

AT THE **PULSE** OF TRANSFORMATION

OUE LIPPO HEALTHCARE LIMITED
Annual Report 2018



OUE LIPPO
Healthcare



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AT THE PULSE OF TRANSFORMATION

2018 has seen OUE Lippo Healthcare Limited laying foundation for our growth as we embark on strategic initiatives and projects. With our key growth strategies in forming strategic partnerships, developing an asset-light business model and growing our Pan-Asian presence, we believe that it will be an exciting journey for us to achieve our vision in becoming Asia's leading healthcare company.

ABOUT OUE LIPPO HEALTHCARE LIMITED

OUE Lippo Healthcare Limited ("OUE LH") is a subsidiary company of OUE Limited ("OUE") and is listed on the Catalist Board of Singapore Exchange Securities Trading Limited.

OUE, listed on the Main Board of the Singapore Exchange Securities Trading Limited, is a diversified real estate owner, developer and operator with a real estate portfolio located in prime locations in Asia and the United States. OUE consistently grows its business by leveraging its brands and proven expertise in developing and managing landmark assets across the commercial, hospitality, retail and residential sectors. In March 2017, OUE expanded its portfolio into the healthcare sector with the acquisition of OUE LH.

OUE LH provides high-quality and sustainable healthcare solutions through the acquisition, development, management, and operations of healthcare facilities across Asia. Leveraging on the strategic partnerships it has, OUE LH continually seeks to expand its portfolio across the region. As at 31 December 2018, OUE owns approximately 64.35% equity interest in OUE LH.

This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this annual report.

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

The contact person for the Sponsor is Ms Gillian Goh, Director, Head of Continuing Sponsorship (Mailing address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).

OUR MILESTONES

FY2018/19

JANUARY 2018

ESTABLISHED STRATEGIC PARTNERSHIP WITH CHINA MERCHANTS GROUP

- Completed acquisition of Brainy World Holdings Limited, which indirectly holds **50.0%** shareholding interest in China Merchants Lippo Hospital Management (Shenzhen) Limited ("CMLHM"). CMLHM is a joint venture company with a subsidiary of China Merchants Shekou Industrial Zone Co., Ltd, a member company of the China Merchants Group

FEBRUARY 2018

WELCOMED ITOCHU CORPORATION AS STRATEGIC SHAREHOLDER

- Completed Placement of **562,500,000** new ordinary shares to an indirect wholly-owned subsidiary of ITOCHU Corporation



Signing Ceremony with ITOCHU Corporation



OCTOBER 2018



ACQUIRED A STRATEGIC STAKE IN FIRST REIT AND ITS MANAGER, BOWSPRIT CAPITAL CORPORATION LIMITED ("BOWSPRIT")



Siloam Hospitals Lippo Village, part of First REIT's real estate portfolio

- Completed acquisition of **40.0% interest** in Bowsprit (First REIT's manager) and **83,593,683 units** of First REIT (**10.6%**¹ of total issued and paid up units of First REIT)
- Completed a **1-for-1 Rights Issue** to fund for the acquisition of stakes in Bowsprit and First REIT

¹ As at 31 December 2018.



JUNE 2018

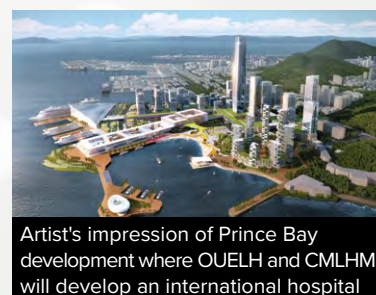
FIRST AGREEMENT ENTERED WITH CHINA MERCHANTS GROUP

- CMLHM entered into a Framework Agreement with China Changjiang National Shipping Group Co., Ltd and Shanghai Changjiang Shipping Co., Ltd.

DECEMBER 2018

DEEPENING COLLABORATION WITH CHINA MERCHANTS GROUP

- OUELH signed a letter of intent with China Merchants Shekou Industrial Zone Co., Ltd to **jointly develop, operate and manage an international hospital in Prince Bay, Shekou, Shenzhen** to service the Greater Bay Area in China
- CMLHM signed management agreements to **manage three medical facilities in Shanghai, Chongqing and Nanjing** and shall ensure that the three medical facilities meet certain performance benchmarks. CMLHM is to receive 5.0% of the annual revenue of the medical facilities as management fee.



Artist's impression of Prince Bay development where OUELH and CMLHM will develop an international hospital

JANUARY 2019

VENTURING INTO MYANMAR'S HEALTHCARE MARKET²

- Announced proposed acquisitions of 40.0% and 35.0% stakes in Yoma Siloam Hospital Pun Hlaing Limited and Pun Hlaing International Hospital Limited respectively, which **own, manage and operate 3 hospitals, 1 medical centre and 2 clinics in Myanmar**. The companies are a joint venture with First Myanmar Investments Public Company Limited, which holds the remaining stakes.

² The proposed acquisition of stakes in the two Myanmar companies have been approved by the shareholders on 28 January 2019. The proposed acquisitions are still pending completion as at the date of this Annual Report.



Pun Hlaing Siloam Hospital Yangon

ENLARGING OUR NETWORK **FORMING STRATEGIC PARTNERSHIPS**

STRONG
SUPPORT FROM
OUE

STRATEGIC
SHAREHOLDER
ITOCHU

50:50 JV WITH
**China Merchants
Group**
in China

OUELH understands the importance of working with strong local partners so as to leverage on their in-depth local knowledge and expertise. We believe that our regional perspective and healthcare brand will enhance our local operations, which will in turn create synergy within the eco-system across all of our Pan-Asian healthcare businesses.





ENHANCING EFFICIENCY **DEVELOPING AN ASSET-LIGHT BUSINESS MODEL**

FIRST REIT AS A
Capital Recycling
platform

INCREASING
Capital Efficiency
via asset-light business model

The strategic acquisition of stakes in First REIT and its manager, Bowsprit Capital Corporation Limited, is key in OUELH's development of an asset-light business model as it will enable OUELH to recycle its capital for potential reinvestments. We believe that being asset-light will greatly increase our capital efficiency and flexibility to capture future growth opportunities.



EXPANDING FOOTPRINTS **GROWING PAN-ASIAN PRESENCE**

OWNS 12 NURSING
HOMES IN
Japan

DEVELOPING KEY
PROJECTS IN
China

PRESENCE IN
Indonesia
via stakes in First REIT
and its manager, Bowsprit
Capital Corporation Limited

EXPANDING INTO
Myanmar¹
in 2019

OUE LH currently has significant presence in Japan, China and Indonesia, and continually seeks to expand its presence in other high-growth Asian markets such as Myanmar¹. With the backing and support of our valued shareholders and strategic partners in various markets, we believe we will be able to capitalise on the growing Pan-Asian healthcare opportunities.

¹ The proposed acquisition of stakes in the two Myanmar companies have been approved by the shareholders on 28 January 2019. The proposed acquisitions are still pending completion as at the date of this Annual Report.

CHAIRMAN’S STATEMENT

Mr. Lee Yi Shyan
Non-Independent and
Non-Executive Chairman

“
For FY2018, OUE LH laid the foundation for our three-pronged growth strategy of establishing strategic partnerships, building an asset-light business model and growing our Pan-Asian healthcare business network.



Dear Valued Shareholders,

For the financial year ended 31 December 2018 (“FY2018”), OUE Lippo Healthcare Limited (“OUE LH”) laid the foundation for our three-pronged growth strategy of establishing strategic partnerships, building an asset-light business model and growing our Pan-Asian healthcare business network.

ESTABLISHING STRATEGIC PARTNERSHIPS Welcoming ITOCHU as a Strategic Shareholder

While we continue to work closely with our major shareholder OUE Limited (“OUE”), we also strengthened our financial position in FY2018 through the placement of new shares to a wholly-owned subsidiary of ITOCHU Corporation (“ITOCHU”) and a rights issue. The share placement and rights issue raised a total of S\$228.7 million in gross proceeds.

ITOCHU became a strategic shareholder of the Company with a stake of 25.3% upon the completion of a placement of 562,500,000 new ordinary shares in February 2018. ITOCHU is listed on the Tokyo Stock Exchange and is amongst the largest and most diversified trading companies in the world with presence in 63 countries.

Creating Synergies with Local Partners

During FY2018, we also deepened our strategic partnership with the China Merchants Group (“CMG”), while forging ties with new strategic partners in key high-growth markets like Indonesia

and Myanmar. The collaboration with our new strategic partners allows us to expand our Pan-Asian presence.

DEVELOPING AN ASSET-LIGHT BUSINESS MODEL THROUGH STRATEGIC ACQUISITIONS

In October 2018, we completed the acquisitions of approximately 10.6%¹ of the issued units in First Real Estate Investment Trust (“First REIT”) and 40.0% of the shares in Bowsprit Capital Corporation Limited (“Bowsprit”). First REIT is the first listed healthcare REIT on the Singapore Exchange Securities Trading Limited (“SGX”) and has a portfolio of 20 properties located in Indonesia, Singapore and South Korea.

The acquisitions are earnings accretive and contribute positively to the Group’s cash flows. Since the completion of the acquisitions, First REIT and Bowsprit have contributed approximately S\$6.1 million² to our results for FY2018. We look forward to growing from strength to strength with First REIT, as we continue to optimise the synergy between us.

With First REIT as a capital-recycling platform, we now have a growth-oriented business eco-system, comprising investments, operations, asset management and capital recycling for reinvestments.

EXPANDING OUR PAN-ASIAN PRESENCE Indonesia

In addition to securing a capital-recycling platform for the

Company, the acquisition of stakes in Bowsprit and First REIT have also given us an opportunity to enter the Indonesian healthcare market, which is a high-growth sector that enjoys considerable support from the government. The demand for private healthcare is expected to see continued government support with the nation-wide adoption of a national health insurance scheme. The rise in household income will continue to drive an increase in healthcare expenditure, which is projected to rise to approximately Rp1,224 trillion by 2027.³

The tremendous potential of the Indonesian healthcare sector presents the Company with vast opportunities to further establish and grow the OUE LH brand.

China

China is one of the fastest-growing healthcare markets of all large emerging economies. The demand for quality healthcare in China is heightened by urbanisation, an ageing population and improving national healthcare coverage. During the financial year, we steadily expanded our healthcare network across China with our strategic partner, CMG. In addition to our own hospital project in Dujiangyan, Chengdu, we have also extended our footprint to other high-growth cities in China.

In December 2018, we entered into a non-binding letter of intent with China Merchants Shekou Industrial Zone Holdings Co., Ltd. (“CMSK”) to jointly develop, operate and manage a high-end international hospital in Prince Bay, Shekou, Shenzhen (the “Proposed Prince Bay Hospital Project”). The Proposed Prince Bay Hospital Project is positioned to serve the up-and-coming Greater Bay Area, a location of strategic importance to the Chinese economy. The Greater Bay Area has been earmarked by the Chinese government as a key player in the country’s “Belt and Road Initiative”, and will also be one of the main drivers of the country’s economic growth and international trade.

The growth potential of the Greater Bay Area is promising. It is home to approximately 5% of China’s total population but contributes about 12% of China’s total Gross Domestic Product (approximately US\$1.6 trillion⁴), which is comparable to the economic size of South Korea. With its connectivity, prime location and growth potential, the Greater Bay Area is already a vibrant commercial hub that has attracted many Fortune 500 Chinese companies. Therefore, the Greater Bay Area will develop as a dominant economic powerhouse in the coming years, and emerge as a leading region for international commercial activities.

In the same month, our 50:50 joint venture company with CMG, namely China Merchants Lippo Hospital Management (Shenzhen) Limited (“CMLHM”), entered into management agreements with other member companies of CMG to manage three medical facilities in Shanghai, Chongqing and Nanjing. All three medical facilities are in prime locations within their respective cities, and present opportunities for us to optimise their performance.

Myanmar

In January 2019, we announced the proposed acquisition of a 40.0% stake in Yoma Siloam Hospital Pun Hlaing Limited (“YSHPH”), which operates three hospitals, a medical centre and two clinics, and a 35.0% stake in Pun Hlaing International Hospital Limited (“PHIH”), which owns or holds the leases of the land and properties on which YSHPH operates. With the support of our valued shareholders, the acquisitions were approved at the extraordinary general meeting held in the same month. The proposed acquisitions are expected to be completed by the first half of 2019.

The three hospitals, with a total bed capacity of 370 beds, are located in Yangon, Mandalay and Taunggyi. Notably, the flagship hospital in Yangon was the first hospital in Myanmar to receive the prestigious JCI accreditation in 2017.

The demand for quality healthcare in Myanmar is growing at a rapid rate, driven by urbanisation, a rising middle-class and increasing government support. We intend to establish the OUE LH brand as an international, top-quality healthcare company in Myanmar and further expand in the fast-developing country.

We also recognise the importance of working with strong credible partners with a deep understanding of the local landscape. Our acquisition of the stakes in YSHPH and PHIH, when completed, will see us partnering with First Myanmar Investment Public Company Limited (“FMI”). FMI is the first company listed on the Yangon Stock Exchange and is one of the largest public companies in Myanmar. It is part of the enlarged Yoma Group that also comprises SGX-listed Yoma Strategic Holdings Limited, and is one of the country’s most successful enterprises with businesses in real estate, healthcare, financial services and tourism.

FINANCIAL REVIEW

For FY2018, the Group reduced its loss after tax significantly to S\$9.3 million, down from a loss of S\$90.0 million for the financial year ended 31 December 2017. As at 31 December 2018, the Group’s net assets amounted to S\$245.3 million or about 5.52 Singapore cents per ordinary share.

LOOKING AHEAD

With our sights set firmly on establishing the OUE LH brand as the leading Pan-Asian healthcare company, we believe that OUE LH will enter into a new phase of transformation as we deliver on our three-pronged growth strategy. Moving into FY2019, we continue to build on the foundations laid and make steady progress towards achieving this vision.

IN APPRECIATION

On behalf of the Board, I would like to welcome Mr. Yet Kum Meng, who was re-designated as Chief Executive Officer (“CEO”) and executive director from his previous role as Chief Financial Officer.

The Board would like to thank Dr. Wong Weng Hong for his invaluable guidance and leadership as CEO and executive director of the Company. Additionally, the Board would like to thank Dr. Stephen Riady, who is retiring from the Board, for his invaluable contribution and service.

I would also like to take this opportunity to express my appreciation to our shareholders, strategic partners, business associates and our staff for their continued support in our journey towards becoming a leading Pan-Asian healthcare company.

LEE YI SHYAN

Non-Independent and Non-Executive Chairman
March 2019

Notes:

- ¹ Calculated based on the total issued units of First REIT as at 31 December 2018.
- ² The share of Bowsprit’s results included a negative goodwill of S\$2.6 million arising from the excess of the provisional fair value of the net identifiable assets acquired over the consideration paid. The purchase price allocation exercise for the investment in Bowsprit is expected to be completed in 2019.
- ³ **Source:** Singapore Business Review – Asia hailed as world’s fastest-growing healthcare market, 31 October 2018 (<https://sbr.com.sg/healthcare/asia/asia-hailed-worlds-fastest-growing-healthcare-market>).
- ⁴ **Source:** CBRE Hong Kong, 30 August 2018 (<https://www.cbre.com.hk/en/about/media-centre/the-rise-of-the-greater-bay-area-as-the-worlds-largest-bay-area-economy>).

致股东之信函

尊敬的各位股东

在截止2018年12月31日的财政年度（“**2018财年**”），华联力宝医疗有限公司（“**华联力宝**”）为建立战略合作伙伴，发展轻资产业务模式和拓展泛亚医疗保健业务网络三管齐下的增长战略，奠定了坚实的基础。

建立战略合作伙伴
欢迎伊藤忠加入成为战略股东

在过去的一年内，我们继续与控股股东华联企业有限公司（“**华联企业**”）紧密合作。我们也通过向伊藤忠商事（“**伊藤忠**”）的全资子公司定向增发新股和向所有股东发行供股股份，共募集约2亿2870万新元资金，强化了公司的财务状况。

继公司于2018年2月成功完成5.62亿份新股的定向增发，伊藤忠顺利成为本公司的战略股东，并持股25.3%。伊藤忠是东京证券交易所的上市公司，业务范围遍及63个国家，是全球最大最多元化的贸易公司之一。

与当地合作伙伴一起实现协同效应
在2018财年，我们也深化了与招商局集团（“**招商局**”）的战略合作关系。此外，我们也在印尼和缅甸等具有高增长性的关键市场，建立了新的战略合作关系。这些战略合作关系将能够帮助我们在泛亚区域拓展业务。

建立轻资产商业模式
公司于2018年10月成功收购先锋医疗产业信托（“**先锋信托**”）10.6%¹的份额，及其管理公司Bowsprit Capital Corporation Limited（“**Bowsprit**”）40.0%的股份。先锋信托是首家在新加坡交易所上市的医疗物业信托，现共拥有位于印尼、新加坡和韩国的20个医疗物业。该收购不但提高了公司的利润，亦增加了公司的现金流。

自成功收购后，先锋信托与Bowsprit已为公司增加了约610万新元²的利润。未来，我们希望继续最大化公司和先锋信托之间的协同效应，实现共同增长，获得更大的成功。此外，先锋信托作为资本回收平台，该收购也让公司成功建立了一个以投资、运营、资产管理和资本回收再投资的增长型商业生态系统。

扩展我们的泛亚洲业务
印尼

先锋信托与Bowsprit的收购不仅为公司建立了资本回收再投资平台，也让公司有机会进军政府大力支持并具有高增长性的印尼医疗市场。全国医疗保险计划的实施预计将对私立医疗服务提供持续支持。家庭收入的提高也成为印尼医疗开支持续

增长的动力，到2027年印尼的医疗开支预计将达到约1.224兆印尼盾³。

印尼医疗市场的巨大潜力为公司进一步建立和巩固华联力宝医疗品牌提供了无数机会。

中国
中国的医疗市场是大型新兴经济体中发展最迅速的市场之一。城市化，人口老龄化，以及全民健康覆盖的改善，推动了中国对优质医疗保健服务的需求。在2018财年，我们与战略合作伙伴招商局集团一同稳步扩展我们在中国的医疗服务网络。除了在成都都江堰的自建医院项目外，我们的中国业务也成功扩展至其他高增长城市。

2018年12月，我们与招商蛇口工业区控股有限公司签订了一份意向书，拟共同开发、经营和管理未来坐落于深圳蛇口太子湾的一家高端国际医院（“**太子湾医院项目**”）。太子湾医院项目建成后，旨在服务作为中国经济新增长战略重要一环的粤港澳大湾区（“**大湾区**”）。大湾区是中国政府指定的“一带一路”国家战略的重点地区，也将成为中国经济增长和国际贸易的主要推动力之一。

大湾区增长潜力可观，以约5%的人口，贡献了约12%的生产总值（约1.6万亿美元⁴），相当于韩国的国内生产总值。凭借其四通八达的优越地理位置和增长潜力，大湾区已成为一个充满活力的商业中心，吸引了许多世界500强的中国公司在此立足。因此，大湾区定会在未来几年发展成为一个具有主导性的经济引擎，并脱颖而出成为国际商业活动中的领先区域。

同月，我们与招商局集团成立的50:50合资公司（即招商力宝医院管理（深圳）有限公司）和招商局集团的其他成员公司就位于上海，重庆和南京的三个医疗机构签署了管理协议。这三个医疗机构都坐落于各城市的黄金地段，具有改进经营业绩的机会。

缅甸
我们于2019年1月宣布收购Yoma Siloam Hospital Pun Hlaing Limited（“**YSHPH**”）40.0%股份以及 Pun Hlaing International Hospital Limited 35.0%股份（“**PHIH**”）。YSHPH经营着三家医院、一个医疗中心和两家诊所，PHIH则拥有上述医疗机构所在土地和房产的产权或租约。在股东的支持下，该收购已于同月举行的股东特别大会上获得批准，并预计于2019上半年完成。

YSHPH所经营的三家医院分别位于仰光、曼德勒和东枝，总床位数⁵为370张。值得注意的是，仰光的旗舰医院在2017年荣获国际医疗卫生机构认证联合委员会（JCI）的认证，是缅甸第一家获JCI认证的医院。

城市化、中产阶级的崛起和政府的持续支持成为缅甸对优质医疗保健服务需求快速增长的动力。公司致力在缅甸将华联力宝打造成为国际优质医疗服务品牌，并在这个发展迅速的国家进一步扩展业务。

我们深知与强大、可靠并对当地市场熟悉的伙伴建立合作关系的重要性。因此，我们在缅甸的合资公司将与First Myanmar Investment Public Company Limited（“**FMI**”）合伙。FMI是仰光证券交易所的第一家上市公司，也是缅甸最大的上市公司之一。FMI是佑玛集团（Yoma Group）成员公司，该佑玛集团旗下有新加坡交易所上市的祐玛战略控股有限公司（Yoma Strategic Holdings Limited）。FMI的业务涉及房地产、医疗保健、金融服务和旅游业，是缅甸最成功的企业之一。

财务回顾
2018财年集团将税后亏损从截止2017年12月31日财政年度（2017财年）的9,000万新元大幅缩减至930万新元。截止2018年12月31日，本集团的净资产约为2.453亿新元或每股新元5.52分。



“
在2018财年，华联力宝为建立战略合作伙伴，发展轻资产业务模式和拓展泛亚医疗保健业务网络三管齐下的增长战略，奠定了坚实的基础。”

展望未来
致力将华联力宝打造成为在泛亚洲领先的医疗服务公司，我们相信华联力宝将继续在中国、缅甸、印尼和其他快速增长的市场执行我们三管齐下的的增长战略，并进入新的增长阶段。2019财年，我们将在目前的基础之上继续发展，逐步迈向我们的愿景。

致谢
在此，我谨代表董事会，欢迎集团首席财务官易锦明先生担任集团首席执行官兼执行董事。

董事会感谢黄荣康医生在担任首席执行官和公司执行董事时对公司的领导和所提供的宝贵意见。此外，董事会也感谢即将向董事会退休的李棕先生所提供的贡献与指教。

我想借此机会感谢我们的股东、战略合作伙伴、商业伙伴和全体员工在我们成为领先的泛亚医疗保健服务公司过程中的不断支持。

李奕贤
董事会主席、非独立非执行董事
2019年3月



¹ 根据先锋医疗产业信托截至2018年12月31日的总发行单位所计算。
² Bowsprit业绩的份额包括因所支付代价超过可识别净资产的估算公允价值而产生260万新元的负商誉。收购Bowsprit的购买价格分摊工作预计将于2019年完成。
³ 源: Singapore Business Review – Asia hailed as world’s fastest-growing healthcare market, 2018年10月31日(https://sbr.com.sg/healthcare/asia/asia-hailed-worlds-fastest-growing-healthcare-market)。
⁴ 源: 香港世邦魏理仕 (CBRE) , 2018年8月30日 (https://www.cbre.com.hk/en/about/media-centre/the-rise-of-the-greater-bay-area-as-the-worlds-largest-bay-area-economy)。

BOARD OF DIRECTORS



Mr. Lee Yi Shyan

Non-Independent and Non-Executive Chairman

Mr. Lee Yi Shyan was appointed as Non-Independent and Non-Executive Chairman and Member of the Nominating and Remuneration Committee of the Company on 17 July 2017. He was last re-elected as a Director at the Annual General Meeting of the Company held on 24 April 2018.

He is also the Non-Independent and Non-Executive Chairman of OUE Hospitality REIT Management Pte. Ltd., the REIT Manager for OUE Hospitality Real Estate Investment Trust and OUE Hospitality Trust Management Pte. Ltd., the trustee-manager of OUE Hospitality Business Trust. OUE Hospitality Trust is a stapled group comprising OUE Hospitality Real Estate Investment Trust and OUE Hospitality Business Trust.

Mr. Lee joined OUE Limited as an Executive Adviser to the Chairman of OUE Limited in January 2016. He is also the Chairman and Director of OUE USA Services Corp.. He is presently an elected Member of Parliament for East Coast GRC. Mr. Lee has been appointed as Chairman of Business China since 1 October 2016. He is also the Chairman and Director of ICE Futures Singapore Pte. Ltd. (“**IFSG**”), a company which operates as an approved exchange under the supervision of the Monetary Authority of Singapore (“**MAS**”), and ICE Clear Singapore Pte. Ltd., which operates as an approved clearing house under the supervision of MAS, and a director of ICE Singapore Holdings Pte. Ltd., the holding company of IFSG.

Prior to joining OUE Limited, Mr. Lee was a member of the Cabinet of the Singapore government from 2006 to 2015. As Senior Minister of State for the Ministry of National Development, Mr. Lee oversaw urban planning, construction productivity development and town council management. As Senior Minister of State for the Ministry of Trade & Industry, Mr. Lee had extensive interactions with governments and businesses in China, Middle East, Africa and Russia.

Prior to his political career, Mr. Lee was the Chief Executive Officer of International Enterprise Board from 2001 to 2006, whose mission was to help Singapore businesses internationalise through its 40 offices worldwide. He was the Deputy Chief Executive Officer of SPRING Singapore from 2000 to 2001, which helped small and medium enterprises in capacity building, innovation and productivity development.

Mr. Lee was honoured with the Distinguished Alumni Award by the Centre for Creative Leadership, North Carolina, USA, in 2009, and the Distinguished Engineering Alumni Award by the Faculty of Engineering, National University of Singapore, in 2013.

Mr. Lee studied Chemical Engineering in the National University of Singapore. In 1997, he completed an executive management programme at the Harvard Business School and a management programme at Tsinghua University in 2001.



Dr. Stephen Riady

Non-Independent and Non-Executive Director

Dr. Stephen Riady was appointed as Non-Independent and Non-Executive Director of the Company on 17 July 2017. He is a deemed substantial shareholder of the Company. Details of his deemed shareholdings can be found on pages 163 and 164 of the Annual Report. He was last re-elected as a Director at the Annual General Meeting of the Company held on 24 April 2018. Dr. Riady, who will retire by rotation at the 2019 Annual General Meeting, has informed the Board that he will not be seeking re-election and accordingly he shall cease to act as a Non-Executive and Non-Independent Director of the Company after the conclusion of the 2019 Annual General Meeting.

Dr. Riady has been an executive director of OUE Limited since 2006 and was appointed as executive chairman of OUE Limited since 2010. OUE Limited is listed on the Mainboard of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). Dr. Riady is also an executive director of Lippo Limited and has been its chairman since 1991. He was appointed a director of Lippo China Resources Limited in 1992 and on 25 March 2011, he was appointed as its chairman. He has been an executive director of Hongkong Chinese Limited since 1992 and on 25 March 2011, he was appointed as its chairman. Dr. Riady is also a member of the remuneration committee and nomination committee of Lippo Limited, Lippo China Resources Limited and Hongkong Chinese Limited, which are all listed on the Main Board of The Stock Exchange of Hong Kong Limited. He was also appointed as non-executive and non-independent director of Healthway Medical Corporation Limited in August 2017, which is listed on the Catalist Board of the SGX-ST.

His service to society includes civic engagements such as founding honorary advisor of the University of Hong Kong Foundation for Education Development and Research, member of the Boards of Trustees of Volunteer Service

Trust and The Better Hong Kong Foundation, member of the Advisory Council of One Country, Two Systems Research Institute, fellow of the Duke of Edinburgh’s Award World Fellowship and member of the Advisory Board of Sloan School of Management of the Massachusetts Institute of Technology, United States of America. He was a member of the Council and the Court of Hong Kong Baptist University.

In public service, Dr. Riady was a Hong Kong Affairs Advisor from April 1995 to June 1997, appointed by the Hong Kong and Macao Office of the State Council and Xinhua News Agency, Hong Kong Branch of the People’s Republic of China (“**PRC**”). In addition, he is a member of the Committee to Promote Economic Co-operation between Fujian and Hong Kong, a committee established by the Provincial Government of Fujian, PRC.

Accolades he has received include the Chevalier de L’Ordre des Arts et des Lettres awarded by the French government, and the Strategic Investment Entrepreneur of the Year in Ernst & Young’s annual Entrepreneur of the Year Awards Singapore 2007. He was awarded the 2018 EY Asean Entrepreneurial Excellence Award, an award which recognises successful Southeast Asian businesses that contribute to the economy and community in the region. He is an Honorary Citizen of Shenzhen, PRC.

Dr. Riady is a graduate of the University of Southern California, United States of America and holds a Master of Business Administration from Golden Gate University, United States of America. He was conferred an Honorary Degree of Doctor of Business Administration from Edinburgh Napier University, United Kingdom, and is one of the first Honorary University Fellows installed by the Hong Kong Baptist University.

BOARD OF DIRECTORS



Mr. Yet Kum Meng

Chief Executive Officer and Executive Director

Mr. Yet Kum Meng was appointed as Chief Executive Officer and Executive Director of the Company on 28 February 2019. Mr. Yet was previously the Chief Financial Officer of the Company since May 2017. In accordance with the Company's Constitution, he will stand for re-election as a Director at the 2019 Annual General Meeting. As Chief Executive Officer and Executive Director, Mr. Yet manages and oversees the overall business and development matters of the Company and its subsidiaries.

Mr. Yet has more than 20 years of experience in the airline and real estate sectors, both in Singapore and China, serving in various management roles.

Mr. Yet joined Lippo Group in 2008 and served as its Chief Executive Officer/President, China Real Estate Division, as well as Board Member of the China project companies till 2015. During his tenure, Mr. Yet led the acquisition, development and/or management of projects in Beijing, Huai An and Taizhou in Jiangsu Province, Zhuhai in Guangdong Province and Putian in Fujian Province. He has also been on the Board of Directors of Lippo Group's retail businesses in China since 2010.

