawdown of convertible loan	31	**9,804**	–
Proceeds from loans and borrowings	31	**4,000**	10,600
Repayment of loans and borrowings	31	**(7,867)**	(5,608)
Payment of principal portion of lease liabilities	31	**(6,293)**	(1,590)
Deposit pledged for bank facility		**–**	25
Net cash flows (used in)/generated from financing activities		**(60)**	9,953
Net increase/(decrease) in cash and cash equivalents		**7,304**	(1,289)
Cash and cash equivalents at beginning of financial year		**20,012**	21,301
Cash and cash equivalents at end of financial year	24	**27,316**	20,012

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 2019

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 associates 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)").

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 2019, the Group's current liabilities have exceeded its current assets by $3,284,000 (2018: $7,255,000).

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 has debt facilities from financial institutions of at least $9,500,000 which are available for drawdown at the date of the financial statements; and

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 New accounting standards effective on 1 January 2019

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2019. Except for the impact arising from the adoption of SFRS(I) 16 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) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases-Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17. Therefore, SFRS(I) 16 does not have an impact for leases where the Group is the lessor.

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The effect of adoption of SFRS(I) 16 as at 1 January 2019 is as follows:

	(Decrease)/increase	
	Group	**Company**
	$'000	**$'000**
Assets		
Property, plant and equipment	(4,917)	(850)
Right-of-use assets	17,853	5,636
Lease receivable	344	–
Total assets	13,280	4,786
Liabilities		
Accruals	–	127
Lease liabilities	13,280	4,755
Total liabilities	13,280	4,882
Total equity:		
Retained earnings	–	(96)

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 New accounting standards effective on 1 January 2019 (Continued)

SFRS(I) 16 *Leases* (Continued)

The Group has lease contracts for office and clinic premises, and medical equipment. Before the adoption of SFRS(I) 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. The accounting policy prior to 1 January 2019 is disclosed in Note 2.20.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The accounting policy beginning 1 January 2019 is disclosed in Note 2.20. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under SFRS(I) 1-17). The requirements of SFRS(I) 16 were applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for the leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 New accounting standards effective on 1 January 2019 (Continued)

SFRS(I) 16 *Leases* (Continued)

Based on the above, as at 1 January 2019:

- Right-of-use assets of $17,853,000 and $5,636,000 for the Group and Company were recognised and presented separately in the balance sheet. This includes reclassification of assets under finance leases and reinstatement costs recognised previously under property, plant and equipment of $4,917,000 and $850,000 for the Group and Company.
- Additional lease liabilities of $13,280,000 and $4,755,000 for the Group and Company were recognised.
- Accruals relating to provision for reinstatement of $127,000 for the Company were recognised.
- Lease receivable of $344,000 for the Group was recognised.
- The net effect of these adjustments of $96,000 for the Company had been adjusted to retained earnings. Comparative information is not restated.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Group $'000
Operating lease commitments as at 31 December 2018	15,672
Less:	
Commitments relating to short-term leases	(220)
	15,452
Weighted average incremental borrowing rate as at 1 January 2019	2.71%
Discounted operating lease commitments as at 1 January 2019	13,280
Add:	
Commitments relating to leases previously classified as finance leases	3,170
Lease liabilities as at 1 January 2019	16,450

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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**
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
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: *Interest Rate Benchmark Reform*	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

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations (Continued)

(b) *Business combinations and goodwill*

Business combinations are accounted for by applying the acquisition method.

The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After 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 each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash generating unit (or group of cash-generating units) to which the goodwill relates.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. For each entity, the Group determines the 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 initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates 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 is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

(b) *Consolidated financial statements*

On consolidation, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation 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 reclassified to profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and the related 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 useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets (Continued)

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.

Computer software

Research or maintenance costs of computer software are expensed as incurred. Development expenditures 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.

Following initial recognition of the computer software as an asset, the asset is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation of the 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. During the period of development, the asset is tested for impairment annually.

Trademarks

Trademarks are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses, if any. It is amortised on a straight-line basis over the estimated useful lives of 10 years, which is the shorter of their estimated useful lives and periods of contractual rights.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

Impairment losses are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value 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. When the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Subsidiaries

A subsidiary is an investee that is controlled by the Group. Control is achieved when the Group 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. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment losses.

2.11 Associates and joint ventures

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. 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.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Associates and joint ventures (Continued)

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, 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 then recognises the loss within 'Share of results of joint ventures and associates' in profit or loss.

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

2.12 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets designated at fair value through OCI ("FVOCI") with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

(i) Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(ii) Financial assets designated at FVOCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under SFRS(I) 1-32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

(iii) Financial assets designated at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with net changes in fair value recognised in profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's balance sheet) when the rights to receive cash flows from the asset have expired.

Impairment

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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments (Continued)

Financial assets (Continued)

Impairment (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Cash and cash equivalents

Cash and cash equivalents in the balance sheets comprise cash at bank and on hand and short-term highly liquid bank deposits, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

2.14 Inventories

Inventories are valued 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.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

2.15 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 a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.16 Convertible loans

Convertible loans are separated into liability and equity components based on the terms of the contract.

On issuance of the convertible loans, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible loans, based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

2.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Government grants

Government grants are recognised when there is a reasonable assurance that the grant will be received and all attached conditions will be compiled with. The grant is 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.

2.19 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.

(b) *Employee share-based compensation*

Employees of the Group receive remuneration in the form of share options and share awards, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of these equity-settled share-based payment transactions is determined by the fair value of the options at the date when the options are granted using an appropriate valuation model which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, together with a corresponding increase in the 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 expense 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.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of options, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Leases

These accounting policies are applied on and after the initial application date of SFRS(I) 16, 1 January 2019:

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Medical equipment	5 – 10
Office and clinic premises	Lease term

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policy for impairment of non-financial assets set out in Note 2.9.

(b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities (Continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of clinic premises (i.e. those leases that have a lease term of 12 months or less from the commencement date). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a 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. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. 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 2.21(c). Contingent rents are recognised as revenue in the period in which they are earned.

These accounting policies are applied before the initial application date of SFRS(I) 16, 1 January 2019:

Group as a 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Leases (Continued)

Group as a 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 2.21(c). Contingent rents are recognised as revenue in the period in which they are earned.

2.21 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) *Management fee from joint venture entity*

Management fee from joint venture entity is recognised upon completion of the series of distinct services rendered over time.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue (Continued)

Contract balances

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.22 Taxes

(a) *Current income tax*

Current income tax assets and liabilities 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 reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Taxes (Continued)

(b) *Deferred tax (Continued)*

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

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

(c) *Sales tax*

Expenses and assets are recognised net of the amount of sales tax except:

– When 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

– When receivables and payables that are stated with the amount of sales tax included.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 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.

2.24 Treasury shares

The Group's own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised directly in equity.

2.25 Contingencies

A contingent liability is:

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

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

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

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

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

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

2.26 Cash dividend

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders and a corresponding amount is recognised directly in equity.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Current versus non-current classification

The Group presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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 2019

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

In 2018, the Group had acquired a subsidiary for a total purchase consideration of $5,448,000. The acquisition was accounted for as a business combination and the Group was 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.

There are no significant judgements during the current financial year

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 2019 is $126,101,000 (2018: $126,101,000).

(ii) *Impairment of non-financial assets*

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. REVENUE

(a) Disaggregation of revenue

Segments	Health		Diagnostic and Aesthetics		Others		Total	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Type of good or service								
Rendering of services	**37,834**	37,866	**29,092**	22,897	**89**	46	**67,015**	60,809
Sale of medicine and related products	**24,932**	22,263	**2,711**	1,471	**–**	–	**27,643**	23,734
Facility rental income	**–**	–	**–**	–	**–**	520	**–**	520
Management fee from joint venture entity	**–**	–	**–**	–	**14**	6	**14**	6
Total revenue	**62,766**	60,129	**31,803**	24,368	**103**	572	**94,672**	85,069
Timing of transfer of good or service								
At a point in time	**62,766**	60,129	**28,592**	23,490	**89**	572	**91,447**	84,191
Over time	**–**	–	**3,211**	878	**14**	–	**3,225**	878
Total revenue	**62,766**	60,129	**31,803**	24,368	**103**	572	**94,672**	85,069

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

(b) Contract assets and contract liabilities

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

	Group	
	2019 $'000	2018 $'000
Receivables from contracts with customers (Note 21)	**5,631**	6,031
Contract liabilities	**(2,026)**	(2,313)

The Group has recognised impairment losses on receivables arising from contracts with customers amounting to $146,000 (2018: $62,000).

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.

Set out below is the amount of revenue recognised from:

	Group	
	2019 $'000	2018 $'000
Amounts included in contract liabilities at the beginning of the year	**2,313**	654

All performance obligations are expected to be recognised within one year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. FINANCE INCOME/(EXPENSES)

	Group 2019 $'000	Group 2018 $'000
Interest income from:		
– bank balances	**88**	71
– lease receivable	**9**	–
– loan to associate	**3**	–
	100	71
Interest expense on:		
– loans and borrowings	**(645)**	(655)
– lease liabilities (Note 29)	**(397)**	(142)
– convertible loan	**(202)**	–
Accretion of interest on deferred purchase consideration	**(115)**	(258)
Amortisation of loan costs	**(45)**	(45)
	(1,404)	(1,100)

6. OTHER INCOME

	Group 2019 $'000	Group 2018 $'000
Grants income	**23**	168
Sponsorship from suppliers	**7**	64
Gain on disposal of property, plant and equipment	**12**	23
Others	**62**	20
	104	275

7. OTHER GAINS

	Note	Group 2019 $'000	Group 2018 $'000
Reversal of impairment loss on investment in joint venture	17	**–**	167
Gain on dilution of interest in joint venture	17	**29**	–
		29	167

8. OTHER EXPENSES

	Group 2019 $'000	Group 2018 $'000
Transaction costs incurred in business combinations	**–**	11

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

9. PROFIT BEFORE TAX

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

	Note	Group	
		2019	**2018**
		$'000	**$'000**
Depreciation of property, plant and equipment	14	**3,009**	3,882
Depreciation of right-of-use assets	29	**5,924**	–
Amortisation of intangible assets	15	**245**	80
Cost of inventories recognised as an expense	20	**12,536**	11,161
Lease expenses	29	**1,064**	5,313
Audit fees paid to auditors of the Company		**264**	249
Non-audit fees:			
– auditors of the Company		**110**	100
– other auditors		**21**	21
Impairment loss on financial assets:			
– trade receivables	21	**146**	62
Bad debts written off		**1**	5
Personnel expenses*	10	**31,476**	22,500

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

10. PERSONNEL EXPENSES

	Group	
	2019	**2018**
	$'000	**$'000**
Included in cost of sales:		
Salaries and bonuses	**17,467**	10,300
Central Provident Fund contributions	**473**	246
Included in administrative expenses:		
Salaries and bonuses	**11,026**	9,760
Central Provident Fund contributions	**1,271**	1,189
Share-based compensation expense	**390**	324
Short-term employee benefits	**849**	681
	31,476	22,500

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

	Group	
	2019	**2018**
	$'000	**$'000**
Remuneration paid to key management personnel		
Salaries and bonuses	**4,393**	3,654
Central Provident Fund contributions	**180**	130
Share-based compensation expense	**299**	262
	4,872	4,046
Comprises amounts paid to:		
– Directors of the Company*	**3,040**	2,816
– Other key management personnel	**1,832**	1,230
	4,872	4,046

* Included in amounts paid to directors of the Company are directors' fees of $145,000 (2018: $130,000).

Key management personnel interests' in SMG Share Option Scheme

During the financial year, share options with an exercise price of $0.393 (2018: $0.493) each have been granted to key management personnel as follows:

	Group and Company	
	2019	**2018**
	No. of share options/ performance shares '000	**No. of share options/ performance shares '000**
Share options granted to:		
– Directors of the Company	**–**	3,700
– Other key management personnel	**1,650**	990
	1,650	4,690
Performance shares granted to:		
– Director of the Company	**–**	336

During the financial year, key management personnel exercised options for 2,300,000 (2018: 740,000) ordinary shares of the Company at a price of $0.303 (2018: $0.145 to $0.303) each, with a total consideration of $697,000 (2018: $218,000) 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 Share Plan amounted to 8,885,000 (2018: 9,415,000) and 336,000 (2018: 336,000) respectively.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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	
	2019	**2018**
	$'000	**$'000**
Rental paid to companies related to directors	**350**	365
Professional fees paid to companies related to directors	**422**	322
Interest expense on convertible loan from a significant shareholder	**202**	–

Companies related to directors:

The Group had the following transactions with companies related to directors:

(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 $188,000 (2018: $195,000). The Group also paid professional fees of $258,000 (2018: $232,000) 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 (2018: $22,000).

(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 $162,000 (2018: $170,000). The Group also engaged MW Medical Pte. Ltd. ("MWM"), a company owned by the same director, for nursing services of $4,000 (2018: $10,000). Other than the security deposits of $28,000, there is no balance outstanding with MWMH and MWM as at the reporting date (2018: $28,000).

(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 $160,000 (2018: $80,000) and the balance outstanding as at the reporting date was $Nil (2018: $50,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

	Group	
	2019 $'000	2018 $'000
Statement of comprehensive income:		
Current income tax		
– current income taxation	**2,103**	1,464
– under/(over) provision in respect of previous years	**183**	(537)
	2,286	927
Deferred income tax		
– origination and reversal of temporary differences	**148**	262
	148	262
Income tax expense recognised in statement of comprehensive income	**2,434**	1,189

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	
	2019 $'000	2018 $'000
Accounting profit before tax	**16,069**	14,104
Tax at the applicable tax rate of 17% (2018: 17%)	**2,732**	2,398
Tax effects of:		
– non-deductible expenses	**306**	254
– income not subject to taxation	**(584)**	(34)
– deferred tax assets not recognised	**156**	(361)
– effect of partial tax exemption and tax relief	**(295)**	(459)
– utilisation of tax losses previously not recognised	**(18)**	(62)
– under/(over) provision in respect of prior years	**183**	(537)
– share of results of joint ventures and associates	**(46)**	(10)
Income tax expense recognised in statement of comprehensive income	**2,434**	1,189

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 (after adjusting for interest expense on convertible loan) 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	
	2019	**2018**
	$'000	**$'000**
Profit for the year attributable to owners of the Company used in the computation of basic earnings per share	**13,661**	12,928
Interest expense on convertible loan (net of tax)	**168**	–
Profit for the year attributable to owners of the Company used in the computation of diluted earnings per share	**13,829**	12,928
	No. of shares '000	**No. of shares '000**
Weighted average number of ordinary shares for basic earnings per share computation	**482,061**	471,076
Effects of dilution:		
– Share options	**2,800**	1,343
– Convertible loan	**23,640**	–
Weighted average number of ordinary shares for diluted earnings per share computation	**508,501**	472,419

7,840,000 (2018: 5,995,000) 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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14. PROPERTY, PLANT AND EQUIPMENT

	Office equipment $'000	Medical equipment $'000	Furniture and fittings $'000	Total $'000
Group				
Cost:				
At 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
At 1 January 2019	**1,315**	**18,556**	**7,931**	**27,802**
Reclassification on adoption of SFRS(I) 16	**–**	**(6,135)**	**(408)**	**(6,543)**
At 1 January 2019 (adjusted)	**1,315**	**12,421**	**7,523**	**21,259**
Additions	**107**	**885**	**568**	**1,560**
Disposals	**(33)**	**(862)**	**(193)**	**(1,088)**
Reclassification from right-of-use assets[2]	**–**	**484**	**–**	**484**
At 31 December 2019	**1,389**	**12,928**	**7,898**	**22,215**
Accumulated depreciation:				
At 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
At 1 January 2019	**1,084**	**9,171**	**3,895**	**14,150**
Reclassification on adoption of SFRS(I) 16	**–**	**(1,441)**	**(185)**	**(1,626)**
At 1 January 2019 (adjusted)	**1,084**	**7,730**	**3,710**	**12,524**
Depreciation charge for the year	**186**	**1,700**	**1,123**	**3,009**
Disposals	**(32)**	**(844)**	**(184)**	**(1,060)**
At 31 December 2019	**1,238**	**8,586**	**4,649**	**14,473**
Net carrying amount:				
At 31 December 2018	231	9,385	4,036	13,652
At 31 December 2019	**151**	**4,342**	**3,249**	**7,742**

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Office equipment $'000	Medical equipment $'000	Furniture and fittings $'000	Total $'000
Company				
Cost:				
At 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
At 1 January 2019	**458**	**4,055**	**2,364**	**6,877**
Reclassification on adoption of SFRS(I) 16	**–**	**(943)**	**(85)**	**(1,028)**
At 1 January 2019 (adjusted)	**458**	**3,112**	**2,279**	**5,849**
Additions	**12**	**–**	**44**	**56**
Disposals	**(19)**	**(8)**	**(1)**	**(28)**
At 31 December 2019	**451**	**3,104**	**2,322**	**5,877**
Accumulated depreciation:				
At 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
At 1 January 2019	**433**	**2,842**	**1,237**	**4,512**
Reclassification on adoption of SFRS(I) 16	**–**	**(157)**	**(21)**	**(178)**
At 1 January 2019 (adjusted)	**433**	**2,685**	**1,216**	**4,334**
Depreciation charge for the year	**22**	**108**	**333**	**463**
Disposals	**(17)**	**(4)**	**(1)**	**(22)**
At 31 December 2019	**438**	**2,789**	**1,548**	**4,775**
Net carrying amount:				
At 31 December 2018	25	1,213	1,127	2,365
At 31 December 2019	**13**	**315**	**774**	**1,102**

1 In 2018, the Group and the Company had transferred certain costs previously classified as office equipment under property, plant and equipment to intangible assets (Note 15).