Prior to joining Lippo Group, Mr. Yet was with GuocoLand Limited ("GuocoLand") as Group Financial Controller of China from 2005 to 2008, overseeing finance and accounting, taxation, business development, human resources and legal matters. During this period, GuocoLand's footprint in China expanded to new projects in Beijing, Shanghai, Tianjin and Nanjing in Jiangsu Province.

Mr. Yet was involved in the airline sector from 1996 to 2005, having served in various management roles with Singapore Airlines ("SIA") in Finance, Treasury, Sales and Marketing, Northern China station, as well as being Staff Assistant to SIA Group Chairman and Deputy Chairman/Chief Executive Officer. His last held position was Senior Manager Corporate Accounts and Projects, responsible for the SIA Group's statutory and management reporting.

Mr. Yet holds a Bachelor of Accountancy (First Class Honours) degree and a Master of Business Administration (Hospitality and Tourism Management) degree from Nanyang Technological University, Singapore.



Mr. Masato Mohri

Non-Independent and Non-Executive Director

Mr. Masato Mohri was appointed as Non-Independent and Non-Executive Director and Member of the Nominating and Remuneration Committee of the Company on 21 March 2018. He was last re-elected as a Director at the Annual General Meeting of the Company held on 24 April 2018.

Mr. Mohri was previously Chief Strategy Officer for Asia & Oceania Bloc of ITOCHU Corporation as well as the Executive Vice President and Chief Strategy Officer of ITOCHU Singapore, from 1 April 2017 to 31 March 2019. As Executive Vice President and Chief Strategy Officer of ITOCHU Singapore, and Chief Strategy Officer for Asia & Oceania Bloc of ITOCHU Corporation, Mr. Mohri was responsible for ITOCHU Corporation's overseas strategic business development and management in Asia and Oceania. He was also Director of ITOCHU Malaysia, President Commissioner of PT. ITOCHU Indonesia from 1 April 2017 to 31 March 2019.

Mr. Mohri joined ITOCHU Corporation in 1986. He was the General Director of UNIMAX, a uniform apparel factory in Vietnam, from 2000 to 2003. He thereafter returned to ITOCHU Corporation, where he was promoted to General Manager in 2010 and was in charge of garment materials, jeans and uniforms, then textile material, retail clothing and uniform & apparel from 2013 to 2017. During his tenure as General Manager, he concurrently served as Director or Officer of several Japanese or overseas companies in which ITOCHU Corporation has made investment.

Mr. Mohri holds a Bachelor of Laws degree from Kwansei Gakuin University, Japan.



Mr. Roger Tan Chade Phang

Lead Independent Director

Mr. Roger Tan Chade Phang was appointed as Independent Director of the Company on 23 January 2017 and was appointed as Lead Independent Director, Chairman of the Nominating and Remuneration Committee and Member of the Audit and Risk Committee of the Company on 17 July 2017. He was last re-elected as a Director at the Annual General Meeting of the Company held on 14 July 2017. In accordance with the Company's Constitution, Mr. Tan will retire by rotation at the 2019 Annual General Meeting and will stand for re-election as a Director.

Mr. Tan is the Chief Executive Officer and founder of Voyage Research since 2009 till present.

Prior to setting up Voyage Research, Mr. Tan was an Investment Analyst with Standard Chartered Bank Singapore from 2007 to 2008, and was also the lead Investment Analyst in SIAS Research from 2005 to 2006.

Currently, Mr. Tan is the President of the Small and Middle Capitalisation Association (SMCCA), where he actively gathers small and middle capitalisation companies within a single entity to work closely with the authorities and professionals to improve the visibility and governance standards of its members.

Mr. Tan also sits on the Board of TIH Limited and Starland Holdings Limited as an Independent Director.

Mr. Tan graduated with a Bachelor of Business in Accountancy degree from RMIT University and obtained a Master of Finance degree from the same university.



Mr. Eric Sho Kian Hin

Independent Director

Mr. Eric Sho Kian Hin was appointed as Independent Director of the Company on 23 January 2017 and was appointed as Chairman of the Audit and Risk Committee and Member of the Nominating and Remuneration Committee of the Company on 17 July 2017. He was last re-elected as a Director at the Annual General Meeting of the Company held on 24 April 2018.

Mr. Sho has over 20 years of experience in financial reporting and regulatory compliance and was involved in various financial related activities such as equity and pre-IPO fund raising, mergers and acquisitions, restructuring and group tax optimisation.

Currently, Mr. Sho is an Independent Director and the Chairman of the Audit Committee of QT Vascular Limited and Choo Chiang Holdings Ltd., both companies listed on the Catalist Board of the SGX-ST. He is also the member of the Nominating Committee and Remuneration Committee of Choo Chiang Holdings Ltd..

Mr. Sho was with Ernst & Young Kuala Lumpur from 1995 as Assurance and Advisory Business Service Manager and left in 2002 to join the private sector.

In 2007, Mr. Sho was appointed as Executive Director and Chief Financial Officer of China Farm Equipment Limited ("China Farm Equipment"), a company formerly listed on the Mainboard of the SGX-ST. He was responsible for, amongst others, planning and management of China Farm Equipment's financial and taxation matters. He acted as the key liaison person with the stock exchange, supervised compliance with corporate governance, and handled investor relations, regional roadshows as well as funding options for China Farm Equipment. After China Farm Equipment was privatised in 2013, Mr. Sho remains involved in the on-going corporate exercise to list China Farm Equipment's assets in China.

Mr. Sho started off his professional training with Victor & Company in 1990 and is a Fellowship of the Association of Certified Chartered Accountants (FCCA).

BOARD OF
DIRECTORS



Mr. Jackson Tay Eng Kiat
Independent Director

Mr. Jackson Tay Eng Kiat was appointed as Independent Director of the Company on 23 January 2017 and was appointed as Member of the Audit and Risk Committee of the Company on 17 July 2017. He was also appointed as Member of the Nominating and Remuneration Committee of the Company on 21 March 2018. In accordance with the Company's Constitution, Mr. Tay will retire by rotation at the 2019 Annual General Meeting and will stand for re-election as a Director.

Mr. Tay has more than 16 years of experience in accounts and finance functions of various entities in the public and private sectors.

Mr. Tay is currently the Chief Operating Officer and Company Secretary of Hafary Holdings Limited Group ("**Hafary**"), a company listed on the Mainboard of the SGX-ST. He oversees Hafary's operational and corporate secretarial functions, which including business developments and investor relations. He also spearheads Hafary's overall corporate and strategic development in Singapore and overseas.

Prior to his current role, Mr. Tay was responsible for the preparation of Hafary's financial results pursuant to the listing requirements of the rules of the Catalist Board. Subsequently, Hafary's listing was transferred from the Catalist Board of the SGX-ST to the Main Board of the SGX-ST in 2013. In his previous role, Mr. Tay was also involved in all financial and administrative matters of Hafary, including the implementation and maintenance of Hafary's financial and management reporting system.

Mr. Tay is also the Chairman and Independent Director of Sim Leisure Group Ltd, a company listed on the Catalist Board of the SGX-ST.

Mr. Tay holds a Bachelor of Accountancy (Minor in Marketing) degree from Nanyang Technological University, Singapore and is a member of the Institute of Singapore Chartered Accountants.



Mr. Johji Sato
Independent Director

Mr. Johji Sato was appointed as Independent Director and Member of the Audit and Risk Committee of the Company on 15 February 2018. He was last re-elected as a Director at the Annual General Meeting of the Company held on 24 April 2018.

Mr. Sato has more than three decades of experience in the professional business advisory services industry.

Mr. Sato has been the Outside Director of Sumida Corporation, a company listed on the Tokyo Stock Exchange, since 2013.

Mr. Sato started his professional career with Chuo Coopers & Lybrand Associates, Inc in 1982 before joining the London Office of Coopers & Lybrand UK (now PricewaterhouseCoopers LLP). Mr. Sato stayed on as a partner with PricewaterhouseCoopers LLP UK until he took the role of Executive Senior Director (Global Japanese Businesses) with PricewaterhouseCoopers Co., Ltd. in 2012. As Executive Senior Director, he was involved in the coaching of Japanese partners on Board-room consulting and global Japanese businesses, amongst other things. Mr. Sato retired from PricewaterhouseCoopers in 2014.

Mr. Sato graduated with a Bachelor of Laws degree from Chuo University, Japan.

KEY
EXECUTIVE

Mr. Yet Kum Meng
CHIEF EXECUTIVE OFFICER / EXECUTIVE DIRECTOR

Please refer to page 16 – the “Board of Directors” section of this Annual Report for Mr. Yet Kum Meng's biography.

OUR NETWORK

OUELH HAS EMBARKED ON A PAN-ASIAN EXPANSION STRATEGY TO STRENGTHEN ITS PORTFOLIO AND HEALTHCARE NETWORK.

CHINA

- Developing 2 hospitals in Chengdu and Shenzhen
- Managing 3 hospitals in Shanghai, Chongqing and Nanjing
- Land and building in Wuxi

MYANMAR¹

- Jointly managing and operating 3 hospitals in Yangon, Mandalay and Taunggyi
- Operating and managing 2 clinics in Yangon and Nyaung Shwe, and 1 medical centre in downtown Yangon

INDONESIA

- Presence via stakes in Bowsprit and First REIT

JAPAN

- 12 quality nursing homes spanning 4 cities



OTHER ASIAN MARKETS

- Land in Kuala Lumpur, Malaysia



¹ The proposed acquisition of the two Myanmar companies have been approved by the shareholders on 28 January 2019. The proposed acquisitions are still pending completion as at the date of this Annual Report.

OVERVIEW

OUELH IS WELL-POISED TO CAPITALISE ON THE HEALTHCARE OPPORTUNITIES IN JAPAN WITH ITS PORTFOLIO OF 12 QUALITY NURSING HOMES.

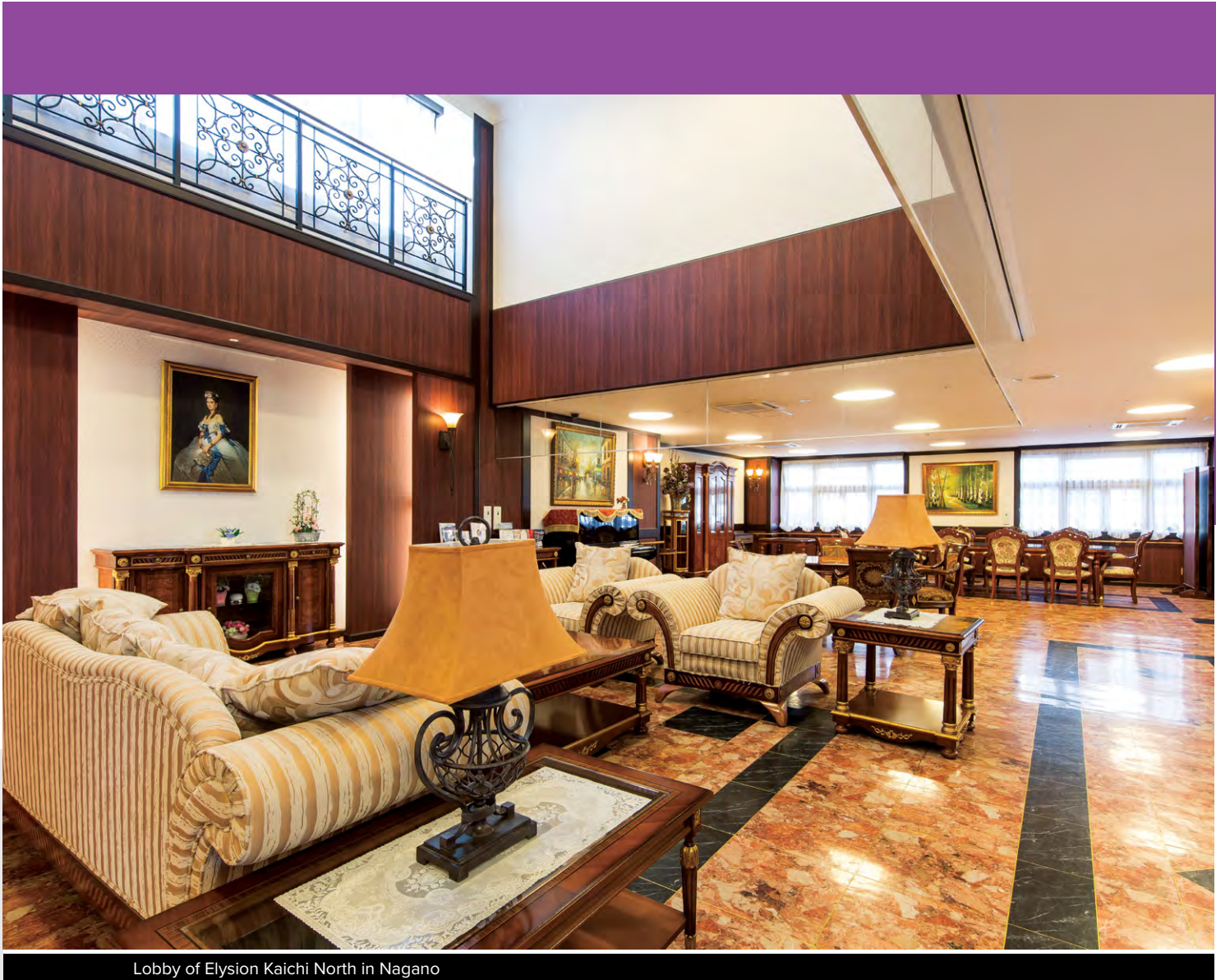
Japan



OUELH currently owns and manages a portfolio of 12 quality nursing homes located across Japan in the cities of Hokkaido, Nagano, Nara and Kyoto.

With over 85% average occupancy¹ across approximately 1,451 units, all 12 nursing homes are middle to high-end facilities with communal facilities such as lounges, restaurants and other community spaces.

The nursing homes are fully leased to independent local operators.



Coverage

4 Cities

No. of Nursing Homes

12

No. of Units

1,451

THAT SPANS OVER 4 CITIES

Average Occupancy¹

>85%

AS AT 31 DECEMBER 2018

¹ The average occupancy rate refers to the number of units occupied in the nursing homes. The nursing homes are 100% master-leased out to independent local operators.



Sky lounge at Hikari Heights Varus Makomanai-Koen in Hokkaido



Common bath at ElySION Gakuenmae in Nara

OVERVIEW
– JAPAN

Hokkaido

HIKARI HEIGHTS VARUS FUJINO

Located in the residential Minami area of Sapporo, about an hour’s drive from the city centre and 20 minutes by bus from Makomanai Station on the Subway Nanboku Line, the 139-room nursing home can accommodate up to 187 residents and has been in operation since 1994. The majority of its residents are long-term residents and more than 75% of them have been staying in the home for more than 10 years.

Total Units

139

Gross Floor Area (Sq ft. approx)

105,290

Occupancy Rate (as at 31 Dec 2018)

92.1%



HIKARI HEIGHTS VARUS KOTONI

In operation since 2003, Hikari Heights Varus Kotoni is located in a residential area approximately 20 minutes from Sapporo city centre and a short walk from Kontoni Station on the JR Hakodate Main Line. The 14-storey nursing home comprises 281 one- and two-bedded rooms with a maximum occupancy of 364 residents.

Total Units

281

Gross Floor Area (Sq ft. approx)

223,420

Occupancy Rate (as at 31 Dec 2018)

98.6%

HIKARI HEIGHTS VARUS ISHIYAMA

The 9-storey property is easily accessible via bus from Makomanai Station on the Sapporo City Subway Nanboku Line. Completed in 1986, the 119-room nursing home can house a maximum of 149 residents. A large proportion of its residents have been staying in the home for more than 15 years.

Total Units

117

Gross Floor Area (Sq ft. approx)

94,152

Occupancy Rate (as at 31 Dec 2018)

78.6%



HIKARI HEIGHTS VARUS TSUKISAMU-KOEN

Located in a suburban area on the fringe of Sapporo city centre, Hikari Heights Varus Tsukisamu-Koen has been in operation since 1990 and more than half of its residents have been residing there for more than 15 years. The 10-storey nursing home has a maximum occupancy of 73 residents.

Total Units

58

Gross Floor Area (Sq ft. approx)

46,957

Occupancy Rate (as at 31 Dec 2018)

98.3%

OVERVIEW
– JAPAN

Hokkaido

HIKARI HEIGHTS VARUS MAKOMANAI KOEN

The 10-storey nursing home has been operational since 2006. It is located in a residential area just outside Sapporo city centre. It houses 161 one and two-bedded rooms with a maximum occupancy of 196 residents.

Total Units

161

Gross Floor Area (Sq ft. approx)

143,174

Occupancy Rate (as at 31 Dec 2018)

90.1%



VARUS CUORE SAPPORO-KITA & VARUS CUORE SAPPORO-KITA ANNEX

Easily accessible by bus from Taihei Station on the JR Gakuentoshi Line, the nursing facility consists of two buildings: 5-storey Varus Cuore Sapporo-Kita with 126 rooms, and 3-storey Varus Cuore Sapporo-Kita Annex with 90 rooms. Both buildings can accommodate a total of 231 residents. The property is well staffed with nurses and counsellors and is in a location that allows easy access to clinics and hospitals.

Total Units

216

Gross Floor Area (Sq ft. approx)

82,200

Occupancy Rate (as at 31 Dec 2018)

100%
98.8% (ANNEX)



VARUS CUORE YAMANOTE

Located in a residential area not far from Sapporo city centre, the 4-storey nursing facility has been in operation since 2005. It houses 59 one and two bedded rooms with a maximum capacity of 60 residents. With easy accessibility to JR Koton Station on the Sapporo City Subway Tozai Line, the home has enjoyed a high occupancy rate with a long queue of new residents.

Total Units

59

Gross Floor Area (Sq ft. approx)

30,223

Occupancy Rate (as at 31 Dec 2018)

93.2%

Kyoto



ELYSION AMANOHASHIDATE

Elysion Amanohashidate is a lovely nursing facility located next to the famous and scenic Amonohashidate coastline. It comprises a 3-storey nursing home with 60 rooms and a 2-storey daycare service centre. Within six minutes bus ride from Amanohashidate Station on the Kitakinki Tango Railway Miyuzu Line, the nursing facility is walking distance to parks and facilities such as a shopping centre, train station, hospital and city office.

Total Units

60

Gross Floor Area (Sq ft. approx)

31,507

Occupancy Rate (as at 31 Dec 2018)

95.0%

OVERVIEW
– JAPAN

Nara

ELYSION MAMIGAOKA & ELYSION MAMIGAOKA ANNEX

ElySION Mamigaoka & ElySION Mamigaoka Annex is located in a residential area in Kitakatsuragi, Nara and is the only facility in the area. It consists of a 5-storey and a 4-storey building easily accessible by bus from Goido Station on the Kintetsu Osaka Line. Its 160 fully furnished one- and two-bedded rooms can accommodate up to 165 residents who wish to stay close to their families living in the vicinity.

Total Units

160

Gross Floor Area (Sq ft. approx)

110,426

Occupancy Rate (as at 31 Dec 2018)

88.1%



ELYSION GAKUENMAE

Located in a residential area in Nara, ElySION Gakuenmae is easily accessible by bus from Gakken Nara-Tomigaoka Station as well as the highway leading to Nara's city centre. The 5-storey nursing facility has 92 fully furnished rooms as well as a variety of community spaces, healthcare rooms and lounges. A large hypermart and a nearby hospital makes the location of this property more appealing.

Total Units

92

Gross Floor Area (Sq ft. approx)

40,795

Occupancy Rate (as at 31 Dec 2018)

91.3%



Nagano

ELYSION KAICHI NORTH

Located in the residential area of Matsumoto, Nagano, a short distance from Japan's historic Matsumoto Castle and a 15-minute walk from JR Kitamatsumoto Station, the 4-storey nursing home houses 79 rooms with a maximum capacity of 85 residents. The nursing home includes communal facilities such as a cafeteria, shared bath, consultation room, activity space and event hall.

Total Units

79

Gross Floor Area (Sq ft. approx)

54,443

Occupancy Rate (as at 31 Dec 2018)

92.4%



ELYSION KAICHI WEST

Located next to ElySION Kaichi North in the residential area of Matsumoto, Nagano, the nursing home has a total of 29 rooms for residents and four rooms for guests on short stay. The nursing home includes communal facilities such as a cafeteria, shared bath, consultation room, activity space and event hall.

Total Units

29

Gross Floor Area (Sq ft. approx)

16,894

Occupancy Rate (as at 31 Dec 2018)

82.8%



OVERVIEW

OUELH ENTERED SOUTHEAST ASIA’S LARGEST ECONOMY WITH THE ACQUISITION OF 10.6%¹ STAKE IN FIRST REIT AND 40% STAKE IN ITS MANAGER, BOWSPRIT CAPITAL CORPORATION LIMITED. FIRST REIT HAS BEEN LISTED ON SGX MAINBOARD SINCE DECEMBER 2006.

Indonesia (via First REIT)



OUELH completed the acquisition of 10.6%¹ of the issued units in First REIT and 40.0% of the shares in Bowsprit Capital Corporation Limited (First REIT’s manager) in October 2018.

Listed on the Singapore Exchange Securities Trading Limited in 2006, First REIT is Singapore’s first healthcare real estate investment trust. Its investments include a portfolio of yield-accretive healthcare and healthcare-related real estate assets in Asia.

Through First REIT, the Company has gained a presence in Indonesia as First REIT holds 20 properties across Indonesia (16), Singapore (3) and South Korea (1). The properties are collectively valued at S\$1.35 billion as at 31 December 2018. This stable income-producing portfolio covers the full scale of healthcare real estate, including hospitals, nursing homes, rehabilitation centre and other healthcare-related facilities.



Mochtar Riady Comprehensive Cancer Centre



No. of Assets

20

16 IN INDONESIA, 3 IN SINGAPORE, 1 IN SOUTH KOREA

Minimum lease of

10 years

WITH STEP-UP ESCALATION

Total Assets Under Management²

S\$1.35 billion

Total GFA

350,850 sqm

¹ Calculated based on the total issued units of First REIT as at 31 December 2018.
² As at 31 December 2018.



Siloam Hospitals Lippo Village



Siloam Hospitals Kebon Jeruk

Indonesia



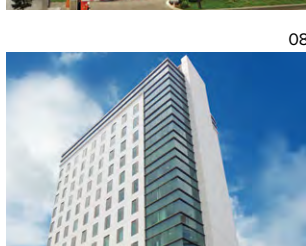
- 01 Siloam Hospitals Yogyakarta**
A hospital part of a 10-storey integrated development in Yogyakarta.
- 02 Siloam Hospitals Buton & Lippo Plaza Buton**
A newly-built 3-storey standalone hospital integrated with the only modern mall within Bau Bau City, the main city on Buton Island.



- 03 Siloam Hospitals Labuan Bajo**
A 3-storey hospital located in the growing tourism centre of Labuan Bajo, currently the only hospital facility in Labuan Bajo and the West Manggarai Regency.
- 04 Siloam Hospitals Kupang & Lippo Plaza Kupang**
A linked 4-storey hospital with a basement level and a 3-storey mall located in Kupang, the capital city of East Nusa Tenggara.



- 05 Siloam Sriwijaya**
A strata-titled 7-storey hospital located in Palembang, the capital city of South Sumatra.
- 06 Siloam Hospitals Purwakarta**
A 3-storey and 5-storey adjoining hospital building located in the fast growing city of Purwakarta in West Java.



- 07 Siloam Hospitals Bali**
A 4-storey hospital with one basement level, strategically located in the fastest growing area in Bali.
- 08 Siloam Hospitals TB Simatupang**
A 16-storey hospital with two basement levels, located in Cilandak, South Jakarta.



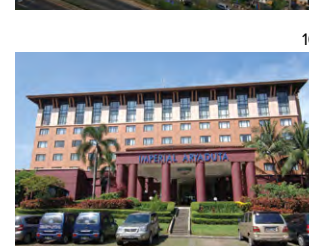
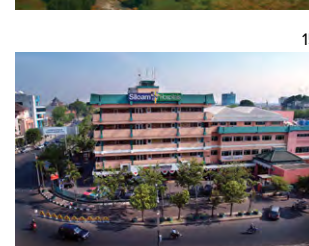
- 09 Siloam Hospitals Manado & Hotel Aryaduta Manado**
An 11-storey integrated hospital and hotel with basement level located in Manado City, North Sulawesi.
- 10 Siloam Hospitals Makassar**
A 7-storey hospital located in the integrated township of Tanjung Bunga, Makassar City, South Sulawesi.



- 11 Mochtar Riady Comprehensive Cancer Centre**
Indonesia's first private comprehensive cancer treatment centre equipped with state-of-the art facilities and diagnostic medical technologies, located in Central Jakarta.
- 12 Siloam Hospitals Lippo Cikarang**
A 6-storey hospital located in East Jakarta, reputed for its international standards of medical care, with a broad range of general and specialist services.



- 13 Siloam Hospitals Lippo Village**
One of the largest private hospitals in the region with a strong brand name for excellent patient care, world-class Neuroscience and Cardiology specialties and a first-rate Trauma Centre.



- 14 Siloam Hospitals Kebon Jeruk**
A 6-storey hospital with a 3-storey extension building located in West Jakarta, renowned for its authority in the diagnosis and treatment of disorders of the urinary tract or urogenital system.
- 15 Siloam Hospitals Surabaya**
One of the most recognised and highly respected private hospitals in Surabaya, with excellent Trauma Centre facilities.
- 16 Imperial Aryaduta Hotel & Country Club**
One of the few 5-star hotels linked with a country club in Jakarta.

Singapore



- 01 Pacific Healthcare Nursing Home @ Bukit Merah**
A 4-storey custom-built nursing home with basement carpark and roof terrace.
- 02 Pacific Healthcare Nursing Home II @ Bukit Panjang**
A 5-storey custom-built nursing home.
- 03 The Lentor Residence**
A 5-storey custom-built nursing home with comprehensive medical facilities.



South Korea



- 01 Sarang Hospital**
A 6-storey hospital with one basement level, one of the largest rehabilitative treatment and nursing facility in Yeosu City.

OVERVIEW

OUELH CONTINUES TO EXPAND ITS PRESENCE IN CHINA AND NETWORK OF STRATEGIC PARTNERS FOR LONG-TERM GROWTH.

China

In 2018, OUELH, through its acquisition of Brainy World Holdings Limited, acquired a 50% shareholding interest in China Merchants Lippo Hospital Management (Shenzhen) Limited (“CMLHM”), a 50:50 joint venture company with China Merchants Shekou Industrial Zone Co., Ltd (“CMSK”). CMLHM has subsequently entered into various Chinese markets such as Shanghai, Chongqing and Nanjing.

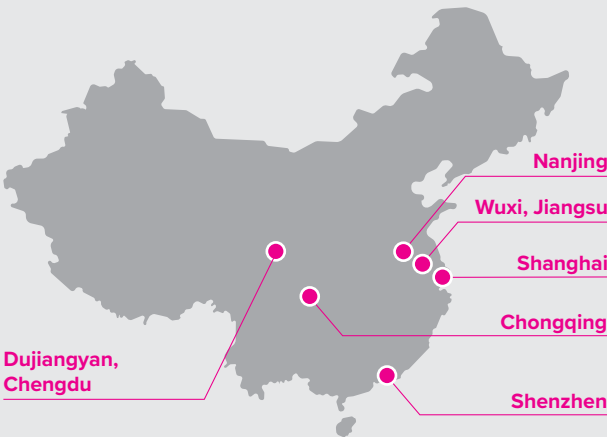
The Group has also entered into a letter of intent (“LOI”) with CMSK to develop a flagship international hospital in Prince Bay, Shekou, Shenzhen, to service the healthcare needs for the Greater Bay Area.

OUELH will continue to extend its healthcare presence in China, pairing its depth of experience and expertise in healthcare management with the vast resources of China Merchants Group.

In addition, OUELH is in the midst of developing an integrated hospital project in Dujiangyan, Chengdu, which is expected to fill an existing gap due to a lack of high-quality medical services in the area.

Following these developments, OUELH currently has presence in 6 major cities in China – Chengdu, Shenzhen, Wuxi, Chongqing, Shanghai and Nanjing.

The Company believes that its international healthcare management expertise coupled with the deepening partnership with China Merchants Group, will put OUELH in good stead to capture the growing healthcare opportunities in China.



Presence in

6 cities

50:50 Joint venture

CMLHM

WITH CHINA MERCHANTS SHEKOU INDUSTRIAL ZONE CO., LTD



Signing of a letter of intent to jointly develop the proposed Prince Bay Hospital Development with China Merchants Shekou Industrial Zone Co., Ltd.

Dujiangyan, Chengdu



Artist's impression of integrated hospital development in Dujiangyan, Chengdu



Aerial view of integrated hospital development in Dujiangyan, Chengdu

CHENGDU INTEGRATED HOSPITAL DEVELOPMENT PROJECT

The plan is to build an integrated hospital development on a site in Dujiangyan, Chengdu next to a busy 800-bed public general hospital. It will be located in the midst of several residential projects, town amenities and industrial estates.

The planned hospital is expected to fill an existing gap in medical care in the area, where there is a lack of high quality private hospitals for the wealthier residents. There is a potential catchment of 2 million residents in Dujiangyan and the adjoining Aba Tibetan Prefecture and a growing number of large retirement housing projects in Dujiangyan.

Wuxi, Jiangsu

OUELH currently owns a piece of land of approximately 244,136 sq ft, and a building located at North Changjiang Road, New District, Wuxi City, Jiangsu Province, the People's Republic of China.