2 In 2019, the Group had transferred costs of $484,000 from right-of-use assets to property, plant and equipment at the end of the lease term (Note 29).

Medical equipment acquired by means of finance leases and reinstatement cost relating to office and clinic premises classified under "furniture and fittings" are reclassified to right-of-use assets upon adoption of SFRS(I) 16.

In 2018, the Group and the Company acquired medical equipment with an aggregate cost of $2,957,000 and $849,000 respectively by means of finance leases. The cash outflow on acquisition of property, plant and equipment for the Group amounted to $1,520,000 (2018: $2,898,000).

The carrying amount of the Group's and the Company's medical equipment held under finance leases as at 31 December 2018 was $5,314,000 and $786,000 respectively. Lease assets are pledged as security for the related finance lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

15. INTANGIBLE ASSETS

	Goodwill $'000	Computer software $'000	Trademarks $'000	Total $'000
Group				
Cost:				
At 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 and 1 January 2019	126,101	583	–	126,684
Additions	–	604	19	623
At 31 December 2019	**126,101**	**1,187**	**19**	**127,307**
Accumulated amortisation:				
At 1 January 2018	–	61	–	61
Amortisation charge for the year	–	80	–	80
At 31 December 2018 and 1 January 2019	–	141	–	141
Amortisation charge for the year	–	243	2	245
At 31 December 2019	**–**	**384**	**2**	**386**
Net carrying amount:				
At 31 December 2018	126,101	442	–	126,543
At 31 December 2019	**126,101**	**803**	**17**	**126,921**

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

15. INTANGIBLE ASSETS (CONTINUED)

	Computer software $'000
Company	
Cost:	
At 1 January 2018	61
Additions	19
Reclassifications[1]	7
At 31 December 2018 and 1 January 2019	87
Additions	256
At 31 December 2019	**343**
Accumulated amortisation:	
At 1 January 2018	61
Amortisation charge for the year	7
At 31 December 2018 and 1 January 2019	68
Amortisation charge for the year	37
At 31 December 2019	**105**
Net carrying amount:	
At 31 December 2018	19
At 31 December 2019	**238**

1 In 2018, 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 and trademarks 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.

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	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Goodwill	**74,379**	74,379	**35,316**	35,316	**9,593**	9,593	**6,813**	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	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
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%**	10.5%	**10.5%**	10.5%	**10.5%**	10.5%	**10.5%**	10.5%

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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	
	2019	**2018**
	$'000	**$'000**
Shares, at cost	**23,461**	20,464
Issuance of shares for acquisition of subsidiary	**–**	2,997
Amounts due from subsidiaries	**111,809**	99,049
Impairment losses	**(10,185)**	(8,846)
	125,085	113,664

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 2019	2018
Singapore Vision Centre Pte. Ltd.[(a)]	Singapore	Dormant company	**100**	100
Cancer Centre Pte. Ltd.[(a)]	Singapore	Provision of oncology services	**90**	90
The Lasik Surgery Clinic Pte. Ltd.[(a)]	Singapore	Provision of LASIK and general ophthalmological services	**100**	100
The Dental Studio Pte. Ltd.[(a)]	Singapore	Provision of dental services	**65**	65
SMG Specialist Centre Pte. Ltd.[(a)]	Singapore	Provision of multi-disciplines specialist medical services	**100**	100
SMG International Partners Pte. Ltd.[(a)]	Singapore	Provision of business consultancy services	**100**	100
The Obstetrics & Gynaecology Centre Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services	**100**	100
The Medical Suite Pte. Ltd.[(a)]	Singapore	Provision of family medicine and health screening services	**100**	100
SMG Orthopaedic Group Pte. Ltd.[(a)]	Singapore	Dormant company	**100**	100
Centre for Wellness & Healthy Aging Pte. Ltd.[(a)]	Singapore	Provision of aesthetic services	**100**	100
SMG Dental Pte. Ltd.	Singapore	Dormant company	**80**	80
Wellness & Gynaecology Centre Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services	**100**	100
SMG Dermatology Centre Pte. Ltd.[(a)]	Singapore	Dormant company	**100**	100
TOGC @Gleneagles Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services	**100**	100

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16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of company	Principal place of business	Principal activities	Proportion (%) of ownership interest 2019	Proportion (%) of ownership interest 2018
Novena Radiology Pte. Ltd.[(a)]	Singapore	Provision of radiology/diagnostic imaging services	**100***	100*
Lifescan Imaging Pte. Ltd.[(a)]	Singapore	Provision of radiology/diagnostic imaging services	**100**	100
SMG Astra Women's Specialists Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services and investment holding	**100**	100
SMG Astra O&G Pte. Ltd.[(a)]	Singapore	Provision of obstetrics and gynaecology services	**100**	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**	85
SMG Heart Centre Pte. Ltd.[(a)]	Singapore	Provision of cardiology services	**80**	60
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**	80
The Breast Clinic Pte. Ltd.[(a)]	Singapore	Provision of breast related medical services	**60**	–

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16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of company	Principal place of business	Principal activities	Proportion (%) of ownership interest 2019	2018
Held through SMG Astra Women's Specialists Pte. Ltd.				
Alpha Healthcare International Pte. Ltd.[(a)(1)]	Singapore	Provision of obstetrics and gynaecology services	**100**	100
Astra Centre for Women & Fertility Pte. Ltd.[(a)(1)]	Singapore	Provision of obstetrics and gynaecology services	**100**	100
Astra Women's Specialists (JL) Pte. Ltd.[(a)(1)]	Singapore	Provision of obstetrics and gynaecology services	**100**	100
Astra Women's Specialists (WB) Pte. Ltd.[(a)(1)]	Singapore	Provision of obstetrics and gynaecology services	**100**	100
Fong's Clinic (TB) Pte. Ltd.[(a)(1)]	Singapore	Provision of obstetrics and gynaecology services	**100**	100
TCK @Novena Pte. Ltd.[(a)(1)]	Singapore	Provision of obstetrics and gynaecology services	**100**	100
The Women's Specialists Centre (HC) Pte. Ltd.[(a)(1)]	Singapore	Provision of obstetrics and gynaecology services	**100**	100
Held through SMG Kids Clinic Pte. Ltd.				
Children's Clinic Central Pte. Ltd.[(a)(2)]	Singapore	Provision of paediatrics services	**100**	100
Kids Clinic @ Bishan Pte. Ltd.[(a)(2)]	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	**85**	85
SW1 (Vietnam) Pte. Ltd.[(a)]	Singapore	Investment holding	**61****	57**
Held through Pheniks Pte. Ltd.				
SW1 Plastic Surgery Pte. Ltd.[(a)]	Singapore	Provision of aesthetics services	**68**	68

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16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Audited by Ernst & Young LLP, Singapore

(1) These subsidiaries are collectively known as the Astra Companies.

(2) These subsidiaries are collectively known as the Kids Clinics.

* 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 61% (2018: 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., a related party, which the Company holds an effective interest of 24% (2018: 16%) comprising a direct and indirect interest of 11% and 13%. (2018: indirect interest of 16%) respectively.

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.

As at 31 December 2019, the recoverable amounts of certain subsidiaries were determined to be $2,646,000 (2018: $Nil). In view of the continued losses and closure of certain clinics, impairment losses of $2,508,000 (2018: $3,466,000) were recognised by 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% (2018: 10.5%). Management had applied 1.0% (2018: 1.0%) growth rate to extrapolate cash flow projections beyond the five-year period for 2019.

As at 31 December 2019, the recoverable amounts of certain subsidiaries were determined to be $1,169,000 (2018: $Nil). With the repayment of amounts due from subsidiaries, impairment losses of $1,169,000 (2018: $Nil) that were previously recognised for the Company were reversed.