OVERVIEW

– CHINA

Greater Bay Area – Shenzhen



Artist's impression of Prince Bay development in Shenzhen

In December 2018, OUELH entered into a non-binding letter of intent (“LOI”) with China Merchants Shekou Industrial Zone Holdings Co., Ltd. (“CMSK”), to jointly develop, operate and manage a high-end international hospital in Prince Bay, Shekou, Shenzhen, the People’s Republic of China (the “**Proposed Prince Bay Hospital Project**”).

The Proposed Prince Bay Hospital Project is expected to have more than 200 beds serving the local community and is set to benefit from the growth of the medical tourism industry in the Guangdong-Hong Kong-Macao Greater Bay Area (the “**Greater Bay Area**”).

The Greater Bay Area has been earmarked by the Chinese government to be the main driver of economic growth and international trade, and a key player in China’s “Belt and Road Initiative”.

The bustling cluster of 11 cities occupies about 56,000 sq km in land area. Despite comprising about 0.6% of China’s total land area, the Greater Bay Area is home to approximately 5% of the total population. It contributes about 12% of China’s Gross Domestic Product (“GDP”), or approximately US\$1.6 trillion¹, which is comparable to the economic size of South Korea. The GDP of the Greater Bay Area is expected to grow to approximately US\$4.62 trillion by 2030, surpassing the Tokyo Bay Area as well as the New York Bay Area. Shekou, where the Proposed Hospital Project is located, is nestled at the southern tip of Nanshan, with Hong Kong just across the Shenzhen Bay, and was designated a Free Trade Zone by the Chinese government in 2015. The vibrant commercial area is home to many Fortune 500 Chinese companies, which are attracted to its connectivity, location, and growth potential.



Cornerstone laying ceremony for the proposed Prince Bay Hospital project

In December 2018, OUELH also entered into three management agreements to manage three medical facilities in Shanghai, Chongqing and Nanjing via its 50:50 joint venture company with China Merchants Group, namely China Merchants Lippo Hospital Management (Shenzhen) Limited (“CMLHM”).

Under the management agreements, CMLHM will manage the medical facilities for one year commencing from 1 February 2019. The management agreements are extendable for a further term of one year on substantially the same terms and conditions at the option of CMLHM. CMLHM will be paid a management fee equivalent to 5% of the annual revenue of each medical facility.

Shanghai

SHANGHAI CHANGHANG HOSPITAL

Located in the heart of Shanghai’s prestigious Lujiazui business and financial area of Pudong New District, Shanghai Changhang Hospital is a 204-bed Grade II hospital, occupying a land area of approximately 11,000 square metres.



Chongqing

CHONGQING CHANGHANG HOSPITAL

Chongqing Changhang Hospital is located in Yuzhong District, the centre of Chongqing’s administration, commerce, finance, information, culture, basic education and medical service. It is a Grade II hospital with 219 beds on a land area of approximately 13,750 square metres.



Nanjing

NANJING YOUYUN HOSPITAL

Less than one kilometre away from the Yangtze River, Nanjing Youyun Hospital is a Grade I hospital with a gross floor area of approximately 2,015 square metres.

It is centrally located in Gulou District, close to several higher education and government institutions in Nanjing. Nanjing is the capital of the Jiangsu province, which ranks as China’s top province in terms of Gross Domestic Product per capita.



¹ Source: CBRE Hong Kong, 30 August 2018 (<https://www.cbre.com.hk/en/about/media-centre/the-rise-of-the-greater-bay-area-as-the-worlds-largest-bay-area-economy>).

OVERVIEW

OUELH LOOKS TO ESTABLISH ITS INTERNATIONAL BRAND IN THE MYANMAR HEALTHCARE MARKET, ONE OF THE FASTEST-GROWING ECONOMIES IN SOUTHEAST ASIA.

Myanmar

In January 2019, OUELH entered into a sale and purchase agreement for the acquisition of a 40.0% stake in Yoma Siloam Hospital Pun Hlaing Limited (“YSHPH”) and a 35.0% stake in Pun Hlaing International Hospital Limited (“PHIH”). Each of YSHPH and PHIH are joint venture companies with First Myanmar Investment Public Company Limited (“FMI”).



Upon completion of the acquisition, OUELH will be the joint venture partner of FMI in the management and operation of a healthcare portfolio of three hospitals, one medical centre and two clinics currently operated by YSHPH under the brand name "Pun Hlaing Siloam Hospitals" (the “**Myanmar Medical Facilities**”). PHIH owns and holds the leases of the land and properties on which the Myanmar Medical Facilities are located, with back-to-back leases.

The three hospitals, with a total bed capacity of approximately 370 beds, are located in the key cities of Yangon, Mandalay and Taunggyi. The flagship hospital in Yangon was the first hospital in Myanmar to receive the prestigious JCI accreditation in 2017. The core services offered by the hospitals include emergency, out-patient, in-patient, laboratory, imaging, physiotherapy, medical check-up, overseas clinical services, across practices including Cardiology, Orthopaedics, Obstetrics and Gynaecology.

Yangon

As the largest city in Myanmar with a population of over five million people, Yangon is the commercial capital of Myanmar today. The 170-bed flagship hospital in Yangon, Pun Hlaing Siloam Hospital Yangon was the first hospital in Myanmar to receive the prestigious JCI accreditation in 2017.

Apart from the flagship hospital, YSHPH also operates a medical centre in downtown Yangon, which is expected to capture the growing healthcare demand of the burgeoning middle class and expatriate community.



Mandalay

Mandalay is the second largest city in the country and serves as the main commercial, education and health centre for Upper Myanmar. Although it contributes approximately 11% of Myanmar's Gross Domestic Product (“GDP”), Mandalay's GDP per capita is recorded as the highest in Myanmar at approximately US\$6,400, which is similar to that of Ho Chi Minh City.

The 100-bed hospital in Mandalay is well-positioned to serve the Mandalay community's increasing healthcare needs with a wide range of in-patient and out-patient services.



Taunggyi

Taunggyi is home to a diverse group of ethnicities as it is the capital of Shan State, Myanmar's largest state, that borders China, Laos and Thailand. The 100-bed hospital in Taunggyi is expected to serve the largest state's growing community.

Additionally, YSHPH is also operating and managing a clinic in Nyaung Shwe, a city in Shan State bordering Taunggyi.



Myanmar Medical Facilities

6

No. of Beds in Three Hospitals

370

Only hospital in Myanmar with

JCI

ACCREDITATION

Other Asian Markets

Kuala Lumpur, Malaysia

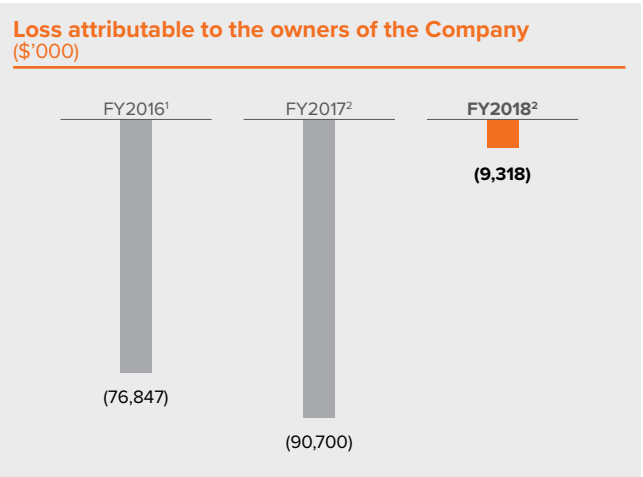
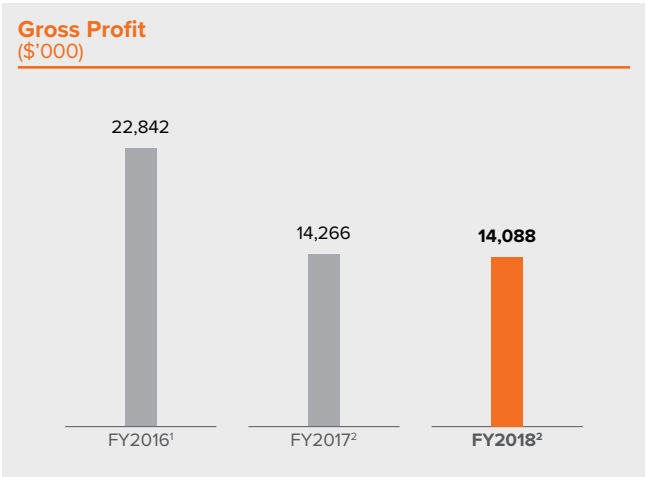
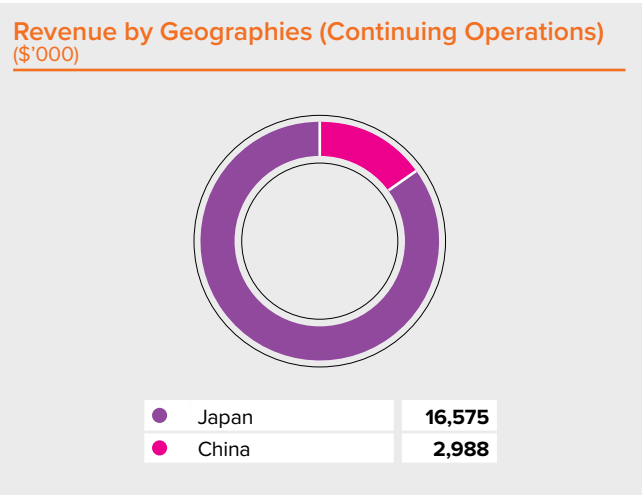
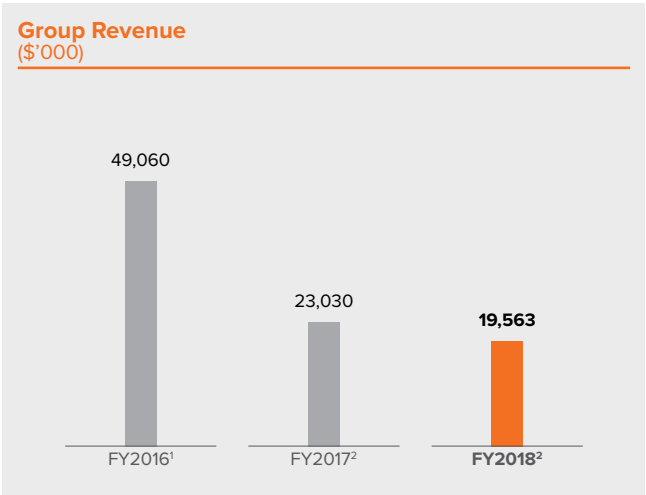
KLCC DEVELOPMENT PROJECT

OUE LH currently owns a piece of land at Jalan Kia Peng, in Kuala Lumpur, Malaysia. The land is approximately 50,849 sq ft, which can potentially be developed into an integrated mixed-use development comprising specialist medical suites, upscale retail space and serviced residences. The land is strategically located within walking distance of the Kuala Lumpur Convention Centre, Kuala Lumpur city centre business district, Petronas Twin Towers and Pavillion Shopping Centre, and is also near the Bukit Bintang shopping district and Kuala Lumpur General Hospital.



Artist's impression of the potential mixed-use development in Kuala Lumpur, Malaysia

3-YEAR FINANCIAL HIGHLIGHTS



Notes:

¹ FY2016 includes the operations of the Wuxi New District Phoenix Hospital in Wuxi, Jiangsu Province, the People's Republic of China ("Discontinued Operation").

² Following the events described in the announcements dated 6 August 2018 and 23 August 2018, the Company was deemed to have lost control of Wuxi New District Phoenix Hospital Co., Ltd ("Wuxi Co."). In accordance with SFRS(I) 10, the Group deconsolidated the assets and liabilities of Wuxi Co and reflected it as Discontinued Operation for FY2017 and FY2018.

FINANCIAL AND OPERATIONS REVIEW

The Group strengthened its financial position in FY2018 through the placement of new shares to a wholly-owned subsidiary of ITOCHU Corporation (“**ITOCHU**”) and through a rights issue. The share placement and rights issue raised a total of S\$228.7 million in gross proceeds.

ITOCHU is now a strategic shareholder of the Company with a shareholding interest of 25.3%. During the year, the Group also deepened its collaboration with its strategic partner, the China Merchants Group. The Group signed a letter of intent with China Merchants Shekou Industrial Zone Holdings Co., Ltd (“**CMSK**”) to jointly develop, operate and manage a high-end international hospital in Prince Bay, Shekou, Shenzhen, China. In addition, China Merchants Lippo Hospital Management (Shenzhen) Limited, the Group’s 50:50 joint venture with CMSK, also entered into management agreements to manage three hospitals in China with a total of 423 registered beds. The hospitals are owned by the China Merchants Group and are located in Shanghai, Chongqing and Nanjing. CMSK is listed on the Shenzhen Stock Exchange and is a member company of the China Merchants Group.

The Group completed the acquisitions of 10.6%¹ of the issued units in First Real Estate Investment Trust (“**First REIT**”) and 40.0% of the shares in Bowsprit Capital Corporation Limited (“**Bowsprit**”) in October 2018. Bowsprit is the manager of First REIT. The acquisitions are earnings accretive and contribute positively to the Group’s cash flows. The acquisitions also helped to expand the Group’s presence to Indonesia, Singapore and South Korea, and provided the Group with a platform to recycle its capital, enabling the Group to embark on an asset-light growth strategy.



In January 2019, the Company obtained the approval of its shareholders to proceed with the proposed acquisition of the stakes in two Myanmar companies that operate three hospitals, a medical centre and two clinics in Myanmar. Upon completion, the proposed acquisitions will further grow the Group’s geographical presence and establish a foothold in one of the fastest growing emerging economies in the region.

In terms of financial performance, the Group reported a lower loss after tax of S\$9.3 million for FY2018, compared with a loss of S\$90.0 million for FY2017. The higher loss in FY2017 was due partly to one-off items and higher finance costs.

CONTINUING OPERATIONS

The Group’s continuing operations comprise ownership and management of 12 nursing home facilities in Japan, which are leased to independent operators, as well as pharmaceutical distribution business in China. The Group also owns land for development in China and Malaysia. The land in China is located in Dujiangyan, Chengdu, and in Wuxi. The land in Malaysia is centrally located within walking distance to the Kuala Lumpur City Centre.

FINANCIAL PERFORMANCE

The Group recorded lower consolidated revenue of S\$19.6 million in FY2018, compared to S\$23.0 million in FY2017. The decrease was due to lower sales from the pharmaceutical distribution business in China. Leasing income from the Japan nursing home facilities remained stable.

Despite the decrease in revenue, gross profit remained largely unchanged at S\$14.1 million due to improvement in the overall gross profit margin.

The increase of S\$0.9 million in administrative expenses was mainly due to higher staff and related costs as the Group beefed up its staff strength in FY2018. Net finance costs decreased by S\$9.1 million to S\$10.8 million. The decrease was due mainly to savings from the refinancing of the Japan TMK bonds in July 2017, redemption of the Medium-Term Notes and repayment of various high cost borrowings.

The Group recorded S\$5.5 million for its share of profits from its equity accounted investees in FY2018. The share of profits included S\$2.6 million from the Group’s stake in First REIT and S\$3.5 million from the Group’s stake in Bowsprit. The share of Bowsprit’s profit included a S\$2.6 million negative goodwill arising from the excess of the provisional fair value of the net identifiable assets acquired over the consideration paid. The purchase price allocation relating to the investment in Bowsprit will be finalised in FY2019.

FINANCIAL POSITION

As at 31 December 2018, the Group’s net assets amounted to S\$245.3 million or about 5.52 Singapore cents per ordinary share.

Consolidated current assets increased by S\$37.7 million to S\$102.1 million. The increase was due mainly to the increase in cash and cash equivalents of S\$38.9 million, from the balance proceeds of the share placement. As at 31 December 2018, the Group’s cash and cash equivalents amounted to S\$60.4 million.

Consolidated current liabilities decreased by S\$4.0 million to S\$242.1 million. The current liabilities included shareholder’s loans and accrued interest on the loans totalling S\$175.3 million¹. The decrease in current liabilities was due mainly to a net reduction in loans and borrowings of S\$3.8 million, utilisation of provisions of S\$3.9 million and a reduction in current tax liabilities of S\$1.0 million due to the discontinued operation. The decrease was partially offset by an increase in trade and other payables of S\$4.8 million, which related mainly to accrued interest. As at 31 December 2018, the Group’s net current liabilities amounted to S\$140.0 million.

Consolidated non-current assets increased by S\$144.8 million to S\$568.8 million. The increase was due mainly to the acquisitions of the stakes in First REIT and Bowsprit.

Consolidated non-current liabilities decreased by S\$20.8 million to S\$183.5 million. The decrease was due mainly to the repayment of loans and borrowings, and reclassification of loans and borrowings due within the next 12 months to current liabilities.

The Group utilised net cash of S\$8.6 million in its operating activities. Net cash utilised for investing activities amounted to S\$146.4 million, which related mainly to the acquisitions of the stakes in First REIT and Bowsprit. Financing activities provided net cash of S\$193.8 million, which included net proceeds of S\$226.2 million from the share placement and rights issue. Net repayment of borrowings and interest paid amounted to S\$32.3 million.

DISCONTINUED OPERATION

As announced in August 2018, the Group lost control of the operating company, Wuxi New District Phoenix Hospital Co., Ltd. in Wuxi, Jiangsu, China. As a result, the operations of the Wuxi New District Phoenix Hospital was discontinued. The discontinued operation resulted in a loss of S\$0.5 million for FY2018, due mainly to deconsolidation adjustments arising from the loss of control.

There was no material impact to the Group’s balance sheet due to the discontinued operation as the Group continues to own the land and buildings of the hospital.



Notes:

¹ The shareholder’s loans are from Treasure International Holdings Pte Ltd (“**TIHPL**”) and OUE Treasury Pte Ltd (“**OUE Treasury**”). TIHPL and OUE Treasury are wholly-owned subsidiaries of OUE Limited.

SUSTAINABILITY REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

WHO WE ARE
OUE Lippo Healthcare Limited (“**OUELH**”) is a subsidiary of OUE Limited (“**OUE**”) and is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

OUELH provides high quality and sustainable healthcare facilities and services through our capabilities in the acquisition, development, management and operation of healthcare facilities. These facilities include medical centres, day surgeries, hospitals, nursing homes and retirement communities.

We believe we can have a positive impact on society by continuing to enhance our understanding of the growing healthcare needs of our customers and providing quality services to meet those needs.

BOARD STATEMENT
The Board of OUELH (“**the Board**”) oversees, monitors and approves sustainability-related matters and hereby presents our second sustainability report. The Board is supported by the Sustainability Steering Committee (“**SSC**”), which comprises C-Suite management personnel of the Group.

As we continue to grow and build a resilient business, one of our key priorities is to maintain and increase our overall business resiliency and sustainability. As a result, sustainability considerations remain to be an important component of our overall strategy formulation, alongside various other risks, opportunities and trends that impact our decision-making process.

We began formalising and documenting our sustainability journey in 2017 by identifying material areas of focus and developing a team to drive our efforts. These material areas of focus remain relevant into 2018 and the Board continues to be supported in our efforts by the SSC. In 2017, we have also developed specific performance indicators and set targets. We reviewed our performance in 2018 against these indicators and targets and present our results in this report.

Our Sustainability Report is aligned to the SGX-ST Listing Rules 711A and 711B (Sustainability Reporting Guide) and references the internationally recognised Global Reporting Initiative (“**GRI**”) Standards (2016).

SUSTAINABILITY AT OUELH
We recognise that the alignment of healthcare and sustainability principles can enhance the function, practicality, effectiveness, perception and value of our healthcare services and facilities. We believe it is important for us to focus on the areas where we can have the most impact. Therefore, the Board validated the results of a materiality assessment that was conducted to identify areas to concentrate our sustainability efforts, which will support our business strategy. In addition, we reported our performance for 2018 and set out targets for 2019.

In 2018, we remained focused on the formalisation and standardisation of our sustainability approach. We focused our efforts in areas where we can have the most impact, including looking at how we manage our investments and assets as well as our own human resource practices. Going forward, we will expand our focus to other areas.

ABOUT THIS REPORT
This sustainability report addresses the material environmental, social and governance (“**ESG**”) factors from 1 January 2018 to 31 December 2018.

Reporting Standard
The report is referenced to the Global Reporting Initiative (GRI) Standards (2016) and is also in compliance with the requirements of the SGX-ST Listing Rules 711A and 711B. We have adopted the GRI Standards as this is a well-known and globally-recognised sustainability reporting framework. This report references the following GRI Standards and topic-specific Disclosures:

Disclosure 205-3: Confirmed incidents of corruption and actions taken
Disclosure 307-1: Non-compliance with environmental laws and regulations
Disclosure 404-3: Percentage of employees receiving regular performance and career development reviews
Disclosure 419-1: Non-compliance with laws and regulations in the social and economic area

Reporting Scope
In 2018, the Group re-organised its business segments into the following categories to better reflect the Group’s businesses and operations.

- 1. Healthcare Operations (China)
- 2. Healthcare Assets (China, Japan)
- 3. Properties under Development (China, Malaysia)
- 4. Investments (Singapore)
- 5. Others

The Healthcare Operations segment relates to the China pharmaceutical trading business and the 50:50 joint venture with China Merchants Landmark (Shenzhen) Co., Ltd.

The 12 nursing home facilities in Japan and the Wuxi hospital property are included under the Healthcare Assets segment. The Japan nursing homes are fully leased to independent operators under long term master leases.

The Properties under Development segment refers to the development of the Group’s properties in China and Malaysia. The properties in China include land in Dujiangyan, Chengdu, and Wuxi respectively. The properties are intended to be

developed into integrated hospital projects. The land in Malaysia is located within walking distance to the Kuala Lumpur Convention Centre and Kuala Lumpur City Centre. The land is intended for mixed development use.

The Investments segment comprises the Group’s investments in an associate, First Real Estate Investment Trust (“**First REIT**”) and the joint venture with OUE Limited in the manager of First REIT, Bowsprit Capital Corporation Limited (“**Bowsprit**”).

Others refer mainly to the head office and corporate functions, including investment holding related activities.

In this report, we focused on the material ESG factors for our Japan nursing home facilities, human resource management practices and compliance with our code of business conduct and ethics.

Feedback
We look forward to any enquires, comments or feedback on both our sustainability performance and sustainability report via info@ouelh.com.

ASSESSING MATERIALITY WITH OUR STAKEHOLDERS IN MIND

Engaging with our stakeholders
We have numerous stakeholder groups across our geographies and operations. Stakeholders are groups of people or entities who affect or are affected by our business. It is important for the success of our business that we engage with them regularly to track and address their needs and concerns. We engage our stakeholders for a number of reasons, and through these engagements we can identify their various sustainability priorities. Our engagement methods for each stakeholder group are tabled below:

Stakeholders	Engagement Methods
Shareholders, investors, analysts and the media	• Release of financial results, announcements, press releases, annual reports and other relevant disclosures through SGXNET and our corporate website • Annual General Meetings • Extraordinary General Meetings, where necessary
Customers	• Meetings with operators of the Japan nursing home facilities • Feedback from patients
Employees	• Training and development programs • Annual performance reviews • Recreational and team building activities
Government and Regulators	• Industry networking functions • Regulatory audits • Compliance with mandatory reporting requirements

Material ESG Factors selection

A formal materiality assessment was carried out in 2017 with the SSC and in collaboration with an external consultant. During this session, material Environmental, Social and Governance (“ESG”) factors that were most relevant to us were identified. Over 2018, we have determined that based on the reporting scope as described above, the ESG factors previously selected remain material to our business.

In addition, we are aware that our business has a global context and that the effects of our activities can be felt far outside of the boundaries of our control. We hope that by managing these material ESG factors, we can mitigate any negative impact of our activities and go a step further by contributing to global sustainability efforts. The Sustainable Development Goals (“SDGs”) are a set of global goals developed by the United Nations aimed at achieving a better and more sustainable future by 2030. In 2018, we mapped our material ESG factors and efforts to the SDGs developed by the United Nations to achieve a global perspective. In the mapping exercise, as shown below, we considered how our sustainability efforts contribute to the achievement of these global goals.

Material ESG factor	How we contribute to the SDG	Relevant SDGs
1 Economic performance ¹	Deliver economic value to shareholders, employees and community	
2 Active ownership of assets	Encourage eco-efficiency and safety in our assets	
3 Talent management	Adopt fair employment practices and provide training and development programmes to equip employees with relevant skills	 
4 Compliance with business conduct and ethics	Maintain high ethical standards and responsible business practices in all locations of operations	

The above ESG factors will be discussed in this sustainability report. except for Economic Performance. On our economic performance, please refer to pages 41 - 43 of the main Annual Report.

Note
¹ Please refer to the Annual Report for more information on our economic performance pages 41-43.

ACTIVE OWNERSHIP OF ASSETS

The success and value of our asset portfolio has a direct impact on the success of our business and the value that we can bring to our shareholders. Therefore, optimal management of our assets is a priority. In this section, we will focus on our 12 nursing home facilities in Japan.

Asset Management

We conduct regular assessment of our assets and work closely with each nursing home operator to make physical improvements to address issues as they arise. These

physical upgrades could be to improve eco-efficiency, safety or alignment with new regulations.

As part of this regular assessment, we prepare a maintenance capital expenditure (“CAPEX”) plan based on the requirements of the master lease agreements and regulatory requirements. The budget for the maintenance CAPEX plan is reviewed and approved by our Singapore Head Office and the Board of Directors. The master lease agreements with the operators define the responsibility between the asset owner and the lessee for repairs and maintenance of the nursing home facilities.

Maintenance and improvement works on our assets in 2018 include:

- Maintenance of external façade/brickworks and windows
- Maintenance of water supply system
- Repairs and maintenance of roofs
- Replacement of air filtration system
- Updates on fire protection equipment

Our 2018 Performance	2019 target
We met the target set for 2018 with 100% assessment of our assets and the development of a maintenance and CAPEX plan for each asset.	We aim to continue to review and assess 100% of our assets and develop a maintenance and CAPEX plan for each asset.

TALENT MANAGEMENT

We recognise that the integrity and competence of our employees are key factors to our success. To manage our talent, we focus on robust recruitment practices and work on the development of individual employees, so that each employee can reach his or her maximum potential and make a positive contribution. We cultivate a working environment that our employees are happy to be part of and feel engaged in their roles.

Fair employment

We abide by the Tripartite Alliance for Fair & Progressive Employment Practices (“TAFEP”) guidelines in our recruitment and selection process. We are committed to employing qualified candidates without any discrimination relating age, gender, race, marital status or religion.

Learning, development and performance review
Developing our staff expertise and knowledge not only benefits the individual employee and strengthens his or her loyalty to the company, but also allows us to cultivate the skills and talent that the business needs within our staff base. We curate training and development plans for staff during their annual performance appraisal. All permanent staff in Singapore are eligible for this performance appraisal, where feedback on the individual is given and discussion on which training may help them to develop. Training includes informal learning on the job as well as internal training sessions and external programmes.

Staff well-being

Staff satisfaction is an increasing priority, especially in younger generations who place a high significance on their wellbeing at work. Staff well-being involves a number of areas, from respecting the individual and acknowledging his or her

achievements, to providing benefits that are competitive. Our employees are entitled to benefits such as:

- Term life, hospitalisation and surgery, and travel insurance
- Annual staff dinner
- Regular staff gatherings

Our 2018 Performance	2019 target
We met the target set for 2018 with 100% performance appraisals for all our staff.	We aim to conduct 100% performance appraisals for all our staff. In addition, we plan to start a secondment program within our Group for our staff to be exposed to different operating environments and share best practice.

COMPLIANCE WITH BUSINESS CONDUCT AND ETHICS

Business conduct and ethics include complying with the various laws and regulations that we are subject to, with particular attention on anti-corruption. We recognise that by not acting with utmost integrity and violating higher risk areas of corporate governance, we will not be able to maintain the trust of our vital stakeholder.

We have a Code of Business Conduct and Ethics, which sets out the expectations of employees in relation to issues such as fraud, bribery, segregation of duties and anti-competitive conduct. This is made available to employees upon commencement of employment, when they are required to sign a certificate of compliance to indicate their willingness to adhere to the Code. Throughout their employment, they can access the Code through the staff handbook.

Employees can report any suspicious activities or notable concerns through our whistle-blowing channels. The whistle-blowing policy sets out how they can do this anonymously and protects them from any retaliation or harassment of any kind. All complaints or concerns received are investigated by the Head of Internal Audit, who reports to the Chairman of the Audit and Risk Committee.

Our 2018 Performance	2019 target
We met the target set for 2018 with no confirmed incidents of non-compliance resulting in a fine or penalty.	No confirmed incidents of non-compliance resulting in a fine or penalty

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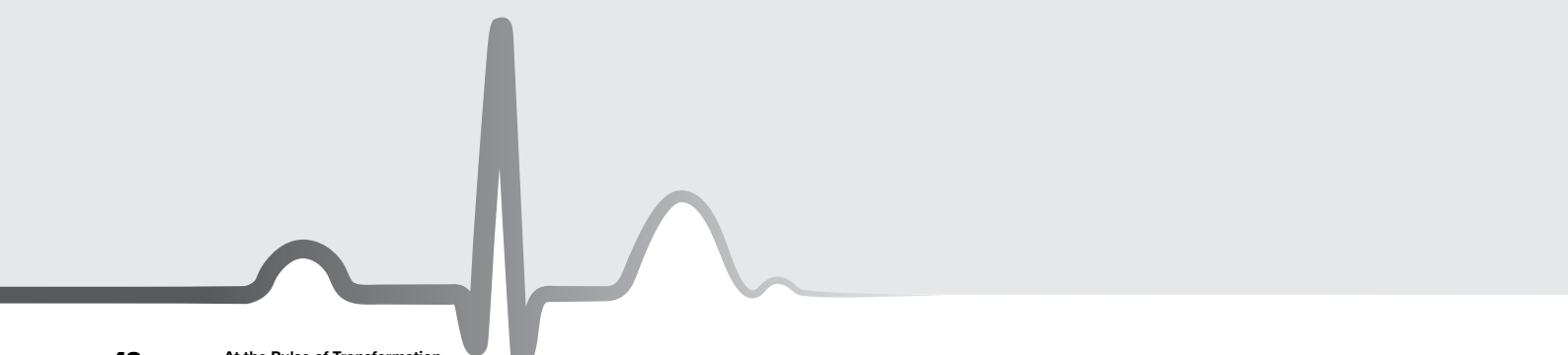
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CORPORATE GOVERNANCE REPORT

The board of directors (the “**Board**” or the “**Directors**”) of OUE Lippo Healthcare Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) is committed to maintaining good standards of corporate governance. This corporate governance report (“**Report**”) describes the Company’s corporate governance practices during the financial year ended 31 December (“**FY**”) 2018, with specific reference to the principles of the Singapore Code of Corporate Governance 2012 (the “**Code**”) issued by the Monetary Authority of Singapore (the “**MAS**”). The Company is pleased to report that it has complied in all material aspects with the principles and guidelines as set out in the Code, and deviations from the Code, if any, are explained under the respective sections.