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 2019:					
Cancer Centre Pte. Ltd. ("CCPL")	Provision of oncology services (Singapore)	**10%**	**364**	**888**	**380**
SMG Heart Centre Pte. Ltd. ("SHCPL")	Provision of cardiology services (Singapore)	**20%**	**17**	**(139)**	**–**
31 December 2018:					
Cancer Centre Pte. Ltd.	Provision of oncology services (Singapore)	10%	389	904	250
SMG Heart Centre Pte. Ltd.	Provision of cardiology services (Singapore)	40%	(313)	(313)	–

NOTES TO THE FINANCIAL STATEMENTS

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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 subsidiaries with material non-controlling interests are as follows:

Summarised balance sheet

	CCPL		SHCPL	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Assets	**4,250**	4,858	**657**	207
Liabilities	**3,162**	2,646	**1,604**	245
Net current assets/(liabilities)	**1,088**	2,212	**(947)**	(38)
Non-current				
Assets	**7,798**	6,858	**252**	121
Liabilities	**3**	31	**–**	865
Net non-current assets/(liabilities)	**7,795**	6,827	**252**	(744)
Net assets/(liabilities)	**8,883**	9,039	**(695)**	(782)

Summarised statement of comprehensive income

	CCPL		SHCPL	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	**19,822**	18,462	**1,756**	853
Profit/(loss) before income tax	**4,278**	3,669	**(49)**	(782)
Income tax (expense)/credit	**(633)**	224	**135**	–
Profit/(loss) for the year, representing total comprehensive income for the year	**3,645**	3,893	**86**	(782)

Other summarised information

	CCPL		SHCPL	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Net cash flows from operations	**3,042**	2,614	**187**	(629)
Acquisition of significant property, plant and equipment	**7**	6	**32**	143

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16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Acquisition of subsidiary

Acquisition in 2018

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 had 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 were expected to be collectible.

Goodwill arising from acquisition

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. None of the goodwill recognised is expected to be deductible for income tax purposes.

Impact of the acquisition on profit or loss

For the period from 23 April 2018 to 31 December 2018, Pheniks 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**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Acquisition of subsidiary (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)

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16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Acquisition of subsidiary (Continued)

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 33). 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.

Acquisition of ownership interest in subsidiary, without loss of control

On 15 January 2019, the Company acquired an additional 20% equity interest in SMG Heart Centre Pte. Ltd. ("SHCPL") from its non-controlling interests for a cash consideration of $40, increasing its ownership from 60% to 80%. The carrying amount of the net liabilities of SHCPL as at 15 January 2019 was $772,000. The Group recognised an increase in non-controlling interests of $154,000 and a decrease in retained earnings of $154,000.

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:

	2019 SHCPL $'000
Non-controlling interests acquired	*
Increase in equity attributable to non-controlling interests	**154**
Decrease in equity attributable to owners of the Company	**(154)**

* Amounts less than $1,000.

17. INVESTMENT IN JOINT VENTURES

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Equity shares, at cost	**2,090**	2,932	**2,090**	2,932
Loans to joint venture	**61**	301	**61**	301
Share of post-acquisition reserves	**(402)**	(1,561)	**–**	–
Impairment loss	**–**	(30)	**–**	(692)
	1,749	1,642	**2,151**	2,541

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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	
		2019 $'000	2018 $'000	2019 %	2018 %
PT Ciputra SMG (Indonesia)	Provision of LASIK and general ophthalmological services	**850**	949	**40**	40
SMG Leaders Pte. Ltd.[(a)] (Singapore)	Dormant company	**–**	693	**–**	51
CardioScan Asia Pte. Ltd. (formerly known as SMG CardioScan Pte. Ltd.) and its subsidiary (Singapore and Malaysia)	Provision of cardiac monitoring and reporting services	**–**	50	**–***	50
SMG International (Vietnam) Pte. Ltd. (Singapore)	Investment holding	**1,240**	1,240	**50**	50

Name of company (Country of incorporation and place of business)	Principal activities	Percentage of equity held by the Group	
		2019 %	2018 %
Held by SMG International (Vietnam) Pte. Ltd.			
CityClinic Asia Investments Pte. Ltd. and its subsidiary (Singapore and Vietnam)	Investment holding and business and management consultancy services, and provision of outpatient healthcare services	**13**	16

(a) The joint venture was officially liquidated on 13 February 2019.

* During the year, there was a dilution in the Group's ownership interest in CardioScan Asia Pte. Ltd. (formerly known as SMG CardioScan Pte. Ltd.) from 50% to 40%. Due to the change in control, the Group has accounted for it as an associate (Note 18).

Loans to joint venture were unsecured and non-interest bearing, where the settlement of these loans were 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 were accounted for at cost less accumulated impairment losses.

NOTES TO THE **FINANCIAL STATEMENTS**

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17. INVESTMENT IN JOINT VENTURES (CONTINUED)

During the financial year:

(a) PT Ciputra SMG ("PTCS") conducted a capital reduction exercise reducing its share capital by 5,000,000 ordinary shares of Indonesian Rupiah ("IDR") 1,000 each. On completion of the capital reduction exercise, the Company received IDR 2 billion (equivalent to $213,000) from PTCS. There was no change in the Company's interest after the capital reduction exercise. The Company also received capital repayments of IDR 960 million (equivalent to $103,000) from PTCS.

(b) CardioScan Asia Pte. Ltd. (formerly known as SMG CardioScan Pte. Ltd.) ("CAPL") entered into a shareholders agreement and incorporated a subsidiary, CardioScan Malaysia Sdn Bhd ("CMSB"), with an external party and made a capital contribution of Ringgit Malaysia ("RM") 195,000 (equivalent to $65,000) to the share capital of CMSB. CAPL holds a 65% interest in the share capital of CMSB.

(c) The Group's ownership interest in CAPL was diluted from 50% to 40% following the issuance of 25,000 shares to an external party for a cash consideration of $100,000. The new shareholders agreement was entered into between the Company and the external party which replaced the existing joint venture agreement on 27 November 2019. The carrying amount of CAPL's net assets on the date of issuance of shares was $120,000 and a gain on dilution of control in joint venture of $29,000 was recognised in the Group's profit or loss. CAPL was reclassified as an associate after the dilution of interest.

(d) SMG International (Vietnam) Pte. Ltd.'s ("SIV") ownership interest in CityClinic Asia Investments Pte. Ltd. ("CCAI") was diluted from 32% to 26% following the conversion of convertible loans issued by CCAI to equity shares on 6 August 2019. The carrying amount of CCAI's net liabilities on the date of conversion was $1,380,000 and a gain on dilution of control in joint venture of $609,000 was recognised by SIV.

Impairment of investment in joint ventures

In 2018, with the improved performance and higher forecasted sales from the clinic under PTCS, impairment losses of $167,000 and $617,000 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 Group's profit or loss under the line item "Other gains".

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%. Management had applied 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:

	2019		2018	
	SMGIV	**Others**	**SMGIV**	**Others**
	$'000	**$'000**	**$'000**	**$'000**
Summarised statement of comprehensive income				
Revenue	**–**	**4,229**	–	3,145
Other gain	**598**	**–**	–	–
Operating expenses	**(15)**	**(2,795)**	(36)	(2,309)
Depreciation and amortisation	**–**	**(322)**	–	(359)
Share of results of joint venture	**(432)**	**–**	(488)	–
Profit/(loss) before tax	**151**	**1,112**	(524)	477
Income tax expense	**–**	**–**	–	–
Profit/(loss) after tax, representing total comprehensive income for the year	**151**	**1,112**	(524)	477
Summarised balance sheet				
Current assets[i]	**37**	**2,831**	131	1,001
Non-current assets	**1,406**	**11**	1,257	1,665
Total assets	**1,443**	**2,842**	1,388	2,666
Current liabilities (excluding trade, other payables and provisions)	**(8)**	**(112)**	(9)	(105)
Other current liabilities	**–**	**(274)**	(1)	(285)
Total current liabilities	**(8)**	**(386)**	(10)	(390)
Non-current liabilities	**–**	**(51)**	–	(32)
Total liabilities	**(8)**	**(437)**	(10)	(422)
Net assets	**1,435**	**2,405**	1,378	2,244
Proportion of the Group's ownership	**50.0%**	**40.0%**	50.0%	41.4%
Group's share of net assets	**718**	**962**	689	929
Impairment loss	**–**	**–**	–	(30)
Other adjustments	**68**	**1**	30	24
Carrying amount of the investment	**786**	**963**	719	923
[i] Includes:				
Cash and cash equivalents	**35**	**491**	52	861
Trade receivables	**–**	**17**	–	51

Other joint ventures are individually not significant to the Group.

The joint ventures require the Group's consent to distribute its profits. The Group does not foresee giving such consent at the reporting date.

The joint ventures had no contingent liabilities or capital commitments as at 31 December 2019 and 2018.

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18. INVESTMENT IN ASSOCIATES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Equity shares, at cost	**5,869**	5,819	**5,869**	5,819
Loan to associate	**300**	–	**300**	–
Amounts due from associate	**226**	226	**226**	226
Share of post-acquisition reserves	**(527)**	(331)	**–**	–
	5,868	5,714	**6,395**	6,045

During the financial year, the Company provided a loan of Australian Dollar ("AUD" or "A$") 315,000 (equivalent to $300,000) to CHA SMG (Australia) Pte. Ltd. ("CSA"). The loan is unsecured, bears interest at 3.60% (2018: Nil%) per annum.