The Company is aware that the MAS had, on 6 August 2018, issued a revised Code of Corporate Governance (the “**2018 CG Code**”). The 2018 CG Code will take effect for annual reports covering financial years commencing 1 January 2019 and the Company will work towards the implementation of the 2018 CG Code.

Outlined below are the policies, processes and practices adopted by the Group in compliance with the principle and spirit of the Code.

A. BOARD MATTERS

Principle 1: The Board’s conduct of affairs

The Company is headed by an effective Board comprising a majority of non-executive Directors to lead and control the Company. The Board is supported by two board committees, namely the Audit and Risk Committee (“**ARC**”) and the Nominating and Remuneration Committee (“**NRC**”) and together with the ARC, the “**Board Committees**”). Each Board Committee is governed by clear terms of reference which have been approved by the Board, which sets out the duties and authority of the relevant Board Committee.

The principal roles and responsibilities of the Board include:

- providing entrepreneurial leadership, setting strategic objectives and ensuring that the necessary financial and human resources are in place for the Company to meet its objectives;
- establishing 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;
- reviewing the performance of the management of the Company (“**Management**”);
- identifying key stakeholder groups and recognising that their perceptions affect the Company’s reputation;
- setting the Company’s values and standards (including ethical standards), and ensuring that obligations to shareholders and other stakeholders are understood and met; and
- considering sustainability issues (including environmental and social factors) as part of the Company’s overall strategy.

The Company has adopted internal guidelines which require Board approval for investments, divestments and bank borrowings. The Company has also adopted a framework of delegated authorisation (“**LOA**”) which sets out procedures and levels of authorisation required for specified transactions. The LOA also sets out approval limits for operating and capital expenditure and contains a list of matters specifically reserved for the Board’s approval. These include approval of annual business plans, operating budgets, statutory accounts, declaration of interim and final dividends, and material transactions, namely, major acquisitions and disposals, joint ventures, strategic alliances, investment proposals, establishment of banking facilities and all actions related to changes in capital of the Company.

The Board delegates the management of the overall business and development of the Group to the Chief Executive Officer (“**CEO**”) and Executive Director, while the management of the overall operations of the Group is delegated to the Chief Operating Officer. In order to have a better understanding of the Group’s business, the Company adopts a policy whereby the Directors are encouraged to request for further explanations, briefings or informal discussions on the Company’s operations or business with the Management. The Board conducts scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. The Board met five (5) times in FY2018. The Company’s Constitution (the “**Constitution**”) provides for Board meetings by means of teleconference or video conference where Directors are unable to be physically present at such meetings. Directors may raise questions and seek clarification through discussion forums with Management in respect of significant matters passed via circular resolutions.

CORPORATE GOVERNANCE REPORT

Directors' Attendance for Board and Board Committee Meetings

The report on Directors' attendance for Board and Board Committee meetings for the FY2018 is set out below:

Name of Director ⁽¹⁾	Number of meetings attended in FY2018		
	Board	ARC	NRC
Mr Lee Yi Shyan	5	—	1
Dr Stephen Riady	2	—	—
Dr Wong Weng Hong	5	—	—
Mr Masato Mohri	4 ⁽²⁾	—	0 ⁽²⁾
Mr Roger Tan Chade Phang	5	4	1
Mr Eric Sho Kian Hin	5	4	1
Mr Jackson Tay Eng Kiat	5	4	0 ⁽³⁾
Mr Johji Sato	4 ⁽⁴⁾	3 ⁽⁴⁾	—
Number of meetings held in FY2018	5	4	1

Notes:

⁽¹⁾ Mr Yet Kum Meng was appointed to the Board following the resignation of Dr Wong Weng Hong after the end of FY2018.

⁽²⁾ Mr Masato Mohri was appointed to the Board and as a member of the NRC with effect from 21 March 2018. Four (4) Board meetings and no NRC meeting were held between 21 March 2018 and 31 December 2018.

⁽³⁾ Mr Jackson Tay Eng Kiat was appointed as a member of the NRC with effect from 21 March 2018. No NRC meeting was held between 21 March 2018 and 31 December 2018.

⁽⁴⁾ Mr Johji Sato was appointed to the Board and as a member of the ARC with effect from 15 February 2018. Four (4) Board meetings and three (3) ARC meetings were held between 15 February 2018 and 31 December 2018.

Board Orientation and Training

Newly-appointed Directors will undergo an orientation process with materials provided to help them familiarise with the business, operations and financial performance of the Group. Newly-appointed Directors will also be briefed on the Company's governance practices, including directors' duties, board processes, policies on disclosure of interest in securities, prohibition on dealings in the Company's securities and restrictions on disclosure of price-sensitive information. For a better understanding of the Group's business, the Directors are also given the opportunity to meet with the Management and, where necessary, visit the operational facilities of the Group. Mr Johji Sato and Mr Masato Mohri who were appointed to the Board on 15 February 2018 and 21 March 2018 respectively were given briefings by Management on the Group's business structure, financial and operations, and corporate governance practices, and by the external legal advisers of the Company on the roles and responsibilities of a listed issuer in Singapore. In accordance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist ("Catalist Rules"), Mr Yet Kum Meng who was appointed to the Board on 28 February 2019 and has no prior experience as a director of an issuer listed on the SGX-ST will undergo training in the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST.

The Company arranges for the Board to be updated regularly on risk management, corporate governance, insider trading, and the key changes in the relevant regulatory requirements and financial reporting standards, so as to enable them to keep pace with the new laws, regulations and changing commercial risks. The Company encourages its Directors to attend training courses organised by the Singapore Institute of Directors or other training institutions in connection with their duties. They are also given unrestricted access to professionals for consultation as and when they deem necessary.

During FY2018, the Company had also organised training for the Directors to brief the Board on key changes or amendments to accounting standards, corporate governance, and regulatory requirements that are relevant to the Company and the Group. The CEO routinely updates the Board at relevant Board meetings on business and strategic developments relating to the industry that the Group operates in. The Directors are at liberty to request for further explanations, briefings or informal discussions on any aspect of the Company's operations or business issues from the Management.

The NRC makes recommendations to the Board on relevant matters relating to the review of training and professional development programmes for the Board.

CORPORATE GOVERNANCE REPORT

Principle 2: Board composition and guidance

The Company is satisfied that it has a strong and independent element on the Board. The independence of each of the Directors has been assessed by the Board (after taking into account the NRC's views) in accordance with the requirements of the Code. Under the Code, an independent director is one who has no relationship with the Company, its related corporations, 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 interests of the Company.

The Board currently has eight (8) Directors, comprising seven (7) Non-Executive Directors. Of the seven (7) Non-Executive Directors, the NRC considers Messrs Roger Tan Chade Phang, Eric Sho Kian Hin, Jackson Tay Eng Kiat and Johji Sato to be independent, based on the examples of what relationships would deem a director not to be independent, as set out in the Catalist Rules and the Code. In reviewing the independence of a director, the NRC takes in consideration in particular, the Director's objective participation on the Board meetings and a review of whether he has any relationship with the Company, its related corporations or its officers that could interfere or be reasonably perceived to interfere with his independent judgement. In addition, each Independent Director also submits an annual declaration regarding his independence. As half of the Board currently comprises Independent Directors, the requirement of the Code that at least half of the Board comprises Independent Directors where the Chairman is not an Independent Director is satisfied.

There is no Independent Director who has served beyond nine years since the date of his first appointment.

The Board, through the NRC, from time to time examines its structure, size and composition to ensure that it is of an appropriate size for effective decision making, taking into account the scope and nature of the operations of the Company.

The Board is of the opinion that its current size is appropriate for effective decision making, taking into account the nature and scope of the Company's business. The Board comprises Directors who as a group provide core competencies such as accounting or finance, business or management experience, legal, industry knowledge and strategic planning experience. The current composition of the Board provides an appropriate balance and diversity of skills, experience, and knowledge of the Company, contributing to improved risk management and more robust decision making for the strategic future of the Company. Through active participation during Board meetings, the Directors constructively and judiciously challenge the proposals and assumptions of Management. No individual or small group of individuals dominates the Board's decision-making process. Combined with the Executive Director and the Management's deep knowledge of the business of the Company, the current composition of the Board therefore allows the Company to remain nimble and responsive to business opportunities, and to robustly evaluate the strategy and proposals for the Company in light of these business opportunities. Hence, the NRC is of the view that the current Board and Board Committees comprise persons who as a group provide capabilities required for the Board and Board Committees to be effective.

Dr Stephen Riady who will retire at the forthcoming Annual General Meeting ("**AGM**") has informed the Board that he will not be seeking re-election. Accordingly, Dr Stephen Riady shall cease to act as a Non-Executive Non-Independent Director of the Company after the conclusion of the forthcoming AGM. Following the retirement of Dr Stephen Riady, the Board would then comprise of seven (7) Directors, the majority of whom is Independent Directors. This is in compliance with provision 2.2 of the 2018 CG Code which requires independent Directors to make up a majority of the Board where the chairman of the Board is not independent. After considering all relevant factors, the Board and the NRC has determined that no replacement is required and that the Board would continue to possess the appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

The Non-Executive Directors are scheduled to meet regularly, and as warranted, in the absence of key management personnel ("**KMP**") to discuss concerns or matters such as the effectiveness of Management.

CORPORATE GOVERNANCE REPORT

Principle 3: Chairman and Chief Executive Officer

The Board is chaired by Mr Lee Yi Shyan, who is the Non-Independent Non-Executive Chairman ("**Chairman**"). The CEO of the Company is Mr Yet Kum Meng who is also an Executive Director. On 28 February 2019, Mr Yet Kum Meng was re-designated from Chief Financial Officer ("**CFO**") to CEO of the Company following the resignation of Dr Wong Weng Hong. The Company has kept the roles of the Chairman and CEO separate to ensure a clear division of their responsibilities, balance of power and authority, increased accountability and greater capacity for independent decision making at the Board and Management level. Mr Lee Yi Shyan, Mr Yet Kum Meng (the current CEO) and Dr Wong Weng Hong (the former CEO) are not related to each other.

The Chairman, in consultation with the Management, sets the agenda for Board meetings and ensures that meetings are held when necessary. As part of the Chairman's responsibilities, he also seeks to ensure that all Board members are provided with complete, adequate and timely information. In line with good practice, Board papers are sent to the Directors in advance for Directors to be adequately prepared for the meetings.

The Board has delegated the management of the overall business and development of the Group to the CEO. The CEO together with senior Management execute plans which are in line with the strategic decisions and goals set out by the Board, and ensure that the Directors are kept updated and informed of the Group's businesses.

The Code recommends that a company should appoint an Independent Director to be the Lead Independent Director where, *inter alia*, the Chairman is not an Independent Director. In this regard, Mr Roger Tan Chade Phang was appointed as the Lead Independent Director of the Company to address shareholders' concerns on issues that may not have been satisfactorily resolved or cannot be appropriately dealt with by the Chairman or the CEO.

Led by the Lead Independent Director, the Independent Directors will meet in the absence of the other directors as and when circumstances warrant.

Principle 4: Board membership

The NRC currently comprises Messrs Roger Tan Chade Phang, Lee Yi Shyan, Masato Mohri, Eric Sho Kian Hin and Jackson Tay Eng Kiat. More than half of the members of the NRC, including the chairman of NRC, Mr Roger Tan Chade Phang, are independent. The NRC has written terms of reference that describe the responsibilities of its members. The NRC met once in FY2018.

The principal functions of the NRC, in addition to reviewing and recommending to the Board a framework of remuneration for the Directors and executive officers, are as follows:

- to review and recommend the nomination or re-nomination of the Directors having regard to each Director's contribution and performance;
- to evaluate the performance of the Directors and the Board as a whole and the Board Committees;
- to review and be mindful of the independence of the Directors;
- to make recommendations to the Board on relevant matters relating to the review of training and professional development programmes for the Board; and
- to review the retirement and re-election of Directors.

The selection and nomination process for suitable candidates to the Board is as follows:

- (i) in carrying out its review, the NRC takes into account that the Board composition should reflect balance in matters such as skill representation, tenure, experience, age spread and diversity;
- (ii) the NRC identifies suitable candidates for appointment to the Board, having regard to the skills required and the skills represented on the Board;
- (iii) external consultants may be used from time to time to access a wide base of potential non-executive directors. Those considered are assessed against a range of criteria including the nominee's track record, background, experience, professional skills, financial literacy, core competencies and personal qualities. The NRC and the Board also consider whether a candidate's skills and experience will complement the existing Board and whether the candidate has sufficient time available to commit to his responsibility as a director; and
- (iv) the NRC makes recommendations to the Board on candidates it considers appropriate for appointment.

CORPORATE GOVERNANCE REPORT

In the search and selection process adopted by the NRC, the NRC may tap on its networking contacts and/or engage professional headhunters to assist with identifying and shortlisting candidates.

With regard to the re-appointment/re-election of existing Directors each year, the NRC makes recommendations to the Board as to whether the Board should support the re-appointment/re-election of a Director who is retiring. In making recommendations, the NRC evaluates the retiring Director's performance and contributions to the Board, taking into account factors such as attendance, preparedness and participation at meetings and the Director's annual declaration of independence. However, the replacement of a Director does not necessarily reflect the Director's performance or contributions to the Board, as the NRC may have to consider the need to shape the Board in line with the evolving needs of the Company.

All Directors must submit themselves for re-nomination and re-appointment at least once every three years. Under Article 92 of the Company's Constitution, any person appointed to the Board by the Directors shall hold office only until the next AGM of the Company, and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. Accordingly, Mr Yet Kum Meng who was appointed to the Board on 28 February 2019 will be subject to re-election by shareholders at the forthcoming AGM. Under Article 93 of the Company's Constitution, one third (1/3) of the Board is to retire by rotation and subject themselves to re-election by shareholders at every AGM. Accordingly, the NRC has determined that Dr Stephen Riady, Mr Roger Tan Chade Phang and Mr Jackson Tay Eng Kiat will retire at the forthcoming AGM. Dr Stephen Riady has informed the Board that he will not be seeking re-election and will therefore retire as a Director of the Company following the conclusion of the forthcoming AGM. Mr Roger Tan and Mr Jackson Tay will subject themselves to re-election by shareholders at the said AGM.

Each Director abstains from making any recommendation and from voting on any resolution, in respect of the assessment of his own performance or re-election as a Director.

Key information on the current Directors, including their dates of appointment, re-appointment and directorships in other listed companies, are set out below. Further details of the current Directors (including their principal commitments) can be found on pages 14 to 18 of this Annual Report.

Name of Directors	Position	Date of Appointment	Date of Re-appointment	Directorship in other Listed Companies	
				Present	For the Past 3 Years
Mr Lee Yi Shyan	Non-Independent and Non-Executive Chairman	17/07/2017	24/04/2018	OUE Hospitality REIT Management Pte. Ltd. (the REIT manager) and OUE Hospitality Trust Management Pte. Ltd. (the trustee-manager) of OUE Hospitality Business Trust	—
Dr Stephen Riady	Non-Independent and Non-Executive Director	17/07/2017	24/04/2018	OUE Limited; Hongkong Chinese Limited; Lippo China Resources Limited; Lippo Limited; Healthway Medical Corporation Limited	Auric Pacific Group Limited
Mr Yet Kum Meng	Chief Executive Officer and Executive Director	28/02/2019	—	—	—
Mr Masato Mohri	Non-Independent and Non-Executive Director	21/03/2018	24/04/2018	—	—
Mr Roger Tan Chade Phang	Lead Independent Director	23/01/2017	14/07/2017	Starland Holdings Limited; TIH Limited	Dapai International Holdings Co. Ltd.; Transcorp Holdings Limited
Mr Eric Sho Kian Hin	Independent Director	23/01/2017	24/04/2018	QT Vascular Ltd; Choo Chiang Holding Ltd	—
Mr Jackson Tay Eng Kiat	Independent Director	23/01/2017	—	Sim Leisure Group Ltd.	—
Mr Johji Sato	Independent Director	15/02/2018	24/04/2018	Sumida Corporation	—

CORPORATE GOVERNANCE REPORT

Directors must ensure that they are able to give sufficient time and attention to the affairs of the Company, and as part of its review process, the NRC decides whether or not a director is able to do so and whether he has been adequately carrying out his duties as a director of the Company. The NRC reviews from time to time the board representations of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately. The considerations in assessing the capacity of Directors include the following:

- assessments of the individual Director's effectiveness;
- actual conduct of the Directors;
- expected and/or competing time commitments of Directors;
- geographical location of Directors;
- size and composition of the Board; and
- nature and scope of the Group's operations and size.

The NRC believes that setting a maximum limit on the number of directorships a Director can hold is arbitrary, given that time requirements for each board may vary, and thus should not be prescriptive.

The Board does not appoint alternate directors as recommended by the Code.

Principle 5: Board performance

The NRC annually assesses the effectiveness of the Board as a whole and the Board Committees and the contribution by the Chairman and each Director to the Board, by implementing a formal appraisal process to assess such effectiveness. The Board performance evaluation process includes a questionnaire designed to assess the performance of the Board and enhance the overall effectiveness of the Directors. There is a self-performance assessment to be undertaken by each Director. The Company Secretary compiles the Directors' responses to the questionnaire into a consolidated report. The report is discussed at the NRC meeting and then shared with the entire Board. Each member of the NRC will abstain from voting on any resolution in respect of the assessment of his or her performance or re-election as a Director.

In evaluating the Board's and Board Committees' performance, the NRC has also set both quantitative and qualitative performance criteria which have been reviewed and approved by the Board. The performance criteria for the Board and Board Committees' evaluation include:

- (a) Board size;
- (b) Board and Board Committee composition;
- (c) Board information and accountability;
- (d) Board performance in discharging its principal functions and ensuring the integrity and quality of risk management and internal control systems;
- (e) the Directors' interactions with the CEO and Executive Director, and senior Management; and
- (f) Board Committees' performance in relation to discharging their responsibilities set out in their respective terms of reference.

The individual Director's performance criteria will be in relation to, amongst other things, the Director's:

- (a) attendance, contribution, participation and candour at Board and Board Committee meetings;
- (b) degree of commitment to the role and effectiveness and value of contribution to the development of strategy; and
- (c) industry and business knowledge and functional expertise.

The performance criteria do not change from year to year, unless the NRC is of the view that it is necessary to review the performance criteria.

Based on the NRC's and Board's assessment and review, the performance of the Board as a whole is satisfactory, the Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board. Accordingly, the Board has met its performance objectives. No external facilitator was used in the evaluation process.

CORPORATE GOVERNANCE REPORT

Principle 6: Access to information

In order to ensure that the Board is able to discharge its responsibilities and make informed decisions, the Management endeavours to provide the Board with complete, adequate and timely information prior to Board meetings and on an ongoing basis. Such information includes Board papers and related materials, background or explanatory information relating to matters to be brought before the Board, and summaries of disclosure documents, budgets, forecasts and periodic financial statements. The Management is also required to furnish any additional information when requested by the Board and as and when the need arises.

The Directors are furnished regularly with information from the Management about the Group as well as the relevant background information relating to the business to be discussed at the Board meetings. The Directors are also provided with the contact details of the Management and the Company Secretary to facilitate separate and independent access. The Company Secretary and/or his representatives attend all Board meetings. Together with the Management, the Company Secretary is responsible for ensuring that appropriate Board procedures are followed and that the requirements of the Companies Act (Chapter 50) of Singapore, and the provisions in the Catalyst Rules are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

In furtherance of their duties, each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to properly and adequately discharge his duties and responsibilities as a Director of the Company.

B. REMUNERATION MATTERS

Principle 7: Procedures for developing remuneration policies

Principle 8: Level and mix of remuneration

Principle 9: Disclosure on remuneration

The NRC's principal responsibilities, in addition to identifying suitable candidates for appointment to the Board and reviewing nominations for the appointments, are to:

- (i) recommend to the Board a general framework of remuneration for the Directors and KMP; and
- (ii) develop policies for fixing of, and recommend to the Board, the remuneration packages of the individual Directors and KMP.

The composition of the NRC can be found on page 52 of the Annual Report. The NRC covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind. The recommendations are submitted to the Board for endorsement. The remuneration policies of the Company are structured to attract and retain highly qualified persons, and also take into consideration the Company's overall goal to ensure long-term sustainability and success of the Company.

Fees payable to the Directors are proposed as a lump sum. The lump sum is subject to the approval of shareholders of the Company at its forthcoming AGM. The remuneration of the Non-Executive Directors in the form of directors' fees is paid wholly in cash. There is no non-monetary compensation in the form of stock options or shares in the Company paid to the Directors or the KMP.

The structure of the fees for Non-Executive Directors comprises a base fee for serving as a Director, and additional fees for (i) serving as Chairman of the Board, or Chairman of the Board Committee(s), (ii) serving as Lead Independent Director and/or (iii) serving on Board Committee(s) as members, as the case may be. The Directors' fees take into account: (i) the Directors' level of contribution and respective responsibilities at Board meetings and Board Committee(s) meetings; and (ii) the industry practices and norms on remuneration including guidelines set out in the Statement of Good Practice issued by the Singapore Institute of Directors.

Based on the above, the NRC is of the view that the remuneration of the Non-Executive Directors are appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities of these Directors.

CORPORATE GOVERNANCE REPORT

The compensation framework for KMP of the Company comprises monthly salaries, annual bonuses and allowances. The review of the remuneration of the executive officers (including the KMP) takes into consideration the performance and the contributions of the officer to the Company and gives due regard to the financial and business performance of the Group. The Group seeks to offer a competitive level of remuneration to attract, motivate and retain senior Management of the required competency to run the Group successfully.

The NRC is entitled to obtain any external professional advice on matters relating to remuneration as and when the need arises at the expense of the Company. For the financial year under review, the Company did not engage any remuneration consultant with regard to the remuneration of Directors and KMP.

The NRC has reviewed and is satisfied that the performance conditions were met for FY2018.

Currently the Company does not have any contractual provisions allowing the Company to reclaim incentive components of remuneration from Executive Director and KMP in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company, but will continue to consider such use in the future.

The Company currently does not offer any termination or retirement benefits to Directors and executive officers. The Company currently also does not have any employee share option scheme or other long-term employee incentive scheme.

A breakdown (in percentage terms) showing the level and mix of the remuneration of each Non-Executive Director and the CEO (who is also an Executive Director) payable for FY2018 is shown below:

Disclosure on the Remuneration of Directors and the CEO for FY2018

Name of Director ⁽¹⁾	Salary (%)	Bonuses (%)	Directors' Fees (%)	Others (%)	Total/ Remuneration (%)
Below S\$250,000					
Mr Lee Yi Shyan	—	—	100	—	100
Dr Stephen Riady	—	—	— ⁽²⁾	—	—
Mr Masato Mohri	—	—	100	—	100
Mr Roger Tan Chade Phang	—	—	100	—	100
Mr Eric Sho Kian Hin	—	—	100	—	100
Mr Jackson Tay Eng Kiat	—	—	100	—	100
Mr Johji Sato	—	—	100	—	100
S\$250,000 – S\$499,999					
Dr Wong Weng Hong	86.9	—	— ⁽²⁾	13.1	100

Notes:

⁽¹⁾ Mr. Yet Kum Meng was only appointed to the Board following the resignation of Dr. Wong Weng Hong after the end of FY2018.

⁽²⁾ Director's fees for FY2018 were waived.

The Code encourages companies to fully disclose the remuneration of each individual Director and the CEO on a named basis. After much deliberation, the Board is of the view that full disclosure of the specific remuneration of each individual Director and the CEO is not in the best interests of the Company or its shareholders. In arriving at this decision, the Board had taken into consideration, *inter alia*, the commercial sensitivity and confidential nature of remuneration matters, the relative size of the Group, the competitive business environment in which the Group operates in, and the negative impact such disclosure may have on the Group in attracting and retaining talent at the Board level on a long-term basis. Based on a comparison against a peer group of listed companies in the same industry over a multi-year period (which peer group remains constant from year to year), the Board believes that the remuneration of the Executive Director, being the CEO, is in line with industry practice.

CORPORATE GOVERNANCE REPORT

Directors' and KMP's Remuneration for FY2018

Number of Directors and KMP of the Company in each remuneration band:

	Number of Directors	Number of KMP ⁽¹⁾ (who are not also Directors or the CEO)
	2018	2018
Below S\$250,000	7	—
\$250,000 – S\$499,999	1	—
Total	8	0

Note:

⁽¹⁾ The Code defines 'KMP' to mean the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company. The Company is of the view that there is only one person, being the CEO (who is also an Executive Director), who has the authority and responsibility for planning, directing and controlling the activities of the Company.

The Code also recommends companies to fully disclose the name and remuneration (with breakdown) of the top five (5) KMP (who are not Directors or the CEO) within bands of S\$250,000. The Company takes the view that only one person, being the CEO (who is also an Executive Director), has the authority and responsibility for planning, directing and controlling the activities of the Company.

There are no employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds S\$50,000 during FY2018.

C. ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board is responsible for presenting a balanced and understandable assessment of the Company's performance, position and prospects to its shareholders, the public and the regulators, including interim and other price sensitive public reports and reports to regulators (if required). The Management is accountable to the Board and provides the Board with quarterly and full-year results, which are then reviewed and approved by the Board for release to the SGXNET. All material information relating to the Company is disseminated via SGXNET.

In addition, the Company had, pursuant to the Rule 720(1) of the Catalist Rules, received undertakings from all its Directors and executive officer that they each shall, in the exercise of their powers and duties as directors and officer comply with the best of their abilities with the provisions of the Catalist Rules and will also procure the Company to do so.

Principle 12: Audit committee

The ARC comprises Messrs Eric Sho Kian Hin, Roger Tan Chade Phang, Jackson Tay Eng Kiat and Johji Sato. The Chairman of the ARC is Mr Eric Sho Kian Hin. The ARC has written terms of reference that describes its responsibilities.

All members of the ARC are Independent Directors who do not have any management and business relationships with the Company or any substantial shareholder of the Company.

The Board considers Mr Eric Sho Kian Hin, who has extensive and practical accounting and financial management knowledge and experience, well qualified to chair the ARC. The other three members of the ARC also have between them extensive and practical expertise in accounting, financial management, corporate finance and law. The Board is of the view that the ARC members are appropriately qualified to discharge their responsibilities, including the principal responsibilities of the ARC listed below. The ARC met four (4) times in FY2018.

CORPORATE GOVERNANCE REPORT

The key terms of reference of the ARC, which set out the duties of the ARC, are as follows:

- to review the scope and results of the external audit and its cost effectiveness, and the independence and objectivity of the external auditors;
- to review significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
- to review the adequacy and effectiveness of the Group's risk management and internal controls, including financial, operational, compliance and information technology controls;
- to review the effectiveness of the Group's internal audit and control functions, and the hiring, removal, evaluation and compensation of the Group's internal audit and control functions;
- to review interested party transactions; and
- to make recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors.

The results of the ARC's review are reported to the Board.

For the financial year under review, the ARC met with the external auditors and internal audit staff to review the annual audit plans and the results of the audits performed by them. The ARC also examined the adequacy and effectiveness of the Company's internal controls with the assistance of the external auditors. The ARC further assessed the independence and objectivity of the external auditors and the non-audit services rendered by them. The quarterly financial statements and full year financial statements of the Group and the Company were also reviewed by the ARC prior to their submission to the Board for approval and adoption. The ARC has met with the external auditors and the internal audit staff without the presence of Management. The external auditors have also presented to the ARC relevant updates relating to any change of accounting standards which have a direct impact on financial statements before an audit commences.

The ARC has reviewed the non-audit fees paid to the external auditors. The ARC has considered the nature and extent of the non-audit services provided and is satisfied that the independence and objectivity of the external auditors have not been compromised by the provision of such non-audit services. The amount of fees paid to the external auditors in FY2018 was S\$135,000 for non-audit services and S\$495,000 for audit services. The ARC is satisfied that the Company has complied with the requirements of Rules 712 and 716 of the Catalist Rules in relation to the appointment of Messrs KPMG LLP as its auditing firm. The Board and ARC are satisfied that the appointment of different auditing firms for its Singapore-incorporated significant associated company would not compromise the standard and effectiveness of the audit of the Company. Accordingly, the ARC has recommended to the Board the nomination of the external auditors, Messrs KPMG LLP, for re-appointment at the forthcoming AGM.