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

The associated 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	
		2019	**2018**	**2019**	**2018**
		$'000	**$'000**	**%**	**%**
CHA SMG (Australia) Pte. Ltd. and its subsidiaries (Singapore and Australia)	Investment holding and provision of fertility treatments	**5,819**	5,819	**20**	20
CardioScan Asia Pte. Ltd. (formerly known as SMG CardioScan Pte. Ltd.) and its subsidiary (Singapore and Malaysia)	Provision of cardiac monitoring and reporting services	**50**	–	**40**	–*

* During the year, there was a dilution in the Group's ownership interest in CardioScan Asia Pte. Ltd. (formerly known as SMG CardioScan Pte. Ltd.) from 50% to 40%. Prior to the change in control, the Group has accounted for it as a joint venture (Note 17).

NOTES TO THE **FINANCIAL STATEMENTS**

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18. INVESTMENT IN ASSOCIATES (CONTINUED)

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

	CAPL	CSA	
	2019	2019	2018
	$'000	$'000	$'000
Summarised statement of comprehensive income			
Revenue	**289**	**25,734**	21,838
Operating expenses	**(276)**	**(22,898)**	(20,766)
Profit/(loss) before tax, representing total comprehensive income for the year	**13**	**(2,836)**	1,072
Summarised balance sheet			
Current assets	**231**	**4,637**	8,164
Non-current assets	**137**	**74,113**	44,258
Total assets	**368**	**78,750**	52,422
Current liabilities	**(156)**	**(14,995)**	(3,222)
Non-current liabilities	**–**	**(22,841)**	(5,626)
Total liabilities	**(156)**	**(37,836)**	(8,848)
Net assets	**212**	**40,914**	43,574
Less: Losses/(gains) attributable to non-controlling interests	**6**	**(14,115)**	(14,892)
Less: Foreign currency translation reserve	*****	**–**	–
	218	**26,799**	28,682
Proportion of the Group's ownership	**40%**	**20%**	20%
Group's share of net assets	**87**	**5,360**	5,736
Other adjustments	**–**	**422**	(22)
Carrying amount of the investment	**87**	**5,782**	5,714

* Amount less than $1,000.

The associates require the Group's consent to distribute its profits. The Group does not foresee giving such consent at the reporting date.

The associates had no contingent liabilities or capital commitments as at 31 December 2019 and 2018.

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19. OTHER INVESTMENT

	Group and Company	
	2019	2018
	$'000	$'000
Equity instrument designated at fair value through OCI		
Non-listed equity investment		
CityClinic Asia Investments Pte. Ltd. ("CCAI")	**1,285**	–

Equity instrument designated at fair value through OCI includes investment in equity shares of a non-listed company, CCAI. The Company holds non-controlling interests of 12% in CCAI. The investment was irrevocably designated at fair value through OCI as the Company considers the investment to be strategic in nature.

During the financial year, the Company converted the convertible loans to CCAI of United States Dollar ("USD" or "US$") 689,000 (equivalent to $931,000) into 177,670 ordinary shares of CCAI at a conversion price of US$3.88 per share (Note 22). The Company subsequently acquired an additional 65,647 ordinary shares of CCAI for a total cash consideration of US$255,000 (equivalent to $354,000).

20. INVENTORIES

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

Inventories amounting to $12,536,000 (2018: $11,161,000) were recognised as an expense in cost of sales.

21. TRADE RECEIVABLES

	Group	
	2019	2018
	$'000	$'000
Trade receivables	**5,631**	6,031

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

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on 12-month ECL are as follows:

	Group	
	2019	2018
	$'000	$'000
Movement in allowance accounts:		
At 1 January	**136**	74
Charge for the year	**146**	62
At 31 December	**282**	136

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22. OTHER RECEIVABLES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Non-current:				
Refundable deposits	**1,440**	1,354	**758**	669
Convertible loans to a related party	**–**	619	**–**	619
Loans to a related party	**1,268**	927	**–**	–
Lease receivable	**198**	–	**–**	–
	2,906	2,900	**758**	1,288
Current:				
Refundable deposits	**310**	349	**55**	87
Amounts due from joint ventures	**–**	44	**–**	–
Amounts due from associates	**110**	–	**71**	–
Lease receivable	**84**	–	**–**	–
Other receivables	**1,153**	644	**141**	6
	1,657	1,037	**267**	93
Total other receivables	**4,563**	3,937	**1,025**	1,381
Movement in allowance account:				
At 1 January	**–**	93	**–**	51
Written off	**–**	(93)	**–**	(51)
At 31 December	**–**	–	**–**	–

Convertible loans to a related party, CCAI, 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 US$3.88 of the loan. During the financial year, the Company provided additional convertible loans of US$230,000 (equivalent to $312,000) to the related party and all the convertible loans of US$689,000 (equivalent to $931,000) were converted into equity shares at the conversion price of US$3.88 per share (Note 19).

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

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
USD	**1,268**	1,546	**–**	619

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23. DUE FROM/(TO) RELATED COMPANIES

	Company	
	2019 $'000	2018 $'000
Due from related companies:		
Due from subsidiaries	**11,312**	8,525
Due to related companies:		
Due to subsidiaries:		
– current	**(8,972)**	–
– non-current	**(7,783)**	(16,274)
	(16,755)	(16,274)

Other than amounts due to subsidiaries of $7,783,000 (2018: $6,852,000) which bear interest at 1.61% (2018: 1.38%) per annum, these balances are unsecured, non-interest bearing, repayable on demand and are to be settled in cash. Amounts due to subsidiaries of $7,783,000 (2018: $16,274,000) are classified as non-current since the amounts are not due within a year.

	Company	
	2019 $'000	2018 $'000
Movement in allowance account:		
At 1 January	**–**	5,807
Written off	**–**	(427)
Transfer to investment in subsidiaries	**–**	(5,380)
At 31 December	**–**	–

24. CASH AND BANK BALANCES

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Cash and bank balances	**22,306**	16,012	**7,149**	2,071
Short-term deposits	**5,010**	4,000	**5,010**	4,000
	27,316	20,012	**12,159**	6,071

Other than $3,682,000 (2018: $9,721,000), cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for fixed period of 3 months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

At 31 December 2019, the Group had available $8,500,000 (2018: $2,500,000) of undrawn committed borrowing facilities.

25. 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 2019

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Current:				
Goods and services tax payables, net	**1,219**	1,008	**74**	81
Medisave payable to patients	**114**	113	**–**	–
Accrued operating expenses	**9,178**	7,939	**713**	648
Amounts due to joint ventures	**–**	5	**–**	–
Loan due to a joint venture	**109**	109	**–**	–
Sundry creditors	**1,563**	1,136	**227**	264
	12,183	10,310	**1,014**	993
Non-current:				
Provision for reinstatement (Note 27)	**379**	408	**212**	85
Sundry creditors	**–**	95	**–**	–
	379	503	**212**	85
Total other payables and accruals	**12,562**	10,813	**1,226**	1,078

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.

27. PROVISION

A provision is recognised for costs expected to be incurred to reinstate office or clinic premises to its original state at the end of the lease term.

Movements in provision for reinstatement are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	**408**	309	**85**	15
Arising from adoption of SFRS(I) 16	**–**	–	**127**	–
At 1 January (adjusted)	**408**	309	**212**	15
Arising during the year	**–**	99	**–**	70
Unused amounts reversed	**(29)**	–	**–**	–
At 31 December	**379**	408	**212**	85

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

28. DEFERRED PURCHASE CONSIDERATION

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Deferred purchase consideration:				
– current	**1,377**	15,538	**–**	1,000
– non-current	**–**	1,335	**–**	–
	1,377	16,873	**–**	1,000

Deferred purchase consideration relates to outstanding cash consideration arising from the acquisition of the Astra Companies, the Kids Clinics, Babies and Children Specialist Clinic Pte. Ltd. and Pheniks. During the financial year, $15,611,000 (2018: $17,432,000) of the deferred purchase consideration was paid.

29. LEASES

As lessee

The Group has lease contracts for medical equipment, and office and clinic premises used in its operations. These leases generally have lease terms between 2 and 5 years. The Group's and Company's obligations under its leases for medical equipment are secured by the lessor's title to the leased assets. The outstanding amount of obligations under its leases for medical equipment is secured by way of a charge over the lease assets and corporate guarantee by the Company.

Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There are several lease contracts that include extension and termination options, which are further discussed below. All leases do not contain variable payments.

The Group also has certain leases of clinic premises with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Medical equipment $'000	Office and clinic premises $'000	Total $'000
Group			
At 1 January 2019, upon adoption of SFRS(I) 16	**4,695**	**13,158**	**17,853**
Additions	**403**	**1,159**	**1,562**
Depreciation charge for the year	**(872)**	**(5,052)**	**(5,924)**
Reclassification to property, plant and equipment (Note 14)	**(484)**	**–**	**(484)**
At 31 December 2019	**3,742**	**9,265**	**13,007**
Company			
At 1 January 2019, upon adoption of SFRS(I) 16	**786**	**4,850**	**5,636**
Additions	**–**	**1,159**	**1,159**
Depreciation charge for the year	**(189)**	**(2,503)**	**(2,692)**
At 31 December 2019	**597**	**3,506**	**4,103**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

29. LEASES (CONTINUED)

As lessee (Continued)

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Group 2019 $'000	Company 2019 $'000
At 1 January	16,450	5,400
Additions	1,520	1,159
Accretion of interest	397	128
Payments	(6,690)	(2,834)
At 31 December	11,677	3,853
Current	5,880	2,556
Non-current	5,797	1,297
	11,677	3,853

The maturity analysis of lease liabilities are disclosed in Note 42(b).