The details of the remuneration of the auditors of the Company during FY2018 are as follows:

	S\$'000
Audit services	
– Auditors of the Company	401
– Member firms of the auditors of the Company	94
– Other auditors	32
Non-audit services	
– Auditors of the Company	135
– Other auditors	17

Whistle-blowing Policy

The Company has in place a whistle-blowing procedure whereby staff of the Company and external parties may, in confidence whether anonymously or otherwise, raise concerns about possible improprieties in matters of financial reporting or other matters, without fear of reprisals in any form. The Company's website has a link for persons to write in to the Company for the foregoing purpose. The ARC has the responsibility of overseeing this policy with the assistance of a designated ethical officer of the Group. Under these procedures, arrangements are in place for independent investigations of such matters raised and for appropriate follow-up action to be taken. In conducting investigations, the ethical officer shall use his or her reasonable best efforts to protect the confidentiality and anonymity of the complainants.

CORPORATE GOVERNANCE REPORT

Principle 11: Risk management and internal controls

Principle 13: Internal audit

The Board, with the assistance of the ARC, reviews at least annually, the adequacy and effectiveness of the Group's risk management and internal control systems, including financial, operational, compliance and information technology controls, and oversees the governance of risk and monitors the Group's risks through a risk management framework.

Based on the respective work done by the internal audit function and the external auditors, the assurance given by the former CEO and the former CFO, as well as the ARC's review of the effectiveness of the Group's internal controls (including financial, operational, compliance and information technology controls and risk management systems which the Group considers relevant and material to its operations), the Board, with the concurrence of the ARC, is of the opinion that the Group's systems of internal controls and risk management are adequate and effective as at 31 December 2018.

The Board notes that the system of internal controls provides reasonable but not absolute assurance that the Group will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, fraud or other irregularities. The Board and Management will continue to re-evaluate the process and adequacy of the Group's risk management framework. Most of the internal controls are newly implemented and Management commits to continuously monitor and enhance the effectiveness of these measures so that sufficient information is provided to the shareholder to make informed assessment.

The Board has received assurance from the former CEO and the former CFO that (a) the financial records have been properly maintained and the financial statements for FY2018 gave a true and fair view of the Group's operations and finances, and (b) the Group's risk management and internal control systems are adequate and effective in identifying and addressing the material risks faced by the Group in its current business environment including financial, operational, compliance and information technology risks. This assurance covers the Company and subsidiaries which are under the Company's management control. In line with the Catalyst Rules, the Board provides a negative assurance statement to shareholders in respect of the interim financial statements, which is supported by a negative assurance statement from the CEO and the CFO at the time being.

In the course of their statutory duties, the Company's external auditors will highlight any material internal control weaknesses which came to their attention in carrying out their normal audit, which is designed primarily to enable them to express their opinion on the financial statements. Such material internal control weaknesses noted during their audit, and recommendations, if any, by the external auditors are reported to the ARC.

The Board is aware of the need to establish a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets, and to manage risks. The system is intended to provide reasonable but not absolute assurance against material misstatements or loss, and to safeguard assets and ensure maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislations, regulations and best practices, and the identification and containment of business risks.

The scope of the internal audit is:

- to review the effectiveness of the Group's internal controls;
- to provide assurance that key business and operational risks are identified and managed;
- to determine that internal controls are in place and functioning as intended; and
- to evaluate that operations are conducted in an effective and efficient manner.

The internal audit function of the Company is carried out by the Company's controlling shareholder, OUE Limited, as permitted under the Code for the internal audit function to be performed by the major shareholder of the Company with internal audit staff. OUE Limited has a dedicated internal audit team responsible for driving the internal audit activities of the Company, which is led by the Head of Internal Audit. The Head of Internal Audit reports directly to the Chairman of the ARC. The internal audit team has unfettered access to all the Company's documents, records, properties, and personnel, including access to the ARC. The scope of the internal audit reviews are carried out in accordance with the yearly plans prepared by the Head of Internal Audit and approved by the ARC. Any material non-compliance or lapse in internal controls together with corrective measures are reported to the ARC. In carrying out its functions, the internal audit team adopts the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The ARC annually reviews the adequacy and effectiveness of the internal audit function and is satisfied with the adequacy and effectiveness of the internal audit function and is further satisfied that the internal audit team is independent, effective and adequately resourced and has appropriate standing within the Company.

CORPORATE GOVERNANCE REPORT

D. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder rights

Principle 15: Communication with shareholders

Principle 16: Conduct of shareholder meetings

Shareholders are informed of the Company's performance and developments through announcements, press releases and the publication of its quarterly and full-year results on the SGXNET and annual reports, which are announced or issued within the mandatory period (and where this is not possible, relevant extensions of time are sought in accordance with applicable laws, regulations and rules).

The AGM of the Company is a principal forum for dialogue and interaction with shareholders. All shareholders will receive the Company's annual report and notice of AGM. At the AGM, shareholders will be given the opportunity and time to air their views and ask the Directors or the Management questions regarding the Company.

The respective Chairmen of the ARC and NRC, the Directors, as well as the external auditors will be present and on hand to address issues raised at the AGM. The Company held two (2) shareholders' meeting in FY2018. All Directors attended the AGM held on 24 April 2018.

The Company has a dedicated investor relations representative and the contact details of such representative are set out in the press releases issued by the Company. The Company will consider use of other forums such as analyst briefings as and when applicable.

Under the multiple proxies regime introduced pursuant to the Companies (Amendment) Act 2014, "relevant intermediaries" such as banks, capital markets services licence holders which provide custodial services for securities, and the Central Provident Fund ("CPF") Board, are allowed to appoint more than two proxies to attend, speak and vote at general meetings. This will enable indirect investors, including CPF investors, to be appointed as proxies to participate at shareholders' meetings. If any shareholder (who is not a "relevant intermediary") is unable to attend, he or she is allowed to appoint up to two proxies to vote on his or her behalf at the meeting through proxy forms sent in advance.

Voting for all resolutions at shareholders' meetings held during FY2018 was conducted by poll. Separate resolutions were proposed at general meetings for each distinct issue. The total number of votes cast for or against the resolutions and the respective percentages were also announced on the SGXNET and the Company's website on the same day of the event. Minutes of the shareholders' meetings were also prepared and are available upon request, and include substantial and relevant comments or queries from the shareholders and responses from the Board and Management.

Dividend policy

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, financial position, results of operations, capital needs, plans for expansion, and other factors as the Board may deem appropriate. Taking into account the Company's financial performance in FY2018 and the need for the Company to deploy resources for the development and growth of the Group's business, no dividend was recommended or declared for FY2018.

DEALING IN SECURITIES

The Company has adopted policies in line with the requirements of Rule 1204(19) of the Catalist Rules on dealings in the Company's securities.

The Company sends out memoranda and e-mails to its Directors and officers to remind them that the Directors, key executives of the Group and their connected persons are prohibited from dealing in the Company's shares during the following periods:

- two (2) weeks before the announcement of the Group's financial results for each of the first three quarters of its financial year;
- one (1) month before the announcement of the Group's full year financial results; and
- any time while in possession of price sensitive information.

CORPORATE GOVERNANCE REPORT

The Directors and officers are prohibited from communicating price sensitive information to any person. In addition, the Company also discourages the Directors and officers from dealing in the Company's shares on short term considerations. They are also expected to observe insider-trading laws at all times even when dealing in securities within permitted trading periods.

MATERIAL CONTRACTS AND LOANS

Pursuant to Rule 1204(8) of the Catalist Rules, the Company confirmed that except as disclosed in the paragraph on interested person transactions below, Directors' Statement and Financial Statements of this Annual Report, there were no other material contracts and loans of the Company and its subsidiaries involving the interests of any Director or controlling shareholder of the Company, either still subsisting at the end of FY2018 or if not then subsisting, which were entered into since the end of the previous financial year.

INTERESTED PERSON TRANSACTIONS

The Group does not have a general mandate from shareholders for recurrent interested person transactions. The Company has adopted an internal policy in respect of any transaction with an interested person, which sets out the procedures for review and approval of such interested person transaction.

In accordance with the Company's internal policy in respect of interested person transactions, all interested person transactions are documented and submitted periodically to the ARC for their review to ensure that such transactions are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the Company.

The interested person transactions entered into by the Group during FY2018 are set out below:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Bridgewater International Limited (" Bridgewater ")	S\$102,653,000 ⁽¹⁾	—
LK REIT Management Pte Ltd (" LK REIT ")	S\$39,553,000 ⁽²⁾	—

Notes:

⁽¹⁾ On 18 September 2018, the Company's indirect wholly-owned subsidiary, OLH Healthcare Investments Pte Ltd, had entered into a conditional unit purchase agreement as purchaser with Bridgewater as vendor and PT Lippo Karawaci Tbk as guarantor, to acquire 83,593,683 units, representing approximately 10.63% of the total issued units of First Real Estate Investment Trust ("**Proposed Units Acquisition**"), held by Bridgewater, for a consideration of S\$102,653,000. The Proposed Units Acquisition had been completed on 26 October 2018.

⁽²⁾ On 18 September 2018, the Company had entered into a conditional share purchase agreement as purchaser with LK REIT as vendor and PT Lippo Karawaci Tbk as guarantor, to acquire 400,000 ordinary shares, representing 40% of the total issued share capital of Bowsprit Capital Corporation Limited ("**Proposed Manager Acquisition**"), held by LK REIT, for a consideration of S\$39,553,000. The Proposed Manager Acquisition had been completed on 26 October 2018.

CORPORATE GOVERNANCE REPORT

CONFLICTS OF INTEREST POLICY

The Company has in place an internal policy relating to Directors' conflicts of interest which sets out general principles to guide the Directors in instances of actual or potential conflicts of interest. The policy serves to (i) emphasise the Company's commitment to ethics and compliance with the law; (ii) foster a culture of honesty and accountability; (iii) focus the Board and each of its Directors on areas of ethical risk; and (iv) provide guidance to the Directors to help them recognise and handle conflict situations.

RISK MANAGEMENT

The Management frequently 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 within the Company's policies and strategies. The significant risk management policies are as disclosed in the audited financial statements.

USE OF PROCEEDS

From Placement of Shares

As at the date of this Annual Report, the net proceeds of approximately S\$77.45 million raised by the Company from the placement of shares to Brownly Healthcare Pte. Ltd. pursuant to the placement agreement dated 10 January 2018 have been utilised as follows:

	Amount allocated (as disclosed in the announcement dated 10 January 2018) S\$'000	Amount re-allocated (as disclosed in the announcement dated 14 March 2018) S\$'000	Amount utilised as at the date of this Annual Report S\$'000
Repayment of loans and borrowings	–	26,000	26,000
General working capital ⁽¹⁾	38,725	11,450	9,924
Development of healthcare business and healthcare related projects	38,725	40,000	–
Total	77,450	77,450	35,924

From Rights Issue

As at the date of this Annual Report, the net proceeds of approximately S\$148.75 million raised by the Company from the renounceable underwritten rights issue completed on 23 October 2018 have been fully utilised as follows:

	Amount allocated (as disclosed in the offer information statement dated 1 October 2018) S\$'000	Amount utilised as at the date of this Annual Report S\$'000
Acquisition of 40.0% of shares of Bowsprit Capital Corporation Limited ("Manager Acquisition")	39,550	39,550
Acquisition of 83,593,683 units of First Real Estate Investment Trust ("Units Acquisition")	102,650	102,650
Payment of fees and expenses incurred in connection with the Manager Acquisition and the Units Acquisition	2,500	2,500
General corporate and/or working capital requirements ⁽¹⁾	4,050	4,050
Total	148,750	148,750

Note:

⁽¹⁾ Utilised for payroll, bank interests, legal and other professional fees.

NON-SPONSOR FEES

In FY2018, no non-sponsor fees were paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd.

DIRECTORS' STATEMENT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2018.

In our opinion:

- (a) the financial statements set out on pages 72 to 161 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International); and
- (b) at the date of this statement, having regard to the matters disclosed in Note 2 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

DIRECTORS

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

Lee Yi Shyan	
Stephen Riady	
Yet Kum Meng	(appointed on 28 February 2019)
Masato Mohri	(appointed on 21 March 2018)
Roger Tan Chade Phang	
Eric Sho Kian Hin	
Jackson Tay Eng Kiat	
Johji Sato	
Wong Weng Hong	(resigned on 28 February 2019)

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Act, particulars of interests of directors who held office at the end of the financial year (including those held by their spouse and infant children) in shares or debentures in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests are held	Holdings registered in name of director or nominee		Holdings in which a director is deemed to have an interest	
	At beginning of the year	At end of the year	At beginning of the year	At end of the year
STEPHEN RIADY				
<u>The Company</u>				
OUE Lippo Healthcare Limited				
– ordinary shares	–	–	1,429,514,500	2,859,029,000
<u>Related Corporations</u>				
OUE Limited				
– ordinary shares	–	–	618,916,410	618,916,410
Treasure International Holdings Pte. Ltd.				
– ordinary shares	–	–	1	1
OUE Realty Pte. Ltd.				
– ordinary shares	–	–	50,000,000	50,000,000
Golden Concord Asia Limited				
– ordinary shares	–	–	1,000	1,000
Fortune Code Limited				
– ordinary shares	–	–	45,932	45,932
Lippo ASM Asia Property Limited				
– Class A shares	–	–	400	400
– Class B shares	–	–	200	200
Health Kind International Limited				
– ordinary shares	–	–	19,125,765	19,125,765
Shanghai Yi Lin Medical Management Consulting Co., Ltd.				
– Registered capital (Chinese Yuan Renminbi)	–	–	1,200,000	1,200,000
Health Kind International (Shanghai) Co., Ltd.				
– Registered capital (US Dollar)	–	–	2,000,000	2,000,000

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2019.

DIRECTORS' STATEMENT

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

SHARE OPTIONS

During the financial year, there were:

- (i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee comprises four independent directors. The members of the Audit and Risk Committee at the date of this statement are:

Eric Sho Kian Hin (Chairman), Independent Director
Roger Tan Chade Phang, Lead Independent Director
Jackson Tay Eng Kiat, Independent Director
Johji Sato, Independent Director

The Audit and Risk Committee performs the functions specified in Section 201B of the Act, the SGX-ST Listing Manual (Section B: Rules of Catalyst) and the Code of Corporate Governance.

The Audit and Risk Committee has held four meetings since the last directors' statement. In performing its functions, the Audit and Risk Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit and Risk Committee also reviewed the following:

- annual audit plans and scope of work of the internal and external auditors;
- results of the internal and external audit procedures;
- evaluation of the Group's internal accounting control system;
- assistance provided by the Company's officers to the internal auditors and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions, as defined in Chapter 9 of the SGX-ST Listing Manual (Section B: Rules of Catalyst).

DIRECTORS' STATEMENT

The Audit and Risk Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit and Risk Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit and Risk Committee has conducted an annual review of the non-audit services provided by KPMG LLP and is satisfied that such services did not affect their independence and objectivity as the external auditors of the Company.

The Audit and Risk Committee has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712 and 716 of the SGX-ST Listing Manual (Section B: Rules of Catalist).

AUDITORS

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Lee Yi Shyan

Director

Yet Kum Meng

Director

12 March 2019

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
OUE LIPPO HEALTHCARE LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of OUE Lippo Healthcare Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 72 to 161.

In our opinion, the accompanying financial statements of the Group and 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)s") so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2018 and of the financial performance, changes in equity and cash flows of the Group 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 *Auditors' 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 *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 period. 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.

Valuation of investment properties and investment properties under development

(Refer to notes 4.7, 7 and 8 to the financial statements)

Risk

As at 31 December 2018, the Group has a portfolio of investment properties and investment properties under development in Japan, the People's Republic of China ("PRC") and Malaysia with a carrying value of \$383.9 million (2017: \$411.5 million). Investment properties and investment properties under development represent the most significant asset item on the statements of financial position.

The Group's accounting policy is to state these investment properties and investment properties under development at fair value, determined based on independent external valuations. Significant judgement and estimates are involved in determining the appropriate valuation methods and assumptions applied in the valuations. A small change in the key assumptions applied by the valuers such as the discount rate, terminal capitalisation rate and capitalisation rate can have a significant impact to the valuation.

In addition to the above, for investment properties under development, the plot ratio adopted, entrepreneur profit and risk, ability to obtain the relevant hospital licences, gross development value, estimated total construction cost, market comparable used, and any changes to the proposed development plans may also impact the valuation significantly. The Directors and management have also applied judgement in determining the potential outcome of the legal cases which may also affect the Group's ability to obtain the relevant hospital licences. In applying its judgement, the Directors and management have relied on the advice provided by their external legal counsel.

Our response

We evaluated the competency, capability and objectivity of the external valuers and made enquiries of the valuers to understand their valuation approach and basis of valuation.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
QUE LIPPO HEALTHCARE LIMITED

We considered the valuation methodologies used, which included the discounted cash flow method, income capitalisation method, direct comparison method and residual value method, against those applied for similar properties types. We held discussions with the valuers and assessed the reasonableness of the key assumptions used in the valuations which included a comparison of the discount rates, terminal capitalisation rates and capitalisation rates, against historical rates and available market data, taking into consideration comparable properties and market factors.

In addition to the above, for investment properties under development, we evaluated management's determination of plot ratio adopted, entrepreneur profit and risk, ability to obtain the relevant hospital licences, gross development value, estimated total construction cost and market comparable used by comparing the underlying assumptions to relevant market data, supporting documents and interviewed relevant personnel, where applicable. We also considered the Directors' and management's assessment on the possible outcome of the legal cases which may affect the Group's ability to obtain the relevant hospital licences, by taking into consideration the discussion held with the Directors and management and reviewing the legal correspondences between the Directors, management and the external legal counsel. We also checked the proportion of the proposed development plans to be held for own use and the proportion to be held for rental or capital appreciation to the latest available feasibility study.

Our findings

We are satisfied with the competency, capability and objectivity of the external valuers. The valuers are member of generally-recognised professional bodies for valuers and have considered their own independence in carrying out their work. The valuation methodologies used by the valuers are in line with generally accepted market practices and comparable to methods used for similar property types and those used in the prior years. The key assumptions used in the valuations which included a comparison of the discount rates, terminal capitalisation rates and capitalisation rates were found to be reasonable, and where available, consistent with current market data.

For investment properties under development, the valuation was based on management's current proposed development plan, the assumption that relevant regulatory approvals could be granted and the court rules in favour of the Group and it is probable that the Group will be able to win the litigation cases. These development plans may vary depending on the Group's future intentions and developments.

Valuation of trade and other receivables

(Refer to notes 13 and 26 to the financial statements)

Risk

The Group has significant trade and other receivables balances as at year end. The risk is that some of the trade and other receivables may not be recoverable, and judgement is required to evaluate whether any allowance should be made to reflect the risk.

The Group assessed loss allowances for trade receivables at an amount equal to lifetime expected credit losses.

In addition, the Group has in August 2016 derecognised its subsidiaries, IHC Management Pte. Ltd., IHC Management (Australia) Pty Ltd, IHC Medical RE Pte. Ltd., IHC Healthcare REIT, IHC Australia First Trust and IHC Australia Second Trust (collectively, "Deconsolidated subsidiaries") as these Deconsolidated subsidiaries are currently under receivership and the Group has no control over these subsidiaries. As at 31 December 2018, these Deconsolidated subsidiaries owe the Group \$54.0 million (2017: \$54.1 million). The management has provided \$21.7 million (2017: \$21.7 million) of allowance for impairment on other receivables from the Deconsolidated subsidiaries.

The recoverability of these amounts is dependent on the outcome of five on-going legal suits that the Company and the Deconsolidated subsidiaries have with certain lenders, and the possible course of actions the Directors and management might take in the future. The Directors and management are required to apply judgement in determining the potential outcome of these legal suits and the possible course of actions. In applying its judgement, the Directors and management have relied on the advice provided by their external legal counsel.

The outcome of the assumptions applied by the Directors and management will have a material effect on the carrying amount of these receivables.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
QUE LIPPO HEALTHCARE LIMITED

Our response

We reviewed the expected credit losses assessment performed by management, with reference to historical payment behaviour, actual receipts and forward-looking macroeconomic factors.

For receivables from the Deconsolidated subsidiaries, we considered the Directors' and management's assessment on the possible outcome of the five on-going legal suits and future course of actions, by taking into consideration the discussions held with the Directors and management and reviewing legal correspondences between the Directors and management, and the external legal counsel.

Our findings

We found the assessment of the recoverability of trade and other receivables, including the receivables from the Deconsolidated subsidiaries, and the allowance made for impairment losses by the Directors and management to be supportable.

Litigations, claims and other contingencies

(Refer to note 26 to the financial statements)

Risk

The Group was involved in several on-going litigations and claims, and provisions relating to legal and related expenses of \$42.1 million was made as at 31 December 2018. There are uncertainties as to the possible outcome of these on-going litigations and claims, and the eventual outcome may be subjected to change, which can potentially affect the amount of provisions made.

Our response

We assessed the reasonableness of management's basis for the provisions made in relation to the on-going litigations and claims. We held discussions with management and the external legal counsel. We reviewed relevant correspondences and/or agreements between the parties involved and adequacy of disclosures in the financial statements. We also obtained confirmation letters from the external legal counsel.

Our findings

We found management's basis for the provisions relating to legal and related expenses to be supportable, taking into consideration the legal advices obtained, latest development on the litigations and claims, and the possible course of actions to be taken.

Discontinued operation

(Refer to note 29 to the financial statements)

Risk

Following the court decision to maintain the first instance decision, the Group transferred its shares in Wuxi New District Phoenix Hospital Co., Ltd. ("Wuxi Hospital") to Weixin Hospital Investment Management (Shanghai) Co. Ltd. in August 2018. As a result, the healthcare services segment, which comprises of the operations of the Wuxi Hospital was discontinued.

In accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations*, a discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

The Group has classified the disposal entity as discontinued operation, and present it as part of the discontinued operation on the basis that the criteria set out in SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* are met. The classification of Wuxi Hospital as a discontinued operation is a matter of judgement, involving consideration such as whether the operations of Wuxi Hospital represents a separate major line of business or geographical area of operation that has been disposed off.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
OUE LIPPO HEALTHCARE LIMITED

Our response

We reviewed management's basis for the classification of discontinued operation.

Our findings

We found the classification of the discontinued operation to be appropriate.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not and will 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)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditors' 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
OUE LIPPO HEALTHCARE LIMITED

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 controls.
- Obtain an understanding of internal controls 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 controls.
- 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 auditors' 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 auditors' 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 controls that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and 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 auditors' report unless the law or regulations preclude 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 auditors' report is Teo Han Jo.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

12 March 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group			Company		
	Note	2018 \$'000	2017 \$'000	1 January 2017 \$'000	2018 \$'000	2017 \$'000	1 January 2017 \$'000
ASSETS							
Property, plant and equipment	5	31,683	6,520	7,631	302	321	13
Intangible assets and goodwill	6	3,310	467	715	—	—	—
Investment properties	7	290,231	287,784	296,588	—	—	—
Investment properties under development	8	93,663	123,712	123,012	—	—	—
Lease prepayments	9	4,595	5,540	5,932	—	—	—
Subsidiaries	10	—	—	—	119,038	120,330	123,708
Associate and joint ventures	11	145,347	—	—	40,553	—	—
Trade and other receivables	13	—	—	—	9,874	9,792	—
Non-current assets		568,829	424,023	433,878	169,767	130,443	123,721
Inventories	12	261	1,137	776	—	—	—
Trade and other receivables	13	41,431	41,751	58,333	285,034	159,347	167,116
Cash and cash equivalents	14	60,442	21,530	15,186	40,413	31	24
Current assets		102,134	64,418	74,295	325,447	159,378	167,140
Total assets		670,963	488,441	508,173	495,214	289,821	290,861
EQUITY							
Share capital	15	418,913	192,707	192,707	418,913	192,707	192,707
Merger reserve	16	(65,742)	(65,742)	(65,742)	—	—	—
Asset revaluation reserve	16	3,630	3,630	3,630	—	—	—
Foreign currency translation reserve	16	(7,754)	(3,751)	—	—	—	—
Fair value reserve	16	(5,571)	—	—	—	—	—
Statutory surplus reserve	16	—	327	327	—	—	—
Accumulated (losses)/profits		(98,206)	(89,210)	1,490	(188,424)	(122,882)	(50,802)
Equity attributable to owners of the Company		245,270	37,961	132,412	230,489	69,825	141,905
Non-controlling interests		79	74	(644)	—	—	—
Total equity		245,349	38,035	131,768	230,489	69,825	141,905
LIABILITIES							
Loans and borrowings	17	138,042	160,164	140,618	—	—	—
Trade and other payables	18	7,481	7,419	7,663	558	908	1,116
Deferred tax liabilities	20	37,957	36,715	29,494	—	—	—
Non-current liabilities		183,480	204,298	177,775	558	908	1,116
Loans and borrowings	17	169,965	173,814	170,336	165,601	171,681	111,446
Trade and other payables	18	30,089	25,243	27,214	56,487	42,407	36,394
Provisions	19	42,079	46,000	—	42,079	5,000	—
Current tax liabilities		1	1,051	1,080	—	—	—
Current liabilities		242,134	246,108	198,630	264,167	219,088	147,840
Total liabilities		425,614	450,406	376,405	264,725	219,996	148,956
Total equity and liabilities		670,963	488,441	508,173	495,214	289,821	290,861

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

	Note	2018 \$'000	2017 \$'000 Restated [#]
Continuing operations			
Revenue	21	19,563	23,030
Cost of sales		(5,475)	(8,764)
Gross profit		14,088	14,266
Administrative expenses		(16,440)	(15,495)
Other income/(expenses), net		56	(62,042)
Results from operating activities		(2,296)	(63,271)
Finance income		429	188
Finance costs		(11,219)	(20,095)
Net finance costs	22	(10,790)	(19,907)
Share of results of equity-accounted investees (net of tax)		5,546	—
Loss before tax	23	(7,540)	(83,178)
Tax expense	24	(1,246)	(8,223)
Loss after tax from continuing operations		(8,786)	(91,401)
Discontinued operation	29		
(Loss)/Profit from discontinued operation (net of tax)		(532)	1,413
Loss for the year		(9,318)	(89,988)
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences relating to foreign operations		(3,513)	(3,745)
Foreign currency translation differences realised on disposal of discontinued operation reclassified to profit or loss		(509)	—
Share of foreign currency translation differences of an equity-accounted investee		19	—
Share of fair value reserve of an equity-accounted investee		(5,571)	—
Other comprehensive income, net of tax		(9,574)	(3,745)
Total comprehensive income for the year		(18,892)	(93,733)
Loss attributable to:			
Owners of the Company		(9,318)	(90,700)
Non-controlling interests		—	712
		(9,318)	(89,988)
Total comprehensive income attributable to:			
Owners of the Company		(18,892)	(94,451)
Non-controlling interests		—	718
		(18,892)	(93,733)
Earnings per share			
Basic and diluted earnings per share (cents)	25	(0.36)	(5.37)
Earnings per share – Continuing operations			
Basic and diluted earnings per share (cents)	25	(0.34)	(5.45)

[#] See notes 29 and 37

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

Note	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Merger reserve	Asset revaluation reserve	Foreign currency translation reserve	Fair value reserve	Statutory surplus reserve	Accumulated profits/(losses)	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2018	192,707	(65,742)	3,630	(3,751)	–	327	(89,210)	37,961	74	38,035
Total comprehensive income for the year										
Loss for the year	–	–	–	–	–	–	(9,318)	(9,318)	–	(9,318)
Other comprehensive income										
Foreign currency translation differences relating to foreign operations	–	–	–	(3,513)	–	–	–	(3,513)	–	(3,513)
Foreign currency translation differences realised on disposal of discontinued operation reclassified to profit or loss	–	–	–	(509)	–	–	–	(509)	–	(509)
Share of foreign currency translation differences of an equity-accounted investee	–	–	–	19	–	–	–	19	–	19
Share of fair value reserve of an equity-accounted investee	–	–	–	–	(5,571)	–	–	(5,571)	–	(5,571)
Total other comprehensive income, net of tax	–	–	–	(4,003)	(5,571)	–	–	(9,574)	–	(9,574)
Total comprehensive income for the year	–	–	–	(4,003)	(5,571)	–	(9,318)	(18,892)	–	(18,892)
Transaction with owners, recognised directly in equity										
Contributions by owners										
Issue of ordinary shares, net of issuance costs	15 226,206	–	–	–	–	–	–	226,206	–	226,206
Total contributions by owners	226,206	–	–	–	–	–	–	226,206	–	226,206
Transfer from statutory surplus reserve to accumulated profits/(losses) due to deconsolidation	–	–	–	–	–	(327)	322	(5)	5	–
At 31 December 2018	418,913	(65,742)	3,630	(7,754)	(5,571)	–	(98,206)	245,270	79	245,349

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

	Attributable to owners of the Company						Total	Non-controlling interests	Total equity
	Share capital	Merger reserve	Asset revaluation reserve	Foreign currency translation reserve	Statutory surplus reserve	Accumulated profits/(losses)			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2017	192,707	(65,742)	3,630	–	327	1,490	132,412	(644)	131,768
Total comprehensive income for the year									
Loss for the year	–	–	–	–	–	(90,700)	(90,700)	712	(89,988)
Other comprehensive income									
Foreign currency translation differences relating to foreign operations	–	–	–	(3,751)	–	–	(3,751)	6	(3,745)
Total other comprehensive income, net of tax	–	–	–	(3,751)	–	–	(3,751)	6	(3,745)
Total comprehensive income for the year	–	–	–	(3,751)	–	(90,700)	(94,451)	718	(93,733)
At 31 December 2017	192,707	(65,742)	3,630	(3,751)	327	(89,210)	37,961	74	38,035

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

	Note	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Loss after tax		(9,318)	(89,988)
Adjustments for:			
Depreciation of property, plant and equipment	5	1,618	1,833
Amortisation of intangible assets	6	234	234
Amortisation of lease prepayments	9	66	290
Impairment losses on trade and other receivables	23	–	17,554
Loss from discontinued operation	29	497	–
Loss on disposal of property, plant and equipment	5	–	52
Property, plant and equipment written off	5	1	–
Interest income		(431)	(190)
Interest expense		11,105	19,354
Provisions	19	–	46,000
Fair value gains on investment properties	7	(49)	(588)
Fair value gains on investment properties under development	8	(7)	(257)
Share of results of equity-accounted investees, net of tax		(5,546)	–
Tax expense	24	1,246	8,223
		(584)	2,517
Changes in:			
- Inventories		560	(386)
- Trade and other receivables		(2,894)	(2,236)
- Trade and other payables		(5,669)	(866)
Cash used in operations		(8,587)	(971)
Tax paid		(23)	(57)
Net cash used in operating activities		(8,610)	(1,028)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	30	(2,120)	–
Acquisition of equity-accounted investees		(145,338)	–
Additions to investment properties		–	(51)
Additions to investment properties under development		(725)	(311)
Disposal of discontinued operation, net of cash disposed of	29	(294)	–
Dividends from an equity-accounted investee		1,797	–
Purchase of property, plant and equipment		(154)	(913)
Interest received		431	190
Net cash used in investing activities		(146,403)	(1,085)
Cash flows from financing activities			
Proceeds from borrowings		6,653	164,313
Proceeds from issue of share capital		228,706	–
Repayment of borrowings		(33,443)	(139,866)
Payment of finance lease liability		(104)	(668)
Interest paid		(5,463)	(14,853)
Payment of transaction costs related to issuance of share capital		(2,500)	–
Net cash from financing activities		193,849	8,926
Net increase in cash and cash equivalents		38,836	6,813
Cash and cash equivalents at beginning of financial year		21,530	15,186
Effect of exchange rate fluctuations on cash and cash equivalents		76	(469)
Cash and cash equivalents at end of financial year	14	60,442	21,530

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 12 March 2019.

1 DOMICILE AND ACTIVITIES

OUE Lippo Healthcare Limited (the "Company") is listed on the Catalist Board of the Singapore Stock Exchange ("SGX"). The Company is incorporated and domiciled in Singapore. The address of its registered office is at 9 Battery Road, #15-01, Singapore 049910.

The principal activity of the Company is that of investment holding. The principal activities of its significant subsidiaries are as disclosed in note 10 to the financial statements.

The consolidated financial statements as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in associate and joint ventures.

The Company's immediate holding company is Treasure International Holdings Pte. Ltd. and the intermediate holding company is OUE Limited. Both companies are incorporated in Singapore. The Company's ultimate holding company is Lippo ASM Asia Property Limited, a company incorporated in the Cayman Islands.

2 GOING CONCERN

The Group has net current liabilities of \$140,000,000 (2017: \$181,690,000) as at 31 December 2018 and incurred a net loss of \$9,318,000 (2017: (\$89,988,000)) for the year ended 31 December 2018.

Notwithstanding the above, the financial statements have been prepared on a going concern basis because management, having assessed the sources of liquidity and funding available to the Group, believes that the Group can continue as a going concern for the foreseeable future.

In assessing the appropriateness of the use of going concern basis of accounting in the preparation of the financial statements, management has considered the sources of liquidity and funding available to the Group. These include loan facilities of \$165.0 million provided by Treasure International Holdings Pte. Ltd. and OUE Treasury Pte. Ltd., another wholly-owned subsidiary of OUE Limited (collectively, "OUE") to finance the Group's working capital requirements and day-to-day operation purposes, future cash inflows from the Group's operating activities for the financial year ending 31 December 2019 and available cash reserves as at 31 December 2018. Additionally, OUE has issued a letter of undertaking to the Company on 12 March 2019 which states that OUE will not demand for repayment of the outstanding loans for a period of at least 12 months.

3 BASIS OF PREPARATION

3.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)). These are the Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (FRS). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 have affected the reported financial position is provided in note 35.

3.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 BASIS OF PREPARATION (CONT'D)

3.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

3.4 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- note 8 – classification of investment properties under development; and
- note 10 – assessment of ability to control or exert significant influence over partly-owned investments.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- notes 5 and 6 – measurement of recoverable amounts for property, plant and equipment and goodwill;
- notes 7 and 8 – determination of fair value of investment properties and investment properties under development;
- note 13 – measurement of recoverable amount of trade and other receivables;
- note 20 – estimation of tax liabilities; and
- note 26 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. The framework includes a finance team that reports directly to the Chief Financial Officer, and has overall responsibility for all significant fair value measurement, including Level 3 fair values, where applicable.

The finance team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the finance team assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of SFRS(I), including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Group's Audit and Risk Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3 BASIS OF PREPARATION (CONT'D)

3.4 Use of estimates and judgements (cont'd)

Measurement of fair values (cont'd)

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- note 7 – investment properties;
- note 8 – investment properties under development;
- note 30 – acquisition of a subsidiary; and
- note 31 – financial instruments.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position at 1 January 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

4.1 Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

Acquisitions from 1 January 2017

For acquisitions from 1 January 2017, the Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests ("NCI") in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Basis of consolidation (cont'd)

(i) Business combinations (cont'd)

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

Costs related to the acquisition, other than those associated with the issue of debt or equity investments, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Acquisitions before 1 January 2017

As part of transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 January 2017. Goodwill arising from acquisitions before 1 January 2017 has been carried forward from the previous FRS framework as at the date of transition.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

(iii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Basis of consolidation (cont'd)

(v) Investments in associate and joint ventures (equity-accounted investees)

Associate is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies of the entity. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associate and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its investment in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vii) Subsidiaries, associate and joint ventures in the separate financial statements

Investments in subsidiaries, associate and joint ventures are stated in the Company's statement of financial position at cost less accumulated impairment losses.

4.2 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Foreign currency (cont'd)

(ii) Foreign operations (cont'd)

Foreign currency differences are recognised in OCI. Since 1 January 2017, the Group's date of transition to SFRS(I), such differences have been recognised in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in OCI, and are presented in the foreign currency translation reserve in equity.

4.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables and debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Financial assets: Business model assessment – Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial assets – Policy applicable before 1 January 2018

The Group classifies non-derivative financial assets into the loans and receivables category.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 January 2018

Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprised cash and cash equivalents, and trade and other receivables (excluding prepayments).

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised loans and borrowings, and trade and other payables (excluding deferred income).

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Financial instruments (cont'd)

(iii) Derecognition (cont'd)

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

(vi) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(vii) Intra-group financial guarantees in the separate financial statements

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value and the initial fair value is amortised over the life of the guarantees. Subsequent to initial measurement, the financial guarantees are measured at the higher of the amortised amount and the amount of loss allowance.

Expected credit losses ("ECLs") are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

Loss allowances for ECLs for financial guarantees issued are presented in the Company's statement of financial position as 'loans and borrowings'.

Intra-group financial guarantees in the separate financial statements – Policy applicable before 1 January 2018

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, for subsequent measurement, the financial guarantees were measured at the higher of the amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

- | | |
|--|---------------|
| • Buildings | 16 – 35 years |
| • Office renovation, furniture, fixtures and equipment | 3 – 8 years |
| • Medical equipment | 8 years |
| • Motor vehicles | 5 years |

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Lease prepayments

Lease prepayments represent prepaid operating lease payments for land use rights less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land use rights over a period of 50 years.

4.6 Intangible assets and goodwill

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 4.1(i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of associate and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the associate and joint ventures.

(ii) Medical distribution licences

Medical distribution licences acquired is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iv) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets, other than goodwill, from the date they are available for use. The estimated useful lives for the current and comparative years are as follows:

- Medical distribution licences 5 years

Amortisation methods and useful lives are reviewed at the end of each reporting period and adjusted if appropriate.

4.7 Investment properties and investment properties under development

Investment properties (including those under development) are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties and investment properties under development are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties (including those under development). The cost of self-constructed investment properties and investment properties under development includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment properties (including those under development) to a working condition for their intended use and capitalised borrowing costs.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 Investment properties and investment properties under development (cont'd)

Any gain or loss on disposal of investment properties and investment properties under development (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property (including those under development) that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to accumulated profits.

When the use of the property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

4.8 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

4.9 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

4.10 Impairment

(i) Non-derivative financial assets

Policy applicable from 1 January 2018

The Group recognises loss allowances for ECLs on financial assets measured at amortised costs and intra-group financial guarantee contracts ("FGC").

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments and FGCs. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a FGC to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Company in full, without recourse by the Company to actions such as realising security (if any is held). The Company only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Loss allowances for FGC are recognised as a financial liability to the extent that they exceed the initial carrying amount of the FGC less the cumulated income recognised.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

A financial asset not carried at FVTPL, including an interest in an associate and joint venture, was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets were impaired included default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer would enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost was objective evidence of impairment. The Group considered a decline of 20% to be significant and a period of 9 months to be prolonged.

Loans and receivables

The Group considered evidence of impairment for loans and receivables at both an individual asset and collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Impairment (cont'd)

(ii) Associate and joint ventures

An impairment loss in respect of an associate or joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, investment properties under development and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro-rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate or joint ventures is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in associate or joint ventures is tested for impairment as a single asset when there is objective evidence that the investment in an associate or joint ventures may be impaired.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

4.12 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

4.13 Revenue recognition

(i) Good and services sold

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

(ii) Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

(iii) Rendering of services

Revenue from hospital and other healthcare services is recognised in the period in which the services are rendered.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.14 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

4.15 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities; and
- amortisation expense.

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associate and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted except for investment property that is held within a business model whose objective is to consume substantially all the economic benefits embodied in the investment property over time, rather than through sale. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 Tax (cont'd)

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

4.17 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss is re-presented as if the operation had been discontinued from the start of the comparative year.

4.18 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effect of all dilutive potential ordinary shares.

4.19 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer (the "Group CEO") (the chief operating decision maker) of the Company to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and tax liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, investment properties, investment properties under development and intangible assets other than goodwill.

4.20 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in note 36.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

5 PROPERTY, PLANT AND EQUIPMENT

	Note	Buildings \$'000	Office renovation, furniture, fixtures and equipment \$'000	Medical equipment \$'000	Motor vehicles \$'000	Leasehold property under development \$'000	Total \$'000
Group							
Cost							
At 1 January 2017		6,059	1,241	6,056	412	—	13,768
Additions		—	444	418	66	—	928
Disposals		—	(77)	(469)	—	—	(546)
Effect of movements in exchange rates		(123)	(21)	(120)	(8)	—	(272)
At 31 December 2017		5,936	1,587	5,885	470	—	13,878
Additions		—	130	24	—	—	154
Reclassification from investment properties under development	8	—	—	—	—	28,899	28,899
Written-off		—	(11)	(4)	—	—	(15)
Deconsolidation of a subsidiary	29	(3,663)	(70)	(2,276)	(155)	—	(6,164)
Effect of movements in exchange rates		(142)	(20)	(47)	(4)	—	(213)
At 31 December 2018		2,131	1,616	3,582	311	28,899	36,539
Accumulated depreciation							
At 1 January 2017		1,505	825	3,567	240	—	6,137
Depreciation charge for the year		852	185	722	74	—	1,833
Disposals		—	(39)	(455)	—	—	(494)
Effect of movements in exchange rates		(30)	(14)	(70)	(4)	—	(118)
At 31 December 2017		2,327	957	3,764	310	—	7,358
Depreciation charge for the year		833	199	527	59	—	1,618
Written-off		—	(10)	(4)	—	—	(14)
Deconsolidation of a subsidiary	29	(2,686)	(53)	(1,106)	(96)	—	(3,941)
Effect of movements in exchange rates		(60)	(19)	(79)	(7)	—	(165)
At 31 December 2018		414	1,074	3,102	266	—	4,856
Carrying amounts							
At 1 January 2017		4,554	416	2,489	172	—	7,631
At 31 December 2017		3,609	630	2,121	160	—	6,520
At 31 December 2018		1,717	542	480	45	28,899	31,683

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

5 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Office renovation, furniture, fixtures and equipment \$'000
Company	
Cost	
At 1 January 2017	40
Additions	357
Disposals	(30)
At 31 December 2017	367
Additions	66
At 31 December 2018	433
Accumulated depreciation	
At 1 January 2017	27
Depreciation charge for the year	41
Disposals	(22)
At 31 December 2017	46
Depreciation charge for the year	85
At 31 December 2018	131
Carrying amounts	
At 1 January 2017	13
At 31 December 2017	321
At 31 December 2018	302

Impairment test for property, plant and equipment

The Group reviews the carrying amounts of the assets at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Determining the value-in-use of property, plant and equipment, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the financial statements. Any resulting impairment losses could have a material adverse impact on the Group's financial condition and results of operations.

The critical assumptions used for the valuation of the Chengdu land which was reclassified from investment properties under development to property, plant and equipment as at 31 December 2018 are included in note 8.

Change in estimate

The Group reviews the useful lives of the property, plant and equipment annually in order to determine the amount of depreciation expense to be recorded. The estimated useful lives of property, plant and equipment are based on factors such as expected level of usage and the possible outcome of the litigation. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease in the carrying value of property, plant and equipment.

Temporarily idle property, plant and equipment

At 31 December 2018, property, plant and equipment with carrying amount of \$1,333,000 were temporarily idle as a result of the loss of control of the operating company, Wuxi Hospital. The recoverable amount of property, plant and equipment is estimated based on its value-in-use, on the assumption that the Group is able to generate economic benefits from the related property, plant and equipment in future.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

6 INTANGIBLE ASSETS AND GOODWILL

	Note	Goodwill \$'000	Medical distribution licences \$'000	Total \$'000
Group				
Cost				
At 1 January 2017		42,627	1,192	43,819
Effect of movements in exchange rates		1,717	(23)	1,694
At 31 December 2017		44,344	1,169	45,513
Acquisitions through business combinations	30	3,057	–	3,057
Deconsolidation of a subsidiary	29	(42,239)	–	(42,239)
Effect of movements in exchange rates		(1,709)	(27)	(1,736)
At 31 December 2018		3,453	1,142	4,595
Accumulated amortisation and impairment losses				
At 1 January 2017		42,627	477	43,104
Amortisation	23	–	234	234
Effect of movements in exchange rates		1,717	(9)	1,708
At 31 December 2017		44,344	702	45,046
Amortisation	23	–	234	234
Deconsolidation of a subsidiary	29	(42,239)	–	(42,239)
Effect of movements in exchange rates		(1,733)	(23)	(1,756)
At 31 December 2018		372	913	1,285
Carrying amounts				
At 1 January 2017		–	715	715
At 31 December 2017		–	467	467
At 31 December 2018		3,081	229	3,310

Amortisation

The amortisation of medical distribution licences is allocated to the cost of inventory and is included in 'cost of sales' as inventory is sold.

Impairment test for goodwill

In 2018, goodwill is wholly allocated to the Group's CGU, identified as Brainy World Holdings Limited ("BWH"). In 2017, goodwill was wholly allocated to Wuxi Hospital in the People's Republic of China ("PRC").

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

6 INTANGIBLE ASSETS AND GOODWILL (CONT'D)

Wuxi Hospital

During 2018, the goodwill allocated to Wuxi Hospital is fully written off as the operations of Wuxi Hospital was discontinued. In 2017, the recoverable amount of the CGU was determined based on value-in-use (discounted cash flow) calculations and was performed by an external independent valuer, Savills Real Estate Valuation (Guangzhou) Ltd. Cash flow projections used in the value-in-use calculations were based on financial budgets prepared by management covering a three-year period on the assumption that the Group will stop operation by Q4 2022 due to proposed redevelopment of the current land on which Wuxi Hospital is located ("Wuxi land"). The key assumptions used in the estimation of the recoverable amount are set out below. The value assigned to the key assumptions represent management's assessment of future trends and have been based on historical data derived from both external and internal sources. As at 31 December 2017, the goodwill allocated to Wuxi Hospital was fully impaired.

	2017 %
Key assumptions used for value-in-use calculations:	
Gross margin ⁽¹⁾	23.0
Growth rate ⁽²⁾	
– Revenue growth rate	3.0
Discount rate ⁽³⁾	13.0

BWH

The Group recorded the goodwill upon the acquisition of BWH. The recoverable amount is determined based on value-in-use calculation using a projection of net management income covering a five-year period. The estimated recoverable amount of the CGU exceeded its carrying amount by approximately \$315,000. The key assumptions used in the estimation of the recoverable amount are set out below. The value assigned to the key assumptions represent management's assessment of future trends and have been based on historical data derived from both external and internal sources.

	2018 %
Key assumptions used for value-in-use calculations:	
Growth rate	
– Revenue growth rate	1 st year: 0 2 nd year: 5.0 3 rd to 5 th year: 0
Discount rate ³	11.9

The following table shows the amount by which the assumption would need to change for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal the recoverable amount 2018 %
Group	
Growth rate	
– Revenue growth rate	(10.8)
Discount rate	4.0

⁽¹⁾ Budgeted gross margin.

⁽²⁾ Weighted average growth rate used to extrapolate cash flows.

⁽³⁾ Pre-tax discount rate applied to the pre-tax cash flow projections.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

7 INVESTMENT PROPERTIES

	Note	Group 2018 \$'000	2017 \$'000
At 1 January		287,784	296,588
Additions		–	51
Fair value gains recognised in profit or loss	23	49	588
Effect of movements in exchange rates		2,398	(9,443)
At 31 December		290,231	287,784

As at 31 December 2018, the details of investment properties held by the Group are set out below:

Investment Property	Tenure	Principal activity	Location
Hikari Heights Varus Fujino	Freehold	Skilled nursing facility	Hokkaido, Japan
Hikari Heights Varus Ishiyama	Freehold	Skilled nursing facility	Hokkaido, Japan
Hikari Heights Varus Kotoni	Freehold	Skilled nursing facility	Hokkaido, Japan
Hikari Heights Varus Makomanai-Koen	Freehold	Skilled nursing facility	Hokkaido, Japan
Hikari Heights Varus Tsukisamu-Koen	Freehold	Skilled nursing facility	Hokkaido, Japan
Varus Cuore Yamanote	Freehold	Skilled nursing facility	Hokkaido, Japan
Varus Cuore Sapporo-Kita & Varus Cuore Sapporo-Kita Annex	Freehold	Skilled nursing facility	Hokkaido, Japan
Elysion Gakuenmae	Freehold	Skilled nursing facility	Nara, Japan
Elysion Mamigaoka & Elysion Mamigaoka Annex	Freehold	Skilled nursing facility	Nara, Japan
Elysion Amanohashidate	Freehold	Skilled nursing facility	Kyoto, Japan
Elysion Kaichi North	Freehold	Skilled nursing facility	Nagano, Japan
Elysion Kaichi West	Freehold	Skilled nursing facility	Nagano, Japan

Investment properties are leased to non-related parties under operating leases (see note 27), and have lease tenures ending in 2043 (2017: ending in 2043).

Changes in fair values are recognised as gains or losses in profit or loss and included within “other income/(expenses), net” (see note 23) in the consolidated statement of comprehensive income. All gains or losses are unrealised.

As at 31 December 2018, investment properties of the Group with carrying amounts of \$290,231,000 (2017: \$287,784,000) are mortgaged to banks to secure the related borrowings (see note 17(f)).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

7 INVESTMENT PROPERTIES (CONT'D)

Measurement of fair value

Fair value hierarchy

The fair value of investment properties were determined by external independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The independent valuers provide the fair value of the Group's investment property portfolio every year.

The fair value measurement of all of the investment properties of \$290,231,000 (2017: \$287,784,000) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 3.4).

Valuation techniques and inputs used in Level 3 fair value measurements

The following table shows the valuation techniques used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

Valuation techniques	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<i>Income capitalisation method:</i> The income capitalisation method capitalises an income stream into a present value using single-year capitalisation rates.	Capitalisation rates ranging from 4.4% to 4.8% (2017: 4.6% to 5.1%)	The higher the capitalisation rate, the lower the fair value.
<i>Discounted cash flow method:</i> The discounted cash flow method involves the estimation and projection of an income stream over a period and discounting the income stream with an internal rate of return to arrive at the market value.	Discount rates ranging from 4.2% to 4.6% (2017: 4.4% to 4.9%) Terminal capitalisation rates ranging from 4.7% to 5.1% (2017: 4.7% to 5.2%)	The higher the discount rate, the lower the fair value. The higher the terminal capitalisation rate, the lower the fair value.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

8 INVESTMENT PROPERTIES UNDER DEVELOPMENT

		Group	
	Note	2018 \$'000	2017 \$'000
At 1 January		123,712	123,012
Additions		725	311
Reclassification to property, plant and equipment	5	(28,899)	–
Fair value gains recognised in profit or loss	23	7	257
Effect of movements in exchange rates		(1,882)	132
At 31 December		93,663	123,712

The details of investment properties under development held by the Group are set out below:

Description	Unexpired term of leasehold land
Land - Dujiangyan, Chengdu, PRC ("Chengdu land")*	45 years
Land - Wuxi land	37 years
Land - Kuala Lumpur, Malaysia	89 years

* Chengdu land was transferred to property, plant and equipment during the year.

An investment property under development with carrying amount of \$59,184,000 (2017: \$59,454,000) is mortgaged to secure bank borrowings (see note 17(g)).

Changes in fair values are recognised as gains or losses in profit or loss and included within "other income/(expenses), net" (see note 23) in the consolidated statement of comprehensive income. All gains or losses are unrealised.

Classification of investment properties under development

The classification of the land as owner-occupied property or investment property is a matter of judgement, involving consideration of the purpose and usage of the land, and future development plans. Portion of land to be redeveloped for future rental or capital appreciations are held as investment properties under development while portion of land to be redeveloped for own use are held as lease prepayments. The relevant portion of the land continue to be classified as investment properties under development based on management's assessment of the above factors which is in line with the Group's existing plans. The classification is primarily based on all prevailing information available to date which imminently may vary depending on the controlling shareholder of the Group, OUE's continual undertakings and on-going future intentions and developments.

Transfer to property, plant and equipment

As at 31 December 2018, Chengdu land was transferred to property, plant and equipment as the Group has commenced development of the land for own use. The fair value of the Chengdu land at the date of transfer is deemed to be the cost for its subsequent accounting.

Fair value hierarchy

The fair value of investment properties under development were determined annually by external independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

The fair value measurement of all of the investment properties under development of \$93,663,000 (2017: \$123,712,000) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 3.4).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

8 INVESTMENT PROPERTIES UNDER DEVELOPMENT (CONT'D)

Valuation techniques and inputs used in Level 3 fair value measurements

The following table shows the valuation techniques used in measuring the fair value of investment properties under development as well as the significant unobservable inputs used:

Valuation techniques	Key inputs		Inter-relationship between key inputs and fair value measurement
	Malaysia	PRC	
<i>Direct comparison method:</i> The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sales price to those reflective of the investment properties under development.	Price per square metre ("psm"): \$12,528 (2017: \$12,585)	Not applicable	The estimated fair value would increase (decrease) if price psm was higher (lower).
<i>Income capitalisation method:</i> The income capitalisation method capitalises an income stream into a present value using single-year capitalisation rates.	Not applicable	Capitalisation rates ranging from: Chengdu*: 6.0% to 13.0% (2017: 1.5% to 13.0%) Wuxi: 4.25% (2017: 4.25%)	The higher the capitalisation rate, the lower the fair value.
<i>Discounted cash flow method:</i> The discounted cash flow method involves the estimation and projection of an income stream over a period and discounting the income stream with an internal rate of return to arrive at the market value.	Not applicable	Discount rate: Chengdu*: 7.0% (2017: Not applicable) Wuxi: 15.0% (2017: 15.0%) Terminal capitalisation rate: Chengdu*: 4.0% (2017: Not applicable) Wuxi: 13.0% (2017: 13.0%)	The higher the discount rate, the lower the fair value. The higher the terminal capitalisation rate, the lower the fair value.
<i>Residual value method:</i> The value of the investment properties under development is arrived at by deducting the estimated cost to complete as of valuation date and other relevant costs from the gross development value of the proposed development assuming satisfactory completion and accounting for developer profit.	Not applicable	Plot ratio: Chengdu*: 2.99 (2017: 2.94) Wuxi: 4.5 (2017: 4.5) Entrepreneur profit and risk: Chengdu*: 10.0% (2017: 10.0%) Wuxi: 20.0% (2017: 20.0%) Construction costs psm: Chengdu*: \$1,358 (2017: \$920) Wuxi: \$1,381 (2017: \$1,410)	The estimated fair value would increase (decrease) if: • Gross development value was higher (lower); • Entrepreneurship profit and risk was lower (higher); or • Estimated total construction cost was lower (higher).

* Chengdu land was reclassified from investment properties under development to property, plant and equipment as at 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

8 INVESTMENT PROPERTIES UNDER DEVELOPMENT (CONT'D)

In addition to the above, the valuation of the PRC properties included critical assumptions made by management as follows:

(1) *Plot ratio and class 3A hospital licence*

Plot ratio represents a building's total floor area (gross floor area) to the size of the land upon which it is built.

The valuation of the Wuxi land as at 31 December 2018 was based on management's assessment that:

- written approval is expected to be granted to increase the plot ratio from 2.0 to 4.5 (2017: from 2.0 to 4.5); and
- a class 3A hospital licence is expected to be granted.

If the written approval is not granted or the approved plot ratio differs from current assumption, the valuation of the Wuxi land will change significantly. Also, the Group is in various litigations with David Lin, a non-controlling shareholder of certain subsidiaries of the Group (see note 26(b)). The valuation of the Wuxi land will be significantly affected should there be any adverse outcome from the litigations.

The valuation of the Chengdu land as at 31 December 2018 is based on the drawing which was submitted in May 2018 and approved in 2018. As at 31 December 2017, the valuation of the Chengdu land was based on management's assumption that a class 3A hospital licence will be granted based on the drawing submitted to the Dujiangyan City Planning Bureau in December 2017.

(2) *Gross development value and construction cost*

Gross development value is the estimated value that a property or new development would derive in the open market if it is to be sold in the current economic climate and condition.

The valuation of Wuxi land and Chengdu land is based on the current proposed development plan of the respective projects, with the following gross development values of:

	2018		2017	
	RMB'000	\$'000	RMB'000	\$'000
Wuxi land				
Gross development value	995,000	198,304	982,000	200,328
Chengdu land				
Gross development value	800,000	159,440	578,000	117,912

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

8 INVESTMENT PROPERTIES UNDER DEVELOPMENT (CONT'D)

(2) Gross development value and construction cost (cont'd)

It also includes the following management's estimates of the average construction cost per square metre for Wuxi land and Chengdu land:

	2018		2017	
	RMB'000	\$'000	RMB'000	\$'000
Wuxi land				
Estimated construction cost per square metre	6.9	1.4	6.9	1.4
Chengdu land				
Estimated construction cost per square metre	6.8	1.4	4.5	0.9

In arriving at the average construction cost for Wuxi land and Chengdu land for 2018 and 2017, management has relied on construction cost furnished by Rider Levett Bucknall, an independent global property consultant.

Any change in the proposed development plan will result in a change in the gross development value and construction costs, and consequently, a change in the valuation of Wuxi land and Chengdu land.

(3) Entrepreneur profit and risk

Entrepreneur profit and risk represents return required by a buyer of the partially completed investment property under development in the market place. This reflects the risks associated with the completion of the construction programme taken into consideration the anticipated income or capital value. It is presented as a percentage of total gross development value.

The value of Wuxi land and Chengdu land is derived by taking the total gross development value subtracting the entrepreneur profit and other costs, including construction costs, to be incurred to complete the Wuxi and Chengdu projects.

The valuation of Wuxi land as at 31 December 2018 was based on the assumption of an entrepreneur profit and risk of 20.0% (2017: 20.0%) of the gross development value. The valuation of Chengdu land as at 31 December 2018 and 31 December 2017 was based on the assumption of an entrepreneur profit and risk of 10.0% of the gross development value. Any change in the entrepreneur profit and risk will result in a change in the valuation of Wuxi land and Chengdu land.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

9 LEASE PREPAYMENTS

	Note	Group	
		2018	2017
		\$'000	\$'000
Cost			
At 1 January		7,824	7,981
Deconsolidation of a subsidiary	29	(1,771)	–
Effect of movements in exchange rates		(149)	(157)
At 31 December		5,904	7,824
Accumulated amortisation			
At 1 January		2,284	2,049
Amortisation	23	66	290
Deconsolidation of a subsidiary	29	(1,006)	–
Effect of movements in exchange rates		(35)	(55)
At 31 December		1,309	2,284
Carrying amount		4,595	5,540

Lease prepayments represent the land use rights of a subsidiary which expire in 2055.

10 SUBSIDIARIES

	Company	
	2018	2017
	\$'000	\$'000
Equity investments at cost	116,937	116,937
Less: Allowance for impairment loss	(16,732)	(15,440)
	100,205	101,497
Loan to a subsidiary	14,883	14,883
Corporate guarantees issued for subsidiaries' borrowings	4,320	4,320
Less: Allowance for doubtful receivables	(370)	(370)
	18,833	18,833
Total subsidiaries	119,038	120,330

The loan to a subsidiary is unsecured, interest-free and have no fixed term of repayment.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

10 SUBSIDIARIES (CONT'D)

Movement in allowance for impairment losses were as follows:

	Company	
	2018 \$'000	2017 \$'000
At 1 January	15,440	11,287
Allowance made	1,292	4,153
At 31 December	16,732	15,440

The Company assessed the carrying amount of its investments in subsidiaries for indicators of impairment. Based on this assessment, the Company recognised an impairment loss of \$1,292,000 (2017: \$4,153,000) on its investments in subsidiaries. The recoverable amounts of the subsidiaries were estimated taking into consideration the fair value of the underlying assets of the companies and the liabilities to be settled. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used.