The following are the amounts recognised in profit or loss:

	Group 2019 $'000
Depreciation of right-of-use assets	5,924
Interest expense on lease liabilities	397
Lease expenses not capitalised in lease liabilities:	
– Expenses relating to short-term leases (included in cost of sales)	836
– Expenses relating to leases of low-value assets (included in administrative expenses)	228
Total (Note 9)	1,064
Total amount recognised in profit or loss	7,385

Depreciation of right-of-use assets of $5,052,000 and $872,000 are included in the "cost of sales" and "administrative expenses" line items in profit or loss respectively.

The Group had total cash outflows for leases of $6,690,000 in 2019. The Group also had non-cash additions to right-of-use assets and lease liabilities of $1,520,000 in 2019.

The Group has several lease contracts for clinic premises that include extension and termination options, for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise these extension options. These options are negotiated by management to provide operational flexibility in terms of managing the assets used in the Group's operations.

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29. LEASES (CONTINUED)

As lessee (Continued)

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	Group Within five years $'000	Group More than 5 years $'000	Group Total $'000
2019			
Extension options expected not to be exercised	**1,469**	**1,810**	**3,279**

In prior year, the Group and Company leased certain medical equipment under finance leases. As at 31 December 2018, the future minimum lease payments under finance lease and the present value of the net minimum lease payments are as follows:

	Group 2018		Company 2018	
	Minimum lease payments $'000	Present value of payments $'000	Minimum lease payments $'000	Present value of payments $'000
Not later than 1 year	1,478	1,446	297	281
Later than 1 year but not later than 5 years	1,773	1,724	371	364
Total minimum lease payments	3,251	3,170	668	645
Less: Amounts representing finance charges	(81)	–	(23)	–
Present value of minimum lease payments	3,170	3,170	645	645

There were no restrictions placed upon the Group and the Company by entering into the leases. The range of discount rate implicit in the leases was 1.65% to 4.27% per annum for the financial year ended 31 December 2018. The outstanding amount of finance lease obligations was secured by way of a charge over the lease assets (Note 14) and corporate guarantee by the Company.

Finance lease liabilities were reclassified to lease liabilities on 1 January 2019 arising from the adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 2.2.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

29. LEASES (CONTINUED)

As lessor

The Group has entered into an operating lease on its clinic premise. The lease has a remaining lease term of four years.

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

	Group	
	2019	**2018**
	$'000	**$'000**
Not later than 1 year	**76**	84
Later than 1 year but not later than 5 years	**221**	355
	297	439

The leases do not contain escalation clauses to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Rental income recognised by the Group during the year is $74,000 (2018: $87,000).

30. CONVERTIBLE LOAN

On 4 June 2019, the Company obtained a convertible loan of $10,000,000 from a significant shareholder. Interest is charged at 3.50% per annum and the loan is unsecured and repayable 12 months from the date of drawdown or may be converted into shares of the Company at the option of the lender at the conversion rate of 1 share per $0.423 of the loan.

The fair value of the liability component is calculated using a market interest rate for an equivalent convertible loan at the date of drawdown. The residual amount, representing the value of the equity conversion component, is included in equity, net of transaction costs.

The carrying amount of the liability component of the convertible loan at the end of the reporting period is arrived as follows:

	Group and Company
	2019
	$'000
Face value of convertible loan	**10,000**
Equity component	**(603)**
Transaction costs	**(196)**
Liability component of convertible loan at 31 December	**9,201**

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. LOANS AND BORROWINGS

Term loans	Effective interest rate	Maturity	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Current						
Term loans:	3.82% to 4.66%	2020 – 2022				
– secured			**4,709**	4,557	**–**	–
– unsecured			**1,000**	216	**1,000**	216
			5,709	4,773	**1,000**	216
Non-current						
Term loans:	4.38% to 4.66%	2021 – 2022				
– secured			**5,295**	9,980	**–**	–
			5,295	9,980	**–**	–
Total loans and borrowings			**11,004**	14,753	**1,000**	216

Loans and borrowings amounting to $8,383,000 (2018: $11,908,000) 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 $1,621,000 as at 31 December 2019 (2018: $2,629,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. LOANS AND BORROWINGS (CONTINUED)

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

			Non-cash changes			
	1.1.2019 $'000	Cash flows $'000	Acquisition $'000	Amortisation of loan cost and interest accrued $'000	Other $'000	31.12.2019 $'000
Group						
Convertible loan (Note 30):						
– current	–	9,804	–	–	(603)	9,201
Loans and borrowings:						
– current	4,773	(3,867)	–	36	4,767	5,709
– non-current	9,980	–	–	82	(4,767)	5,295
Lease liabilities:						
– current	5,637	(6,293)	331	–	6,205	5,880
– non-current	10,813	–	1,189	–	(6,205)	5,797
Total	31,203	(356)	1,520	118	(603)	31,882

			Non-cash changes			
	1.1.2018 $'000	Cash flows $'000	Acquisition $'000	Amortisation of loan costs and interest accrued $'000	Other $'000	31.12.2018 $'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
Lease liabilities:						
– 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

The "Other" column relates to recognition of the equity component of the convertible loan and reclassification of non-current portion of loans and borrowings, including lease liabilities, due to passage of time.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	Group				Company	
	Consolidated Balance Sheet		Consolidated Income Statement		Balance Sheet	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Deferred tax assets:						
Unutilised tax losses	**135**	7	**128**	(75)	**–**	–
Excess of tax written down values over net book values of property, plant and equipment	**616**	834	**(218)**	(123)	**286**	170
Fair value adjustment on acquisition of subsidiary	**3**	3	**–**	3	**–**	–
	754	844	**(90)**	(195)	**286**	170
Deferred tax liabilities:						
Differences in depreciation for tax purposes	**175**	117	**(58)**	(114)	**–**	–
Fair value adjustment on acquisition of subsidiaries	**53**	53	**–**	47	**–**	–
	228	170	**(58)**	(67)	**–**	–
Deferred tax expense			**(148)**	(262)		

Unrecognised tax losses

At the balance sheet date, the Group has tax losses of approximately $3,782,000 (2018: $2,970,000) 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.

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33. SHARE CAPITAL

	Group and Company			
	2019		2018	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares:				
At 1 January	**480,651**	**118,918**	459,415	108,738
Issued for Rights Issue (note a)	**–**	**–**	14,256	6,843
Issued for acquisition of subsidiary (note b)	**–**	**–**	6,055	2,997
Share issuance expenses	**–**	**–**	–	(312)
Exercise of share options (note c)	**2,370**	**718**	925	245
Reclassification from share option reserve for share options exercised by employees	**–**	**153**	–	407
At 31 December	**483,021**	**119,789**	480,651	118,918

(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).

(c) During the financial year, the Company issued 2,370,000 (2018: 925,000) 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.

34. TREASURY SHARES

	Group and Company			
	2019		2018	
	No. of shares '000	$'000	No. of shares '000	$'000
At 1 January	**–**	**–**	–	–
Acquired during the financial year	**139**	**42**	–	–
At 31 December	**139**	**42**	–	–

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The Company acquired 139,000 (2018: Nil) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was $42,000 (2018: $Nil) and this was presented as a component within shareholders' equity.

NOTES TO THE **FINANCIAL STATEMENTS**

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35. 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.

36. EQUITY COMPONENT OF CONVERTIBLE LOAN

This represents the residual amount of convertible loan after deducting the fair value of the liability component. This amount is presented net of transactions costs arising from the convertible loan.

37. 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.

38. PROPOSED DIVIDENDS

	Group and Company	
	2019	2018
	$'000	$'000
Proposed dividends on ordinary shares:		
Final exempt (one-tier) dividend for year ended 2019: $0.008 (2018: $Nil) per share	**3,863**	–

Proposed dividends on ordinary shares are subject to approval at the annual general meeting and are not recognised as a liability as at 31 December 2019.

39. SHARE-BASED PAYMENT ARRANGEMENT

At 31 December 2019, 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.

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39. SHARE-BASED PAYMENT ARRANGEMENT (CONTINUED)

SMG Share Option Scheme (Continued)

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:

	2019		2018	
	No.	**WAEP ($)**	**No.**	**WAEP ($)**
Outstanding at 1 January	**10,875,000**	**0.411**	6,480,000	0.266
– Granted	**1,935,000**	**0.393**	5,320,000	0.493
– Exercised	**(2,370,000)**	**0.303**	(925,000)	0.265
– Forfeited	**(90,000)**	**0.544**	–	–
Outstanding at 31 December	**10,350,000**	**0.431**	10,875,000	0.411
Exercisable at 31 December	**4,365,000**	**0.388**	2,865,000	0.323

– The weighted average fair value of options granted during the financial year was $0.431 (2018: $0.411).

– The weighted average share price at the date of exercise of the options exercised during the financial year was $0.399 (2018: $0.518).

– The range of exercise prices for options outstanding at the end of the year was $0.303 to $0.544 (2018: $0.303 to $0.544). The weighted average remaining contractual life for these options is 3.09 (2018: 3.56) years.

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 2019 and 2018:

	2019	**2018**
Dividend yield	**1.44%**	–
Expected volatility (weighted-average)	**26.4%**	28.0%
Risk free interest rate (weighted-average)	**1.93%**	2.08%
Expected life of options (weighted-average)	**3.67 years**	3.68 years
Weighted average share price	**$0.380**	$0.500

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.

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39. SHARE-BASED PAYMENT ARRANGEMENT (CONTINUED)

SMG Share Plan

Under the SMG Share Plan ("SSP"), 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.

No performance shares are granted during the financial year. In 2018, 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 years ended 31 December 2019 and 2018.

40. COMMITMENTS

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

As at 31 December 2018, future minimum lease payments under non-cancellable operating leases contracted for but not recognised as liabilities, are as follows:

	Group 2018 $'000
Not later than 1 year	5,600
Later than 1 year but not later than 5 years	10,072
	15,672

Minimum lease payments recognised as an expenses in profit or loss for the financial year ended 31 December 2018 amounted to $5,313,000.

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 receivables under the operating leases at the end of the reporting period are as follows:

	Group 2018 $'000
Not later than 1 year	84
Later than 1 year but not later than 5 years	355
	439

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40. COMMITMENTS (CONTINUED)

Operating lease commitments – as lessor (Continued)

As disclosed in Note 2.2, the Group has adopted SFRS(I) 16 on 1 January 2019, except for short-term and low value leases. As at 31 December 2019, these lease payments have been recognised as rights-of-use assets and lease liabilities, while rental receivables have been recognised as lease receivables under other receivables on the balance sheet.

41. 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) General Medicine and health screening services; and (f) 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 and telemedicine services.

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated 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 2019

41. 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
2019					
Revenue:					
External customers	62,766	31,803	103	–	94,672
Inter-segment	24	1,261	624	(1,909)	–
Total revenue	62,790	33,064	727	(1,909)	94,672
Segment results:					
Segment gross profit[1]	26,737	16,424	488	(408)	43,241
Depreciation of property, plant and equipment	(854)	(1,690)	(465)	–	(3,009)
Depreciation of right-of-use assets	–	(683)	(189)	–	(872)
Amortisation of intangible assets	(6)	(108)	(131)	–	(245)
(Loss)/gain on disposal of property, plant and equipment	(4)	21	(5)	–	12
Share-based compensation expense	–	–	(390)	–	(390)
Gain on dilution of interest in joint venture	29	–	–	–	29
Impairment of trade receivables	(45)	(101)	–	–	(146)
Bad debt written off	–	(1)	–	–	(1)
Finance income	6	13	81	–	100
Interest expenses	(625)	(202)	(417)	–	(1,244)
Amortisation of loan costs	(45)	–	–	–	(45)
Accretion of interest on deferred purchase consideration	(115)	–	–	–	(115)
Share of results of joint ventures and associates	(105)	378	–	–	273
Unallocated expenses					(21,519)
Profit before tax					16,069

1 *Included in segment gross profit is depreciation of right-of-use assets of $5,052,000 of which $1,209,000, $1,342,000 and $2,501,000 are allocated to Health Business, Diagnostic and Aesthetics Business and Others segment respectively.*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

41. SEGMENT INFORMATION (CONTINUED)

	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

Geographical information

The Group mainly derives its revenue from Singapore, except for its share of results from joint ventures and associates of $451,000 (2018: $85,000) profits and $178,000 (2018: $141,000) losses respectively.

The share of losses from joint ventures from foreign operations includes profits from Vietnam of $73,000 (2018: losses of $261,000) and profits from Indonesia of $378,000 (2018: $176,000). The share of losses from associates of $183,000 (2018: profits of $141,000) were derived from Australia.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

42. FINANCIAL INSTRUMENTS RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group's principal financial instruments comprise convertible loan, lease liabilities, bank loans and borrowings, and cash and bank balances. The main purpose of these financial instruments is to raise finances for the Group's operations. The Group has 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 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 2019 and 2018.

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

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group'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 interest-bearing loans and borrowings for the financial years ended 31 December 2019 and 2018. 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 31 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 (2018: 100) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $81,000 (2018: $45,000) 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.

(b) Liquidity risk

Liquidity risk is the risk that the Group 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 2019

42. FINANCIAL INSTRUMENTS RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

(b) 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				
2019				
Financial liabilities				
Trade payables	25	**2,120**	**–**	**2,120**
Other payables and accruals*	26	**10,964**	**–**	**10,964**
Deferred purchase consideration		**1,392**	**–**	**1,392**
Lease liabilities		**6,081**	**5,936**	**12,017**
Convertible loan		**10,352**	**–**	**10,352**
Loans and borrowings and related interest expense		**6,183**	**5,532**	**11,715**
Total undiscounted financial liabilities		**37,092**	**11,468**	**48,560**
2018				
Financial liabilities				
Trade payables	25	1,648	–	1,648
Other payables and accruals*	26	9,302	95	9,397
Deferred purchase consideration		15,611	1,392	17,003
Lease liabilities	29	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	13,435	46,635

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

42. FINANCIAL INSTRUMENTS RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

(b) 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				
2019				
Financial liabilities				
Trade payables	25	**2**	**–**	**2**
Other payables and accruals*	26	**940**	**–**	**940**
Due to related companies		**8,972**	**8,034**	**17,006**
Lease liabilities		**2,597**	**1,355**	**3,952**
Convertible loan		**10,352**	**–**	**10,352**
Loans and borrowings and related interest expense		**1,010**	**–**	**1,010**
Total undiscounted financial liabilities		**23,873**	**9,389**	**33,262**
2018				
Financial liabilities				
Trade payables	25	2	–	2
Other payables and accruals*	26	912	–	912
Deferred purchase consideration		1,000	–	1,000
Due to related companies		–	16,463	16,463
Lease liabilities	29	297	371	668
Loans and borrowings and related interest expense		217	–	217
Total undiscounted financial liabilities		2,428	16,834	19,262

* Other payables and accruals exclude "Goods and services tax payables" and "Provision for reinstatement".

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract leading to a financial loss. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

42. FINANCIAL INSTRUMENTS RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

(c) Credit risk (Continued)

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.

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

42. FINANCIAL INSTRUMENTS RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

(c) Credit risk (Continued)

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 2019 and 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 $4,563,000 and $12,337,000 (2018: $3,318,000 and $9,287,000) respectively as at 31 December 2019.

The gross carrying amounts of trade receivables of the Group are disclosed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

42. FINANCIAL INSTRUMENTS RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

(c) 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 the balance sheet date 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:

	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
2019					
Gross carrying amount	**2,316**	**1,291**	**611**	**1,695**	**5,913**
Loss allowance provision	**–**	**–**	**–**	**(282)**	**(282)**
Net carrying amount	**2,316**	**1,291**	**611**	**1,413**	**5,631**
2018					
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 21.

During the financial year, the Group wrote off $1,000 (2018: $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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

42. FINANCIAL INSTRUMENTS RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

(c) Credit risk (Continued)

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

Trade and other receivables that are either past due or impaired is disclosed in Note 21 and 22.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to foreign currency risk arises primarily from 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	
		2019 $'000 Profit before tax	2018 $'000 Profit before tax
USD/SGD	– strengthened 5% (2018: 5%)	**+58**	+72
	– weakened 5% (2018: 5%)	**-58**	-72

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

43. 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.

(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) 2019 $'000	2018 $'000
Group and Company			
Equity instruments at FVOCI			
Non-listed equity investment	19	**1,285**	–
Debt instruments at fair value though profit or loss			
Convertible loans to a related party	22	**–**	619

There has been no transfer between Level 1, Level 2 and Level 3 of the fair value hierarchy during the financial years ended 31 December 2019 and 2018.

(c) Level 3 fair value measurements

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)
Group and Company				
2019				
Non-listed equity investment	**1,285**	Last transaction price	NA	NA
2018				
Convertible loans to a related party	619	Discounted cash flow	Cost of capital	5.0% to 9.0% (7.0%)

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

43. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Level 3 fair value measurements (Continued)

Non-listed equity investment

The investment in CCAI is valued using market observable inputs. The fair value was estimated based on the subscription price of a recent share subscription exercise that was conducted subsequent to 31 December 2019 (refer to Note 45).