Movement in allowance for impairment losses in respect of the loan to a subsidiary were as follows:

	Company	
	2018 \$'000	2017 \$'000
At 1 January	370	—
Allowance made	—	370
At 31 December	370	370

The Group's significant subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Group	
			2018 %	2017 %

Held by the Company

OUELH Japan Medical Facilities Pte. Ltd. ^{(a)*}	Investment holding	Singapore	100	100
OUELH Senior Housing (HK) Limited ^(d)	Investment holding	Hong Kong	100	100
OUELH Medical Assets Pte. Ltd. ^(a)	Investment holding	Singapore	100	100

Held by subsidiaries

OUELH Seasons Residences Sdn. Bhd. ^(b)	Property investment	Malaysia	100	100
Kang Hui (Chengdu) Assets Co., Ltd. ^(c)	Property investment	PRC	100	100

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

10 SUBSIDIARIES (CONT'D)

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Group	
			2018 %	2017 %
<u>Held by subsidiaries (cont'd)</u>				
OUELH Japan One ISH ^(c)	Investment holding	Japan	50	50
OUELH Japan First TMK ^(f)	Property investment	Japan	51.0*	56.7*
Health Kind International Limited ^(g)	Investment holding	Hong Kong	99.99	99.99
Health Kind International (Shanghai) Co., Ltd. ^(c)	Investment holding	PRC	98	98
Wuxi New District Phoenix Hospital Co., Ltd. ^(e)	Healthcare services	PRC	— [^]	100
Healthkind Medical Holding Co., Ltd. ^(c)	Property investment	PRC	100	100
Wuxi Yilin Health Management Co. Ltd ^(c)	Investment holding	PRC	100	100
Jiangsu Chang San Jiao Biomedical Co., Ltd ^(e)	Pharmaceutical distribution	PRC	100	100
OUELH Medical Holdings (HK) Limited ^(d)	Investment holding	Hong Kong	100	100

^(a) audited by KPMG LLP, Singapore

^(b) audited by Roger Yue, Tan & Associates, Malaysia

^(c) not required to be audited under the laws of the country of incorporation

^(d) audited by Daniel K.C. Wong, Hong Kong (2017: Jimmy C H Cheung & Co, Hong Kong)

^(e) audited by Wuxi Baoguang Certified Public Accountants, PRC

^(f) audited by KPMG AZSA LLC, Tokyo

^(g) audited by Daniel K.C. Wong, Hong Kong (2017: Acutus Cpa Limited, Hong Kong)

* OUELH Japan Medical Facilities Pte. Ltd. owns directly and indirectly 100% of the preferred shares in OUELH Japan First TMK. OUELH Japan Medical Facilities Pte. Ltd. and OUELH Japan One ISH as common shareholders of OUELH Japan First TMK have waived their rights to receive the economic benefits of OUELH Japan First TMK. Under Japanese laws, as the common shareholders have waived their rights to receive economic benefits of OUELH Japan First TMK, OUELH Japan Medical Facilities Pte. Ltd. is entitled to the full economic benefits of OUELH Japan First TMK via its direct and indirect ownership of 100% of the preferred shares in OUELH Japan First TMK, notwithstanding that OUELH Japan Medical Facilities Pte. Ltd. does not have full beneficial ownership of OUELH Japan First TMK.

[^] The subsidiary was deconsolidated in 2018.

Management is of the opinion that the NCI for each subsidiary are immaterial to the Group individually and in aggregate and accordingly, no summarised financial information for subsidiaries with NCI is disclosed.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

11 ASSOCIATE AND JOINT VENTURES

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Interest in an associate	105,598	—	—	—
Interests in joint ventures	39,749	—	40,553	—
	145,347	—	40,553	—

RSM Chio Lim LLP is the auditor of the significant associate. An associated company is considered significant as defined under the Singapore Exchange Limited Listing Manual if the Group's share of its net tangible assets represents 20% or more of the Group's consolidated net tangible assets, or if the Group's share of its pre-tax profits accounts for 20% or more of the Group's consolidated pre-tax profits. An associate and a joint venture met the definition of significant.

Associate

The Group has one (2017: Nil) associate that is material to the Group and is equity accounted. The following is the material associate:

	First Real Estate Investment Trust ("First REIT")
Nature of relationship with the Group	Healthcare real estate investment trust which invests in a diversified portfolio of income-producing real estate and/or real estate-related assets in Asia
Principal place of business/Country of incorporation	Asia
Effective equity interest	13.5% (2017: Nil)
Fair value of ownership interest	\$82,758,000*

* Based on the quoted market price at 31 December 2018 (Level 1 in the fair value hierarchy).

On 26 October 2018, the Group acquired 10.6% equity interest in First REIT for a total consideration of \$102,653,000. As at 31 December 2018, the Group has a direct equity interest of 10.6% in First REIT, and indirect equity interest of 2.9% in First REIT.

First REIT, constituted as a real estate investment trust, is listed on the Mainboard of Singapore Exchange Securities Trading Limited. The principal activity of First REIT and its subsidiaries is to invest in a portfolio of income-producing real estate properties, which are primarily used for healthcare and healthcare-related purposes. The primary objectives of First REIT and its subsidiaries is to deliver regular and stable distributions to unitholders and to achieve long-term growth in the net asset value per unit. First REIT's activities are managed by Bowsprit Capital Corporation Limited ("Bowsprit" or the "First REIT Manager").

Although the Group owns less than 20% of First REIT, management has determined that the Group has significant influence over First REIT and has accounted for First REIT as an associate. In exercising its judgement, management considered the proportion of its effective interest and voting rights taking into consideration its representation on the board of the First REIT Manager.

The following summarises the financial information of the Group's material associate based on its (consolidated) financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

11 ASSOCIATE AND JOINT VENTURES (CONT'D)

	First REIT Period from date of acquisition to 31/12/2018 \$'000
2018	
Profit from continuing operations	25,052
OCI	180
Total comprehensive income	25,232
Attributable to Unitholders of Trust	24,616
Attributable to Perpetual securities holders	616
Non-current assets	1,373,766
Current assets	65,009
Non-current liabilities	(418,861)
Current liabilities	(150,761)
Net assets	869,153
Attributable to Unitholders of Trust	808,276
Attributable to Perpetual securities holders	60,877
Group's interest in net assets of investee at beginning of the year	—
Group's share of:	
– profit from continuing operations	2,591
– OCI	19
– total comprehensive income	2,610
Dividends received during the year	(1,797)
Group's contribution during the year	102,653
Transaction cost	2,132
Carrying amount of interest in investee at end of the year	105,598

Measurement of fair values

The Group has engaged an external expert to appraise the identifiable assets acquired and liabilities assumed at the date of acquisition, 26 October 2018. The Group's share of net assets of First REIT Group was based on the fair values of the identifiable assets and liabilities of First REIT Group as at 26 October 2018.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

11 ASSOCIATE AND JOINT VENTURES (CONT'D)

The following table summarises the consideration transferred and the proportionate share of the fair value of net assets of First REIT Group as at the date of acquisition:

	Group \$'000
Total consideration transferred	102,653
Proportionate share of fair value of net assets	84,881
Provisional goodwill	17,772

Included in the carrying amount of associate and joint ventures in the statement of financial position as at 31 December 2018 is the provisional goodwill arising from acquisition of equity interest in First REIT Group of \$17,772,000.

The provisional goodwill is attributable mainly to the synergies expected to be achieved from integrating First REIT into the Group's existing healthcare business.

Provisional accounting for the acquisition of First REIT

The fair value of investment properties, deferred tax assets, other receivables, deferred tax liabilities and goodwill as at the date of acquisition have been determined on a provisional basis as the final results of the purchase price allocation ("PPA") have not been received on the date the financial statements were authorised for issue. Goodwill arising from this acquisition, carrying amounts of the investment properties, deferred tax assets, other receivables and deferred tax liabilities will be adjusted accordingly on a retrospective basis when the PPA is finalised.

Joint venture

The Group has one joint venture that is material and one joint venture that is immaterial to the Group (2017: Nil). All are equity accounted for. The following is the material joint venture.

Bowsprit is an unlisted joint venture in which the Group has joint control via investors' agreement and 40.0% (2017: Nil) ownership interest. Bowsprit is a public limited company incorporated in Singapore and is the manager of First REIT. Bowsprit is structured as a separate vehicle and the Group has a residual interest in its net assets. Accordingly, the Group has classified its interest in Bowsprit as a joint venture, which is equity-accounted.

The following table summarises the financial information of the Group's material joint venture, based on its financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

11 ASSOCIATE AND JOINT VENTURES (CONT'D)

	Bowsprit Period from date of acquisition to 31/12/2018 \$'000
2018	
Revenue	3,276
Profit from continuing operations	2,421
OCI	(13,928)
Total comprehensive income	(11,507)
Non-current assets	56,072
Current assets	10,306
Current liabilities	(2,245)
Net assets	64,133
Group's interest in net assets of investee at beginning of the year	–
Group's share of:	
– profit from continuing operations	968
– OCI	(5,571)
– total comprehensive income	(4,603)
Group's contribution during the year	39,553
Transaction cost	1,000
Provisional negative goodwill	2,581
Carrying amount of interest in investee at end of the year	38,531

Immaterial joint venture

The Group has interest in an immaterial joint venture. The following table summarises the share of loss of the immaterial joint venture that are accounted for using the equity method:

	2018 \$'000
Carrying amount of interest in an immaterial joint venture	1,218
Group's share of:	
– Loss after tax	(594)

Measurement of fair values

The Group has engaged an external expert to appraise the identifiable assets acquired and liabilities assumed at the date of acquisition, 26 October 2018. The Group's share of net assets of Bowsprit was based on the fair values of the identifiable assets and liabilities of Bowsprit as at 26 October 2018.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

11 ASSOCIATE AND JOINT VENTURES (CONT'D)

The following table summarises the consideration transferred and the proportionate share of the fair value of net assets of Bowsprit as at the date of acquisition:

	Group \$'000
Total consideration transferred	39,553
Proportionate share of fair value of net assets	42,134
Provisional negative goodwill	(2,581)

Included in the Group's share of results of equity-accounted investees, net of tax in the statement of comprehensive income is the Group's share of the provisional negative goodwill arising from the acquisition of Bowsprit of \$2,581,000 in 2018 which is based on provisional fair values of the identifiable assets and liabilities of Bowsprit.

Provisional accounting for the acquisition of Bowsprit

The fair value of intangible assets, property, plant and equipment, other investments, deferred tax liabilities and negative goodwill as at the acquisition date have been determined on a provisional basis as the final results of the PPA have not been received on the date the financial statements were authorised for issue. Provisional negative goodwill arising from this acquisition, carrying amounts of the intangible assets, property, plant and equipment, other investments and deferred tax liabilities will be adjusted accordingly on a retrospective basis when the PPA is finalised.

12 INVENTORIES

	Group	
	2018 \$'000	2017 \$'000
Pharmacy supplies	260	1,057
Medical and surgical supplies	1	80
	261	1,137

The cost of inventories recognised as an expense and included in "cost of sales" amounted to \$2,863,000 (2017: \$13,630,000).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

13 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Trade receivables	1,292	2,740	–	–
Other receivables:				
– due from a non-controlling shareholder of certain subsidiaries	7,868	7,298	5,438	5,721
– due from Deconsolidated subsidiaries	53,970	54,069	50,155	50,247
– due from a fellow subsidiary	–	161	–	161
– others	13,891	15,837	6,489	6,716
Amount due from subsidiaries	–	–	303,381	164,424
	77,021	80,105	365,463	227,269
Less: Impairment losses	(38,792)	(39,370)	(71,660)	(58,228)
	38,229	40,735	293,803	169,041
Deposits	1,787	350	75	74
	40,016	41,085	293,878	169,115
Prepayments	1,415	666	1,030	24
Total trade and other receivables	41,431	41,751	294,908	169,139
Non-current	–	–	9,874	9,792
Current	41,431	41,751	285,034	159,347
	41,431	41,751	294,908	169,139

Amount due from a non-controlling shareholder of certain subsidiaries, Deconsolidated subsidiaries, a fellow subsidiary and certain subsidiaries are unsecured, interest-free and repayable on demand.

Others mainly relate to amount due from Healthway Medical Development (Private) Limited ("HMD") and its subsidiaries amounting to \$12,259,000 (2017: \$13,385,000).

The non-current portion of the amount due from subsidiary is unsecured, interest-bearing at 1% per annum and repayable in 2020.

Movement in allowance for impairment losses in respect of trade and other receivables were as follows:

	Note	Group Individual impairments \$'000	Company Individual impairments \$'000
At 1 January 2017 per FRS 39		22,009	10,036
Impairment losses recognised	23	17,554	38,566
Effect of movements in exchange rates		(193)	2,657
At 31 December 2017 per FRS 39		39,370	51,259

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

13 TRADE AND OTHER RECEIVABLES (CONT'D)

	Note	Group Lifetime ECL \$'000	Company Lifetime ECL \$'000
At 1 January 2018 per FRS 39		39,370	51,259
Adjustment on initial application of SFRS(I) 9		—	6,969
At 1 January 2018 per SFRS(I) 9		39,370	58,228
Impairment losses utilisation		(238)	—
Impairment losses recognised	23	—	13,715
Effect of movements in exchange rates		(340)	(283)
At 31 December 2018 per SFRS(I) 9		38,792	71,660

14 CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Cash on hand at banks	60,442	21,530	40,413	31

Bank balances of \$15,714,000 (2017: \$14,712,000) are included as part of the floating charge to third parties for borrowings of the Group (see notes 17 (d), (f) and (g)). This amount is included as part of cash and cash equivalents as the utilisation of these bank balances is not restricted.

Significant restrictions

Cash and bank balances of \$1,968,000 (2017: \$4,971,000) in the Group are held in the PRC and are subject to local exchange control regulations. The conversion of these RMB-denominated balances into foreign currencies is subject to the foreign exchange rules and regulations promulgated by the PRC government.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

15 SHARE CAPITAL

	2018		2017	
	No. of ordinary shares '000	Share capital \$'000	No. of ordinary shares '000	Share capital \$'000
Company				
At 1 January	1,659,065	192,707	1,659,065	192,707
Issued for cash	2,784,064	228,706	—	—
Issuance cost	—	(2,500)	—	—
At 31 December	4,443,129	418,913	1,659,065	192,707

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All issued ordinary shares are fully paid, with no par value. All shares rank equally with regard to the Company's residual assets.

Issue of ordinary shares

On 15 February 2018, the Company completed the allotment and issuance of 562,500,000 placement shares to Brownly Healthcare Pte. Ltd. with the aggregate placement consideration of \$78,750,000. Brownly Healthcare Pte. Ltd. is an indirect wholly-owned subsidiary of ITOCHU Corporation, a company listed on the Tokyo Stock Exchange.

On 24 April 2018, the shareholders approved the rights issue of 2,221,564,603 ordinary shares at an exercise price of \$0.0675 per share.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

16 RESERVES

Merger reserve

Merger reserve represents the difference between the consideration paid and net assets of entities acquired for acquisition of subsidiaries under common control. Merger reserves are non-distributable.

Asset revaluation reserve

Asset revaluation reserve represents the revaluation surplus recognised in property, plant and equipment.

Foreign currency translation reserve

The foreign currency translation reserve comprises:

- (a) exchange differences arising from the translation of financial statements of foreign operations;
- (b) share of currency translation reserve of foreign equity-accounted investees; and
- (c) exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

Fair value reserve

The fair value reserve represents the share of fair value reserve of an equity-accounted investee arising from the cumulative net change in the fair value of the quoted equity investments until the investments are derecognised or impaired.

Statutory surplus reserve

Subsidiaries which are established in the PRC follow the accounting principles and relevant financial regulations of PRC Generally Accepted Accounting Principles ("GAAP") applicable to wholly-owned foreign investment enterprise in the preparation of the accounting records and statutory financial statements.

Subsidiaries are required to appropriate 10% of the profit arrived at in accordance with PRC GAAP for each year to the statutory reserve.

The profit arrived at must be set-off against any accumulated losses sustained by the subsidiaries in prior years, before allocation is made to the statutory reserve. Appropriation to the statutory reserve must be made before distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital. This statutory reserve is not distributable in the form of cash dividends. The statutory reserve may be used to set off losses or be converted into paid-in capital.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

17 LOANS AND BORROWINGS

		Group		Company	
	Note	2018	2017	2018	2017
		\$'000	\$'000	\$'000	\$'000
Current					
Loans from third parties	(a)	189	519	189	519
Loan from a fellow subsidiary	(b)	40,335	40,335	40,335	40,335
Loan from a shareholder	(c)	125,077	125,077	125,077	125,077
Medium term notes ("MTN")	(e)	–	5,750	–	5,750
Tokutei Mokutei Kaisha ("TMK") Bonds	(f)	1,207	805	–	–
Bank borrowings	(g)	3,157	1,224	–	–
Finance lease liability	(h)	–	104	–	–
		169,965	173,814	165,601	171,681
Non-current					
Loans from financial institutions	(d)	–	18,646	–	–
TMK Bonds	(f)	117,364	117,575	–	–
Bank borrowings	(g)	20,678	23,943	–	–
		138,042	160,164	–	–
Total loans and borrowings		308,007	333,978	165,601	171,681

Total borrowings include secured liabilities of \$267,483,000 (2017: \$286,046,000) and \$125,077,000 (2017: \$125,077,000) of the Group and the Company respectively.

(a) Loans from third parties

In 2018 and 2017, the loan from a third party is unsecured.

(b) Loan from a fellow subsidiary

The loan from a fellow subsidiary is unsecured.

(c) Loan from a shareholder

The loan from a shareholder is secured against a debenture over the Company's real property, tangible moveable property, the accounts, intellectual property, goodwill and rights in relation to the uncalled capital of the Company, investments, the shares, all dividends, interest and other monies payable in respect of the shares, all monetary claims other than any claims which are otherwise subject to a fixed charge or assignment pursuant to this debenture and all chattels hired, leased or rented from the Company by any other person.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

17 LOANS AND BORROWINGS (CONT'D)

(d) Loans from financial institutions

In 2018, the loan from a financial institution was fully repaid.

In 2017, the loan from a financial institution is secured against:

- (i) charges over bank deposits of certain subsidiaries of the Company (see note 14);
- (ii) charges created over the entire issued share capital of certain subsidiaries of the Company;
- (iii) corporate guarantees from the Company (see note 18);
- (iv) personal guarantee by certain shareholders;
- (v) pledge over intercompany loan between certain subsidiaries of the Company; and
- (vi) deed of subordination in respect of amounts owing between certain subsidiaries of the Company.

(e) MTN

On 23 January 2015, the Company established a \$500,000,000 multicurrency MTN under which the Company had issued notes amounting to \$50,000,000 on 6 February 2015 and a further \$50,000,000 on 27 April 2015, which matured on 6 February 2018 and 27 April 2017 respectively. The notes bear fixed rate interest of 6% and 7% per annum respectively, payable semi-annually in arrears.

The net proceeds arising from the issuance of the notes (after deducting issue expenses) were used for general corporate purposes, including financing investments, repayment of existing borrowings, general working capital and capital expenditure requirements of the Group.

In 2018, the MTN was fully redeemed.

(f) TMK Bonds

TMK is an investment vehicle incorporated under the Asset Liquidation Law of Japan to acquire real estate and obtain debt financing in real estate finance transactions in Japan. A TMK may issue TMK Bonds, which are generally issued to qualified institutional investors. The TMK grants to holders of TMK Bonds the right to receive all payments due in relation to such TMK Bonds out of the assets of the TMK prior to any payments to other unsecured creditors. This statutory right is generally referred to as a general security interest. Unless otherwise provided in the Asset Liquidation plan, such general security is automatically created by operation of law.

TMK bonds are subject to a strict legal framework which protects both the borrowers and lenders.

The TMK Bonds are secured against:

- (i) the total assets of a subsidiary of the Group which mainly comprise investment properties in Japan (see note 7) and cash and cash equivalents (see note 14); and
- (ii) a corporate guarantee from the Company (see note 18).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

17 LOANS AND BORROWINGS (CONT'D)

(g) Bank borrowings

In 2018 and 2017, the bank borrowings are secured against:

- (i) a charge created over an investment property under development of the Group (see note 8);
- (ii) a debenture over the assets and rights of the subsidiary pertaining to a development project of the Group (see note 8 and note 14);
- (iii) joint and several guarantees by certain shareholders; and
- (iv) a corporate guarantee from the Company (see note 18).

(h) Finance lease liability

In 2017, the finance lease liability of a subsidiary is unsecured.

Breach of loan covenants and terms

As at 31 December 2017, the Group has an unsecured MTN with a carrying amount of \$5,750,000. The MTN contains the following financial covenants:

- (i) the consolidated shareholders' equity shall not at any time be less than \$150,000,000;
- (ii) the ratio of consolidated net debt to consolidated shareholders' equity shall not at any time exceed 1.75:1; and
- (iii) the ratio of earnings before interests, tax, depreciation and amortisation to interest expense shall not be at any time be less than 1.5:1.

The Group has breached the above financial covenants. As a consequence of the breaches, the above MTN was classified as current liabilities as at 31 December 2017.

On 27 April 2017, the Group fully redeemed Series 002 of the MTN of \$50,000,000 and partially redeemed Series 001 of the MTN of \$44,250,000. The remaining principal balance of Series 001 of the MTN amounting to \$5,750,000, has been redeemed on 6 February 2018.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

17 LOANS AND BORROWINGS (CONT'D)

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Currency	Nominal interest rate	Year of maturity	Face value \$'000	Carrying amount \$'000
Group					
2018					
Unsecured loans from third parties	SGD	0%	On demand	189	189
Unsecured loan from a fellow subsidiary	SGD	4%	On demand	40,335	40,335
Secured loan from a shareholder	SGD	4%	On demand	125,077	125,077
Secured TMK Bonds	JPY	Offer rate + 1%	2020	119,185	118,571
Secured bank loan	MYR	Cost of funds + 2%	2021	23,835	23,835
				308,621	308,007
2017					
Unsecured loans from third parties	SGD	0%	On demand	519	519
Unsecured loan from a fellow subsidiary	SGD	4%	On demand	40,335	40,335
Secured loan from a shareholder	SGD	4%	On demand	125,077	125,077
Secured loan from financial institution	JPY	15%	2019	19,200	18,646
Secured TMK Bonds	JPY	Offer rate + 1%	2020	119,400	118,380
Secured bank loan	MYR	Cost of funds + 2%	2021	23,943	23,943
Unsecured bank loans	RMB	8.6%	2017	1,224	1,224
Unsecured MTN	SGD	6%	2018	5,750	5,750
Unsecured finance lease liability	RMB	5.7%	2018	104	104
				335,552	333,978
Company					
2018					
Unsecured loans from third parties	SGD	0%	On demand	189	189
Unsecured loan from a fellow subsidiary	SGD	4%	On demand	40,335	40,335
Secured loan from a shareholder	SGD	4%	On demand	125,077	125,077
				165,601	165,601
2017					
Unsecured loans from third parties	SGD	0%	On demand	519	519
Unsecured loan from a fellow subsidiary	SGD	4%	On demand	40,335	40,335
Secured loan from a shareholder	SGD	4%	On demand	125,077	125,077
Unsecured MTN	SGD	6%	2018	5,750	5,750
				171,681	171,681

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

17 LOANS AND BORROWINGS (CONT'D)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities			
	Other loans and borrowings \$'000	Finance lease liability \$'000	Interest payable \$'000	Total \$'000
Balance at 1 January 2017	310,182	772	4,730	315,684
Changes from financing cash flows				
Proceeds from borrowings	164,313	—	—	164,313
Repayment of borrowings	(139,866)	—	—	(139,866)
Payment of finance lease liability	—	(668)	—	(668)
Interest paid	—	—	(14,853)	(14,853)
Total changes from financing cash flows	24,447	(668)	(14,853)	8,926
The effect of changes in foreign exchange rates	(4,224)	—	—	(4,224)
Other changes				
Liability-related				
Amortisation expense	3,469	—	—	3,469
Interest expense	—	—	15,885	15,885
Total liability-related other changes	3,469	—	15,885	19,354
Balance at 31 December 2017	333,874	104	5,762	339,740
Balance at 1 January 2018	333,874	104	5,762	339,740
Changes from financing cash flows				
Proceeds from borrowings	6,653	—	—	6,653
Repayment of borrowings	(33,443)	—	—	(33,443)
Payment of finance lease liability	—	(104)	—	(104)
Interest paid	—	—	(5,463)	(5,463)
Total changes from financing cash flows	(26,790)	(104)	(5,463)	(32,357)
Changes arising from losing control of a subsidiary	(1,217)	—	—	(1,217)
The effect of changes in foreign exchange rates	1,168	—	(82)	1,086
Other changes				
Liability-related				
Amortisation expense	972	—	—	972
Interest expense	—	—	10,133	10,133
Total liability-related other changes	972	—	10,133	11,105
Balance at 31 December 2018	308,007	—	10,350	318,357

NOTES TO THE FINANCIAL STATEMENTS

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18 TRADE AND OTHER PAYABLES

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Current				
Trade payables	2,463	4,909	–	–
Other payables	9,657	6,759	1,972	2,436
Amount due to an affiliated corporation	–	714	–	–
Amount due to Deconsolidated subsidiaries	531	559	467	489
Amount due to subsidiaries	–	–	40,431	31,584
Amount due to a shareholder	644	644	644	644
Interest payable	10,350	5,762	9,893	4,483
Accrued expenses	5,036	4,499	2,799	2,490
Corporate guarantee	–	–	281	281
Deferred revenue	1,408	1,397	–	–
	30,089	25,243	56,487	42,407
Non-current				
Corporate guarantee	–	–	558	908
Rental deposit received	7,481	7,419	–	–
	7,481	7,419	558	908
Total trade and other payables	37,570	32,662	57,045	43,315

The amount due to an affiliated corporation is unsecured, interest-free and repayable in February 2018.

The amounts due to Deconsolidated subsidiaries, subsidiaries and a shareholder are unsecured, interest-free and repayable on demand.

The Group's and the Company's exposure to currency risk and liquidity risk related to trade and other payables is disclosed in note 31.

19 PROVISIONS

	Note	Group		Company	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
At 1 January		46,000	–	5,000	–
Provisions made during the year	23	–	46,000	41,000	5,000
Utilisation during the year		(3,921)	–	(3,921)	–
At 31 December		42,079	46,000	42,079	5,000

Provisions made related to legal and related expenses (see note 26).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

20 DEFERRED TAX LIABILITIES

Deferred tax liabilities are attributable to the following:

	Group	
	2018	2017
	\$'000	\$'000
Investment properties under development	11,175	10,901
Subsidiaries	26,782	25,814
	37,957	36,715

The movement in the deferred tax liabilities during the year is as follows:

	Investment properties under development	Subsidiaries	Total
	\$'000	\$'000	\$'000
Group			
Deferred tax liabilities			
At 1 January 2017	7,752	21,742	29,494
Recognised in profit or loss	3,030	5,140	8,170
Effect of movements in exchange rates	119	(1,068)	(949)
At 31 December 2017	10,901	25,814	36,715
Recognised in profit or loss	511	759	1,270
Effect of movements in exchange rates	(237)	209	(28)
At 31 December 2018	11,175	26,782	37,957

Unrecognised deferred tax assets

As at 31 December 2018, deferred tax assets have not been recognised in respect of tax losses of \$19,133,000 (2017: \$13,294,000). Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. Tax losses and other deductible temporary differences do not expire under current tax legislation.

Unrecognised deferred tax liabilities

Deferred tax liabilities have not been recognised for withholding taxes that would be payable on the unremitted earnings of \$42,540,000 (2017: \$49,655,000) of the subsidiaries for the year ended 31 December 2018 as the timing of the reversal of the temporary differences arising from such amounts can be controlled and it is probable that such temporary differences will not be reversed in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

21 REVENUE

	Continuing operations		Discontinued operation (see note 29)		Group	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Medical services	–	–	9,261	20,541	9,261	20,541
Rental income	16,575	16,711	–	–	16,575	16,711
Sale of medicine and medical equipment	2,988	6,319	–	–	2,988	6,319
	19,563	23,030	9,261	20,541	28,824	43,571

The following table provides information about the nature and timing of the satisfaction of performance obligation in contracts with customers, including significant payment terms and the related revenue recognition policies:

Healthcare operations segment

Nature of goods or services	The Group principally generates revenue from selling medicine and medical equipment. The contracts with its customers are received on an ad-hoc basis. Goods may be sold separately or in bundled packages. For the bundled contracts, the Group accounts for individual goods separately if they are distinct i.e. if a good is separately identifiable from other items in the bundled package and if a customer can benefit from it.
When revenue is recognised	Revenue is recognised at point in time when customer obtains control, based on the relative stand-alone selling prices of each of the goods.
Significant payment terms	Payment is due when the goods are delivered to the customers.

Healthcare services segment (discontinued during the year)

Nature of goods or services	The Group principally generates revenue from providing medical services.
When revenue is recognised	Revenue is recognised at point in time when customer receives the services, and when the amount of revenue and related cost can be reliably measured and the collection is reasonably assured. The collectability of related receivables is determined based on amount claimable from the related government agency under medical insurance, adjusted for external factors such as changes in government policies and directives, and economic conditions.
Significant payment terms	Payment is due when the service is provided to the customers.

In the following table, revenue is disaggregated by primary geographical markets, major products and services lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with Group's reportable segments (see note 33).