Reconciliation of fair value measurement of non-listed equity investments classified as equity instruments designated at fair value through OCI:

	Other investment $'000
At 1 January 2019	–
Additions	1,285
Remeasurement recognised in OCI	–
At 31 December 2019	1,285

Convertible loans to a related party

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

43. 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

Cash and bank balances (Note 24), current trade and other receivables (Note 21 and 22), current amounts due from/(to) related companies (Note 23), current trade, other payables and accruals (Note 25 and 26), current deferred purchase consideration (Note 28), convertible loan (Note 30) and loans and borrowings (Note 31)

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:

		2019		2018	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Group					
Financial assets:					
Other receivables (non-current)	22	**2,906**	**2,906**	2,281	2,281
Financial liabilities:					
Sundry creditors (non-current)	26	–	–	95	95
Deferred purchase consideration (non-current)	28	–	–	1,335	1,335
Company					
Financial assets:					
Other receivables (non-current)	22	**758**	**758**	669	669
Financial liabilities					
Due to related companies (non-current)	23	**7,783**	**7,783**	16,274	16,274

Determination of fair value

Other receivables (non-current) (Note 22), amounts due to related companies (non-current) (Note 23), sundry creditors (non-current) (Note 26) and deferred purchase consideration (non-current) (Note 28).

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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

43. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(f) Classification of financial instruments

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

	Group		Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Financial assets				
Debt instruments at fair value through profit or loss				
Convertible loans to a related party	**–**	619	**–**	619
Debt instruments at amortised cost				
Trade receivables	**5,631**	6,031	**–**	–
Other receivables	**4,563**	3,318	**1,025**	762
Due from related companies	**–**	–	**11,312**	8,525
Cash and bank balances	**27,316**	20,012	**12,159**	6,071
	37,510	29,361	**24,496**	15,358
Financial liabilities				
Financial liabilities at amortised cost				
Trade payables	**2,120**	1,648	**2**	2
Other payables and accruals*	**10,964**	9,397	**940**	912
Deferred purchase consideration	**1,377**	16,873	**–**	1,000
Due to related companies	**–**	–	**16,755**	16,274
Lease liabilities	**11,677**	3,170	**3,853**	645
Convertible loan	**9,201**	–	**9,201**	–
Loans and borrowings	**11,004**	14,753	**1,000**	216
	46,343	45,841	**31,751**	19,049

* Other payables and accruals exclude "Goods and services tax payables" and "Provision for reinstatement".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

44. 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 2019 and 2018.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total capital. The Group includes within borrowings, lease liabilities, convertible loan, and loans and borrowings. Capital consists of equity attributable to the equity holders of the Company.

	Group	
	2019 $'000	**2018 $'000**
Lease liabilities (Note 29)	**11,677**	3,170
Convertible loan (Note 30)	**9,201**	–
Loans and borrowings (Note 31)	**11,004**	14,753
Total borrowings	**31,882**	17,923
Equity attributable to shareholders of the Company	**145,951**	130,778
Total capital	**145,951**	130,778
Gearing ratio	**22%**	14%

45. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 7 February 2020, the Company had subscribed to an additional 76,269 new ordinary shares of CCAI for a total cash consideration of US$296,000. Upon completion of the subscription, the Company holds an effective interest of 26% in CCAI comprising a direct interest of 14% and an indirect interest held through SIV of 12%.

46. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 31 March 2020.

SHAREHOLDERS' **INFORMATION**

AS AT 23 MARCH 2020

Number of shares	:	482,437,635
Issued and fully paid-up capital	:	S$100,833,870.02
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 23 March 2020 are as follows:–

	Direct Interest	**%**	**Deemed Interest**	**%**
Dr Beng Teck Liang	33,275,058	6.90	–	–
Tony Tan Choon Keat(1)	35,708,073	7.40	600,000	0.12
Silver Mines Global Limited(2)	26,949,348	5.59	–	–
Red Ancient Global Ltd(2)	377,000	0.08	26,949,348	5.59
Dr Ho Choon Hou(2)	–	–	27,326,348	5.67
CHA Healthcare Singapore Pte. Ltd.(3)	116,000,000	24.04	–	–
CHA Healthcare Co., Ltd.(3)	–	–	116,000,000	24.04
CHA Biotech Co., Ltd.(3)	–	–	116,000,000	24.04

Notes:

(1) Mr Tony Tan Choon Keat is deemed interested in the 600,000 shares held by his immediate family.

(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 26,949,348 shares held by Silver Mines and HCH is deemed to have an interest in the 26,949,348 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) 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 116,000,000 shares directly 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 23 March 2020, approximately 53.29% of the issued ordinary shares of the Company was held in the hands of the public. The number of treasury shares held by the Company as at 23 March 2020 was 584,000 shares.

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

SHAREHOLDERS' INFORMATION

AS AT 23 MARCH 2020

TWENTY LARGEST SHAREHOLDERS AS AT 23 MARCH 2020

No.	Name	No. of Shares Held	% of Shares
1	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	125,792,274	26.07
2	RAFFLES NOMINEES (PTE) LIMITED	74,435,634	15.43
3	CITIBANK NOMINEES SINGAPORE PTE LTD	46,390,150	9.62
4	DBS NOMINEES PTE LTD	40,126,229	8.32
5	PHILLIP SECURITIES PTE LTD	20,770,678	4.31
6	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	16,426,440	3.40
7	LEE WENG SOON JAMES	16,242,062	3.37
8	HENG SIOK KHENG	12,997,784	2.69
9	WONG SENG WENG	10,868,853	2.25
10	CHENG YONG LIANG	7,787,269	1.61
11	ER CHOON HUAT	5,390,000	1.12
12	NG PAU LING SIMON	4,465,921	0.93
13	HSBC (SINGAPORE) NOMINEES PTE LTD	3,284,700	0.68
14	CHAN WENG BUEN	3,250,562	0.67
15	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,917,215	0.60
16	ABN AMRO CLEARING BANK N.V.	2,095,150	0.43
17	UOB KAY HIAN PTE LTD	2,011,975	0.42
18	MORGAN STANLEY ASIA (S) SEC PTE LTD	1,950,000	0.40
19	STARICH INVESTMENTS PTE LTD	1,644,800	0.34
20	OCBC NOMINEES SINGAPORE PTE LTD	1,624,350	0.34
	TOTAL	**400,472,046**	**83.00**

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 23 MARCH 2020

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	13	0.58	414	0.00
100 – 1,000	130	5.75	71,263	0.02
1,001 – 10,000	853	37.76	5,850,900	1.21
10,001 – 1,000,000	1,237	54.76	68,276,722	14.15
1,000,001 AND ABOVE	26	1.15	408,238,336	84.62
TOTAL	**2,259**	**100.00**	**482,437,635**	**100.00**

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OUR **CLINICS**

WOMEN'S HEALTH

ASTRA WOMEN'S SPECIALISTS
www.astrawomenspecialists.com

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Mount Elizabeth Novena
Specialist Centre
Singapore 329563
+65 6353 3878

38 Irrawaddy Road #05-40
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+65 6552 7377
+65 6258 5530

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

Blk 18 Jalan Membina
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+65 6276 7727

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+65 65611322

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ASTRA LAPAROSCOPIC & ROBOTIC CENTRE FOR WOMEN AND FERTILITY
www.astralaparoscopy.com

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+65 6736 1000

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

THE OBSTETRICS & GYNAECOLOGY CENTRE
www.togc.sg

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Gleneagles Medical Centre
Singapore 258499
+65 6475 1158

38 Irrawaddy Road #05-34/35
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Specialist Centre
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+65 6262 5490

WELLNESS & GYNAECOLOGY CENTRE BY DR JULINDA LEE
www.agemanagement.com.sg

290 Orchard Road
#16-07/08 Paragon Medical
Singapore 238859
+65 6235 2152

THE BREAST CLINIC
www.thebreastclinic.sg

290 Orchard Road
#16-12 Paragon Medical
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+65 6362 8880

HEALTH

KIDS CLINIC
www.kidsclinic.sg

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Blk 177 Toa Payoh Central
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THE CANCER CENTRE
www.tcc.sg

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Singapore 238859
+65 6835 1000

CARDIAC CENTRE INTERNATIONAL
www.cci.sg

3 Mount Elizabeth #07-04
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SMG UROLOGY CENTRE WITH BENG SURGERY
www.urology.smg.sg

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SMG SPECIALIST CENTRE
www.specialist.smg.sg

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LIFESCAN MEDICAL CENTRE
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THE DENTAL STUDIO
www.dentalstudio.sg

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SINGAPORE MEDICAL GROUP LIMITED
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1004 Toa Payoh North #06-03/07 Singapore 318995
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24-HOUR PATIENT ASSISTANCE CENTRE (65) 6735 3000