	Healthcare operations		Healthcare services (Discontinued)		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Primary geographical markets						
China	2,988	6,319	9,261	20,541	12,249	26,860
Major products and services lines						
Medical services	–	–	9,261	20,541	9,261	20,541
Sale of medicine and medical equipment	2,988	6,319	–	–	2,988	6,319
	2,988	6,319	9,261	20,541	12,249	26,860
Timing of revenue recognition						
Products transferred at a point in time	2,988	6,319	9,261	20,541	12,249	26,860

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

22 NET FINANCE COSTS

	Group	
	2018	2017
	\$'000	\$'000
		Restated [#]
Interest income	429	188
Finance income	429	188
Amortisation expense	(972)	(3,469)
Interest expense	(10,133)	(15,793)
Foreign exchange losses, net	(114)	(833)
Finance costs	(11,219)	(20,095)
Net finance costs	(10,790)	(19,907)

23 LOSS BEFORE TAX

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

	Note	Group	
		2018	2017
		\$'000	\$'000
			Restated [#]
Audit fees paid to:			
– auditors of the Company		(401)	(298)
– member firms of the auditors of the Company		(94)	(106)
– other auditors		(32)	(17)
Non-audit fees paid to:			
– auditors of the Company		(135)	(89)
– other auditors		(17)	(16)
Amortisation of intangible assets	6	(234)	(234)
Amortisation of lease prepayments	9	(66)	(290)
Depreciation of property, plant and equipment		(1,459)	(1,566)
Employee benefits expense (see below)		(7,384)	(3,284)
Fair value gains on investment properties	7	49	588
Fair value gains on investment properties under development	8	7	257
Loss from discontinued operation	29	(497)	–
Impairment losses on trade and other receivables	13	–	(17,554)
Property, plant and equipment written off	5	(1)	–
Loss on disposal of property, plant and equipment	5	–	(52)
Operating expenses arising from rental of investment properties		(1,474)	(1,498)
Operating lease expense		(464)	(203)
Provisions for legal and related expenses	19	–	(46,000)
Employee benefits expense			
Salaries, wages and related cost		(6,287)	(2,761)
Employer's contribution to defined contribution plan		(707)	(289)
Others		(390)	(234)
		(7,384)	(3,284)

[#] See notes 29 and 37.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

24 TAX EXPENSE

	Group	
	2018	2017
	\$'000	\$'000
		Restated [#]
Current tax expense		
Current year	2	53
Overprovided in prior years	(26)	—
	(24)	53
Deferred tax expense		
Origination and reversal of temporary differences	3,259	1,833
(Over)/Underprovided in prior years	(1,989)	6,337
	1,270	8,170
Total tax expense on continuing operations	1,246	8,223
Reconciliation of effective tax rate		
Loss before tax from continuing operations	(7,540)	(83,178)
Tax using Singapore tax rate of 17% (2017: 17%)	(1,282)	(14,140)
Effect of tax rates in foreign jurisdictions	(54)	205
Effect of changes in tax rates	630	—
Effects of results of equity-accounted investees presented net of tax	(943)	—
Tax-exempt income	(308)	(740)
Non-deductible expenses	2,546	14,015
Current tax losses for which no deferred tax assets are recognised	993	307
Tax losses not allowed to be carried forward	1,679	2,239
(Over)/Underprovided in prior years	(2,015)	6,337
	1,246	8,223

[#] See notes 29 and 37.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

25 EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share has been based on the loss attributable to owners of the Company of \$9,318,000 (2017: (\$90,700,000)) and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	Group					
	2018		Total	2017		Total
	Continuing operations	Discontinued operation		Continuing operations	Discontinued operation	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net (loss)/profit attributable to owners of the Company	(8,786)	(532)	(9,318)	(92,113)	1,413	(90,700)
				Group		
				2018	2017	
Weighted average number of ordinary shares during the year ('000)				2,614,788	1,689,260 ⁽¹⁾	

⁽¹⁾ The figures have been restated for the effect of the Rights issue undertaken by the Group in 4Q2018.

26 LITIGATION CASES

The Group is exposed to several litigation cases as at 31 December 2018.

(a) Litigation cases with The Enterprise Fund III Ltd, Value Monetization III Ltd and VMF3 Ltd (collectively, the "Funds")

On 15 April 2016, the Funds appointed receivers ("Receivers") over the entire issued share capital of IHC Medical RE Pte. Ltd. ("IHC Medical"), IHC Management Pte. Ltd. ("IHC Management") and IHC Management (Australia) Pty Ltd ("IHC Australia"), which are wholly-owned subsidiaries of the Group, in connection with the notices of default issued by the Funds alleging that the Company together with IHC Medical, owe the Funds a certain sum of money (including outstanding interest).

The Company commenced proceedings against, amongst other parties, the Funds to challenge sum claimed under the notices of default.

Separately, the Funds have counter-sued for damages, on the basis that the Group has deprived the Funds of the alleged security over the shares of IHC Medical, IHC Management and IHC Australia and had caused losses to the Funds as a result of the diminution in the value of the shares.

In 2017, the Company commenced further proceedings for a declaration that it had validly avoided the Standby Facility extended to the Company for contravention of Section 76 of the Companies Act. The Company has also commenced proceedings against the Receivers and the Funds to set aside the purported sale of the entire issued share capital of IHC Medical by the Receivers to the Funds.

In July 2018, the High Court declared that the Company had validly avoided the Standby Facility and its related contracts and transactions. Following upon the High Court's decision, the Company commenced further proceedings against the Funds in September 2018 for the return of sums paid to the Funds under the avoided Standby Facility. The Company also took out court applications for the release of part of the net proceeds of sale of the underlying assets of IHC Medical which are held by the Funds pursuant to an Order of Court. The Funds have appealed against the High Court's decision on the avoidance of the Standby Facility and their appeal will be heard on a date in April or May 2019.

As at 31 December 2018, the proceedings are still on-going. The outcome of the proceedings remains uncertain.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

26 LITIGATION CASES (CONT'D)

(b) Litigation cases with David Lin, a non-controlling shareholder of certain subsidiaries

In 2013, the Group acquired a 74.97% effective interest and control over Health Kind International Limited ("HKIL") and its subsidiaries, Health Kind International (Shanghai) Co., Ltd. ("Health Kind Shanghai") and Wuxi New District Phoenix Hospital Co., Ltd. ("Wuxi Co").

In 2017, Weixin Hospital Investment Management (Shanghai) Co. Ltd ("Weixin"), a company controlled by David Lin, sought a court order for the shares in Wuxi Co to be transferred to Weixin. The Shanghai Courts have rendered a judgement and appeal judgement in favour of Weixin.

In 2017, the Company commenced arbitration proceedings in Singapore against David Lin. The substantive evidential hearing for the proceedings concluded in 2018. The Tribunal issued the final arbitration award against David Lin on 7 January 2019, and the Company is in the midst of taking steps to enforce the said award.

In 2018, Wuxi Yilin Health Management Co Ltd ("Wuxi Yilin Health") commenced proceedings against David Lin for damages for breaches of his duties to Wuxi Yilin Health. As at 31 December 2018, the proceedings are still on-going.

In 2018, Health Kind Shanghai commenced proceedings against David Lin for breaches of his duties to Health Kind Shanghai, and for a return of 100% of the shares in Wuxi Co. As at 31 December 2018, the proceedings are still on-going.

In 2018, Weixin, a company controlled by David Lin, commenced proceedings against Wuxi Yilin Real Estate Development Co Ltd ("Wuxi Yilin Real Estate") for a return of 20 Chang Jiang North Road (i.e. the land on which the Wuxi New District Phoenix Hospital sits on). As at 31 December 2018, the proceedings are still on-going (the "Land Litigation").

In 2018, Wuxi Yilin Real Estate commenced legal proceedings against Wuxi Co for outstanding rental under a Tenancy Agreement dated 7 February 2015 in relation to the property at 20 Chang Jiang North Road and an Equipment Rental Agreement dated 15 January 2015. As at 31 December 2018, the proceedings are stayed pending the outcome of the Land Litigation.

(c) Litigation cases with Lim Beng Choo, a former director of the Company

On 13 December 2017, Lim Beng Choo commenced proceedings against the Company claiming for the sum of \$60,000, being the alleged amount due and owing to her for unpaid salaries. As at 31 December 2018, the proceedings are still on-going.

On 15 August 2018, Lim Beng Choo commenced proceedings against the Company claiming for (i) 3 months' salary in lieu of notice on grounds that she was constructively dismissed and/or that the Company was in repudiatory breach of her service agreement, (ii) further and/or alternatively damages because of said alleged constructive dismissal, and (iii) encashment of her unconsumed leave. As at 31 December 2018, the proceedings are still on-going.

In accordance to paragraph 92 of FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, details of the provisions made for each litigation case were not disclosed in order not to prejudice the Group's legal position in the proceedings.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

27 OPERATING LEASES

Leases as lessee

The Group and the Company leases five office space under non-cancellable operating lease agreements. The leases typically run for a period of between one and three years with escalation clauses and renewal rights.

The future aggregate minimum lease payments payable under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities are as follows:

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Within one year	420	349	281	266
Between one and five years	243	388	164	388
	663	737	445	654

Leases as lessor

The Group leases out healthcare-related facilities to non-related parties under non-cancellable operating leases for a period of between seven and ten years.

The future minimum lease receivables under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

	Group	
	2018	2017
	\$'000	\$'000
Within one year	16,575	16,304
Between one and five years	42,872	56,830
More than five years	–	1,642
	59,447	74,776

28 COMMITMENTS

Capital commitments

	Group	
	2018	2017
	\$'000	\$'000
Property, plant and equipment	2,399	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

29 DISCONTINUED OPERATION

Following a change in the composition of the Group's operating segments in 2018, the Group discontinued its entire healthcare services segment. The segment was not previously presented as discontinued operation as at 31 December 2017. Thus, the comparative statement of profit or loss has been re-presented to show the discontinued operation separately from continuing operations.

	Note	Group 2018 \$'000	2017 \$'000
Results of discontinued operation			
Revenue	21	9,261	20,541
Expenses		(16,925)	(20,783)
Elimination of expenses related to inter-segment sales		7,629	1,655
External expenses		(9,296)	(19,128)
Results from operating activities		(35)	1,413
Tax		—	—
Results from operating activities, net of tax		(35)	1,413
Loss from discontinued operation		(497)	—
(Loss)/Profit from discontinued operation, net of tax		(532)	1,413
Basic and diluted earnings per share (cents)	25	(0.02)	0.08

The loss from discontinued operation of \$532,000 (2017: profit of \$1,413,000) is attributable entirely to the owners of the Company. Of the loss from continuing operations of \$8,786,000 (2017: (\$91,401,000)), a loss amount of \$8,786,000 (2017: (\$92,113,000)) is attributable to the owners of the Company.

	Group 2018 \$'000	2017 \$'000
Cash flows (used in)/from discontinued operation		
Net cash (used in)/from operating activities	(1,303)	3,129
Net cash used in investing activities	(323)	(484)
Net cash used in financing activities	(111)	(1,901)
Net cash flows for the year	(1,737)	744

Effect of disposal on the financial position of the Group

	Note	Group 2018 \$'000
Property, plant and equipment	5	2,223
Lease prepayments	9	765
Inventories		330
Trade and other receivables		3,335
Cash and cash equivalents		294
Loans and borrowings		(1,217)
Trade and other payables		(3,732)
Current tax liabilities		(998)
Net assets and liabilities		1,000
Consideration received, satisfied in cash		—
Cash and cash equivalents disposed of		(294)
Net cash outflow		(294)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

30 ACQUISITION OF A SUBSIDIARY

On 2 January 2018, the Group acquired 100% equity interests in BWH, a limited company incorporated in the British Virgin Islands for a consideration of HKD\$14,578,000 (equivalent to \$2,544,000) for the purchase of the entire issued share capital of BWH and the assignment of the outstanding loan due from Lippo Investments Limited. Lippo Investments Limited is an affiliated corporation of the Group.

BWH is an investment holding company which owns 50% equity interest in a joint venture company that is authorised to provide healthcare-related services. The acquisition provides the Group with the opportunity to grow its business in the PRC where the demand for specialised and quality healthcare services is expected to increase.

From the acquisition date, 2 January 2018 to 31 December 2018, BWH and its subsidiaries contributed loss of \$534,000 to the Group's result. There is no material impact on the consolidated loss for the year if the acquisition had occurred on 1 January 2018.

Acquisition-related costs

The Group incurred acquisition-related costs of \$30,000 on legal fees and due diligence costs. These costs have been included in 'administrative expenses'.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	\$'000
Joint venture	1,780
Cash and cash equivalents	424
Trade and other payables	(5,261)
Total identifiable net liabilities	(3,057)

Cash flows relating to the acquisition

	\$'000
Purchase consideration	*
Add: Cash acquired	424
Less: Repayment of loan	(2,544)
Net cash outflow	(2,120)

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Note	\$'000
Total consideration transferred		*
Fair value of identifiable net liabilities		(3,057)
Goodwill	6	3,057

The goodwill is attributable mainly to the synergies expected to be achieved from integrating the company into the Group's existing healthcare business. None of the goodwill recognised is expected to be deductible for tax purposes.

* Less than \$1,000.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

31 FINANCIAL INSTRUMENTS

Financial risk management

Overview

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

Risk management is integral to the whole business of the Group. The Board of Directors continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables, and cash and cash equivalents.

The carrying amounts of financial assets in the statements of financial position represent the Group's and the Company's maximum exposures to credit risk, before taking into account any collateral held. The Group and the Company do not hold any collateral in respect of their financial assets.

Trade and other receivables

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of these financial assets.

The Group limits its exposure to credit risk from trade receivables by collecting deposits as collaterals, where possible.

In monitoring customer credit risk, the Group considers the trade history of the customers with the Group, aging profile, maturity and existence of previous financial difficulties.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

31 FINANCIAL INSTRUMENTS (CONT'D)

Credit risk (cont'd)

Exposure to credit risk

The exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

	Group	
	2018	2017
	\$'000	\$'000
China	1,292	2,720

The exposure to credit risk for trade receivables at the reporting date by type of counterparty was as follows:

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Drug distribution companies	1,151	1,033	—	—
Medical service providers	141	393	—	—
Social insurance	—	647	—	—
Hospital patients	—	638	—	—
Others	—	9	—	—
	1,292	2,720	—	—

Expected credit loss assessment for trade receivables as at 1 January and 31 December 2018

The Group uses an allowance matrix to measure the lifetime ECL of trade receivables.

Loss rates are calculated using a 'roll-rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off and are based on actual credit loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Trade receivables 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. The Group considers a financial asset to be in default if the counterparty fails to make contractual payments within six-months when they fall due, and writes off the financial asset only when the Group is satisfied that no recovery of the amount owing is possible. When receivables are written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, those are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

31 FINANCIAL INSTRUMENTS (CONT'D)

Credit risk (cont'd)

Expected credit loss assessment for trade receivables as at 1 January and 31 December 2018 (cont'd)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Gross carrying amount \$'000	Group Impairment loss allowance \$'000
Not past due	316	—
Past due less than 30 days	116	—
Past due 31 to 60 days	53	—
Past due 61 to 90 days	8	—
Past due over 90 days	799	—
	<u>1,292</u>	<u>—</u>

Comparative information under FRS 39

The Group established an allowance for impairment based on historical payment trends and ageing analysis of the trade receivables.

An analysis of trade receivables and impairment losses recognised is as follows:

	Gross carrying amount 2017 \$'000	Group Impairment loss allowance 2017 \$'000
Not past due	1,852	—
Past due less than 30 days	11	—
Past due 31 to 60 days	73	—
Past due 61 to 90 days	268	—
Past due over 90 days	536	(20)
	<u>2,740</u>	<u>(20)</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

31 FINANCIAL INSTRUMENTS (CONT'D)

Credit risk (cont'd)

Non-trade amounts due from subsidiaries and loan to a subsidiary

The Company holds non-trade receivables from its subsidiaries of \$303,381,000 (2017: \$164,424,000) and loan to a subsidiary of \$14,883,000 (2017: \$14,883,000). These balances are amounts lent to subsidiaries to satisfy their funding requirements. Impairment on these balances has been measured on the 12-month and lifetime expected credit loss basis. The amount of the allowance on non-trade receivables from its subsidiaries is \$43,975,000 (2017: \$30,259,000) and the allowance on loan to a subsidiary is \$370,000 (2017: \$370,000).

Other receivables

The other receivables are mainly due from the Deconsolidated subsidiaries which are currently under receivership. The recoverability of these amounts is dependent on the outcome of five on-going legal suits that the Company and the Deconsolidated subsidiaries have with certain lenders, and the possible course of actions the Directors and management might take in the future. The Directors and management are required to apply judgement in determining the potential outcome of these legal suits and the possible course of actions, based on the advice by external legal counsel. If the outcome differs, the level of allowance of other receivables may increase or decrease.

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of \$60,442,000 and \$40,413,000 respectively at 31 December 2018 (2017: \$21,530,000 and \$31,000 respectively). The cash and cash equivalents are held with bank and financial institution counterparties that have a sound credit rating.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

Guarantees

The Group provides financial guarantees to subsidiaries, where appropriate.

Intra-group financial guarantees comprise guarantees given by the Company to financial institutions in respect of credit facilities granted to subsidiaries. The maximum exposure of the Company is \$148,122,000 (2017: \$176,085,000). At the reporting date, the Company has not recognised an ECL provision as the ECL amount was lower than the amortised liability for intra-group financial guarantee contracts. The Company does not consider it probable that a claim will be made against the Company under the guarantees. As at 31 December 2017, the carrying amount represented the initial fair value less the cumulative amount of income recognised and the amount that would have been recognised if they had been accounted for as contingent liabilities.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

31 FINANCIAL INSTRUMENTS (CONT'D)

Credit risk (cont'd)

Guarantees (cont'd)

The periods in which the financial guarantees expire are as follows:

	Company	
	2018	2017
	\$'000	\$'000
Within 1 year	281	281
After 1 year but within 5 years	558	908
	839	1,189

Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and borrowings. In addition, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance its operations and mitigate the effect of fluctuations in cash flows.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash outflows	Cash outflows		
			Within 1 year	After 1 year but within 5 years	After 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000
Group					
2018					
Non-derivative financial liabilities					
Loans and borrowings	308,007	(320,339)	(179,136)	(141,203)	–
Trade and other payables*	36,162	(36,162)	(28,681)	–	(7,481)
	344,169	(356,501)	(207,817)	(141,203)	(7,481)
2017					
Non-derivative financial liabilities					
Loans and borrowings	333,978	(355,747)	(186,322)	(169,425)	–
Trade and other payables*	31,265	(31,265)	(23,846)	–	(7,419)
	365,243	(387,012)	(210,168)	(169,425)	(7,419)

* Excluding deferred revenue.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

31 FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk (cont'd)

	Carrying amount \$'000	Contractual cash outflows \$'000	Cash outflows		
			Within 1 year \$'000	After 1 year but within 5 years \$'000	After 5 years \$'000
Company					
2018					
Non-derivative financial liabilities					
Loans and borrowings	165,601	(172,217)	(172,217)	—	—
Trade and other payables	56,206	(56,206)	(56,206)	—	—
Recognised financial liabilities	221,807	(228,423)	(228,423)	—	—
Financial guarantees	839	(148,122)	(6,919)	(141,203)	—
	222,646	(376,545)	(235,342)	(141,203)	—
2017					
Non-derivative financial liabilities					
Loans and borrowings	171,681	(178,332)	(178,332)	—	—
Trade and other payables	42,126	(42,126)	(42,126)	—	—
Recognised financial liabilities	213,807	(220,458)	(220,458)	—	—
Financial guarantees	1,189	(176,085)	(6,660)	(169,425)	—
	214,996	(396,543)	(227,118)	(169,425)	—

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

31 FINANCIAL INSTRUMENTS (CONT'D)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group operates predominantly in the Asia-Pacific region with operations in countries such as Singapore, Malaysia, PRC and Japan. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies"). Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the Malaysian Ringgit ("MYR"), Japanese Yen ("JPY"), Hong Kong Dollar ("HKD"), US Dollar ("USD") and Chinese Yuan Renminbi ("RMB").

The Group's exposures to various foreign currencies are shown in Singapore dollars ("SGD"), translated using the spot rate as at 31 December as follows:

	SGD \$'000	MYR \$'000	JPY \$'000	HKD \$'000	USD \$'000	RMB \$'000	Total \$'000
2018							
Financial assets							
Cash and cash equivalents	41,789	568	15,690	415	1,519	461	60,442
Trade and other receivables	37,151	247	254	–	–	2,364	40,016
	78,940	815	15,944	415	1,519	2,825	100,458
Financial liabilities							
Loans and borrowings	(165,600)	(23,835)	(118,572)	–	–	–	(308,007)
Trade and other payables	(17,168)	(2,030)	(8,312)	(2,770)	–	(5,882)	(36,162)
	(182,768)	(25,865)	(126,884)	(2,770)	–	(5,882)	(344,169)
Net financial (liabilities)/assets	(103,828)	(25,050)	(110,940)	(2,355)	1,519	(3,057)	(243,711)
Financial liabilities denominated in the respective entities' functional currencies	105,250	25,050	110,940	2,355	–	3,057	246,652
Intra-group balances denominated in the respective entities' functional currencies*	(77,602)	–	25,472	(2,233)	(8,524)	(9,472)	(72,359)
Net exposure	(76,180)	–	25,472	(2,233)	(7,005)	(9,472)	(69,418)

* Excluding intra-group balances for which settlement is neither planned nor likely to occur in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

31 FINANCIAL INSTRUMENTS (CONT'D)

Market risk (cont'd)

Currency risk (cont'd)

	SGD \$'000	MYR \$'000	JPY \$'000	HKD \$'000	USD \$'000	RMB \$'000	Total \$'000
2017							
Financial assets							
Cash and cash equivalents	1,268	296	14,994	–	3,032	1,940	21,530
Trade and other receivables	36,269	249	251	–	–	4,316	41,085
	37,537	545	15,245	–	3,032	6,256	62,615
Financial liabilities							
Loans and borrowings	(171,681)	(23,943)	(137,026)	–	–	(1,328)	(333,978)
Trade and other payables	(11,624)	(2,299)	(7,917)	(814)	–	(8,611)	(31,265)
	(183,305)	(26,242)	(144,943)	(814)	–	(9,939)	(365,243)
Net financial (liabilities)/assets	(145,768)	(25,697)	(129,698)	(814)	3,032	(3,683)	(302,628)
Financial liabilities denominated in the respective entities' functional currencies	145,789	25,697	111,053	814	–	3,683	287,036
Intra-group balances denominated in the respective entities' functional currencies*	(47,888)	–	33,687	(2,191)	(8,363)	(8,970)	(33,725)
Net exposure	(47,867)	–	15,042	(2,191)	(5,331)	(8,970)	(49,317)

* Excluding intra-group balances for which settlement is neither planned nor likely to occur in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

31 FINANCIAL INSTRUMENTS (CONT'D)

Market risk (cont'd)

Currency risk (cont'd)

The Company's exposure to various foreign currencies are shown in SGD, translated using spot rate as at 31 December as follows:

	SGD \$'000	JPY \$'000	HKD \$'000	Total \$'000
2018				
Financial assets				
Loan to a subsidiary	14,513	–	–	14,513
Cash and cash equivalents	40,413	–	–	40,413
Trade and other receivables	283,854	10,024	–	293,878
	338,780	10,024	–	348,804
Financial liabilities				
Loans and borrowings	(165,601)	–	–	(165,601)
Trade and other payables	(54,812)	–	(2,233)	(57,045)
	(220,413)	–	(2,233)	(222,646)
Net financial assets/(liabilities)	118,367	10,024	(2,233)	126,158
Financial assets denominated in the Company's functional currency	(118,367)	–	–	(118,367)
Net exposure	–	10,024	(2,233)	7,791
2017				
Financial assets				
Cash and cash equivalents	31	–	–	31
Trade and other receivables	159,308	9,807	–	169,115
	159,339	9,807	–	169,146
Financial liabilities				
Loans and borrowings	(171,681)	–	–	(171,681)
Trade and other payables	(41,122)	–	(2,193)	(43,315)
	(212,803)	–	(2,193)	(214,996)
Net financial (liabilities)/assets	(53,464)	9,807	(2,193)	(45,850)
Financial liabilities denominated in the Company's functional currency	53,464	–	–	53,464
Net exposure	–	9,807	(2,193)	7,614

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

31 FINANCIAL INSTRUMENTS (CONT'D)

Market risk (cont'd)

Currency risk (cont'd)

Sensitivity analysis

A 5% strengthening of the SGD against the following currencies at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rate, remain constant.

	Profit or loss	
	2018 \$'000	2017 \$'000
Group		
SGD	(3,809)	(2,393)
JPY	(1,274)	(752)
HKD	112	110
USD	350	267
RMB	474	449
Company		
JPY	(501)	(490)
HKD	112	110

Interest rate risk

The Group's exposure to interest rate risk arises primarily from its variable-rate borrowings. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

At the reporting date, the interest rate profile of the interest-bearing financial instruments was as follows:

	Nominal amount	
	2018 \$'000	2017 \$'000
Group		
Loans and borrowings	143,020	143,343

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

31 FINANCIAL INSTRUMENTS (CONT'D)

Market risk (cont'd)

Interest risk (cont'd)

	Profit or loss	
	100 bp increase \$'000	100 bp decrease \$'000
Group		
31 December 2018		
Loans and borrowings	(1,430)	1,430
31 December 2017		
Loans and borrowings	(1,433)	1,433

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern. The Group defines "capital" as including all components of equity, including non-controlling interests.

The Company is a subsidiary of OUE Limited through its wholly-owned subsidiary, Treasure International Holdings Pte. Ltd.. As the Group is part of a larger group, the Group's sources of additional capital may also be affected by OUE Limited's capital management objectives. The Group receives financial support from its intermediate holding company for its working capital purposes, when required.

The Group's capital structure is reviewed and managed with due regard to the capital management practices of the group to which it belongs. Adjustments may be made to the capital structure in light of changes in economic conditions affecting the Company or the Group to the extent that these do not conflict with the director's fiduciary duties towards the Company or the requirements of the Singapore Companies Act.

Apart from that disclosed above, neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

31 FINANCIAL INSTRUMENTS (CONT'D)

Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount			Fair value			
	Financial assets at amortised cost \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Group							
2018							
Financial assets not measured at fair value							
Trade and other receivables*	40,016	–	40,016				
Cash and cash equivalents	60,442	–	60,442				
	100,458	–	100,458				
Financial liabilities not measured at fair value							
Loans and borrowings	–	(308,007)	(308,007)				
Trade and other payables [#]	–	(28,681)	(28,681)				
Rental deposits received	–	(7,481)	(7,481)	–	–	(5,823)	(5,823)
	–	(344,169)	(344,169)				
	Carrying amount			Fair value			
	Loans and receivables \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Group							
2017							
Financial assets not measured at fair value							
Trade and other receivables*	41,085	–	41,085				
Cash and cash equivalents	21,530	–	21,530				
	62,615	–	62,615				
Financial liabilities not measured at fair value							
Loans and borrowings	–	(328,228)	(328,228)				
MTN	–	(5,750)	(5,750)	–	(5,678)	–	(5,678)
Trade and other payables [#]	–	(23,846)	(23,846)				
Rental deposits received	–	(7,419)	(7,419)	–	–	(5,715)	(5,715)
	–	(365,243)	(365,243)				

* Excluding prepayments

[#] Excluding rental deposits received and deferred revenue

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

31 FINANCIAL INSTRUMENTS (CONT'D)

Accounting classifications and fair values (cont'd)

	Carrying amount			Fair value			
	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Company							
2018							
Financial assets not measured at fair value							
Loan to a subsidiary	14,513	–	14,513				
Trade and other receivables*	293,878	–	293,878				
Cash and cash equivalents	40,413	–	40,413				
	348,804	–	348,804				
Financial liabilities not measured at fair value							
Loans and borrowings	–	(165,601)	(165,601)				
Trade and other payables	–	(57,045)	(57,045)				
	–	(222,646)	(222,646)				

* Excluding prepayments.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

31 FINANCIAL INSTRUMENTS (CONT'D)

Accounting classifications and fair values (cont'd)

	Carrying amount			Fair value			
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Company							
2017							
Financial assets not measured at fair value							
Trade and other receivables*	169,115	–	169,115				
Cash and cash equivalents	31	–	31				
	<u>169,146</u>	<u>–</u>	<u>169,146</u>				
Financial liabilities not measured at fair value							
Loans and borrowings	–	(165,931)	(165,931)				
MTN	–	(5,750)	(5,750)	–	(5,678)	–	(5,678)
Trade and other payables	–	(43,315)	(43,315)				
	<u>–</u>	<u>(214,996)</u>	<u>(214,996)</u>				

* Excluding prepayments

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

31 FINANCIAL INSTRUMENTS (CONT'D)

Accounting classifications and fair values (cont'd)

Financial instruments not measured at fair value

Type	Valuation technique
Group and Company	
Loans and borrowings:	
– MTN	Market quoted prices
Group	
Rental deposits received	Discounted cash flows

Transfers between Levels 1 and 2

The Group and the Company's MTN with a carrying amount of \$5,750,000 were transferred from Level 1 to Level 2 because the quoted prices for the MTN are in markets that are inactive.

32 RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties during the financial year:

	Group	
	2018	2017
	\$'000	\$'000
Rental and related expense paid/payable to an affiliated corporation	(248)	(20)
Rental and related expense paid/payable to a fellow subsidiary	(35)	(22)
Interest expense paid/payable to a fellow subsidiary	(1,613)	(754)
Interest expense paid/payable to a shareholder	(5,003)	(3,540)
Hospitality related expense paid/payable to a fellow subsidiary	(16)	(15)

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

Key management personnel compensation comprised:

	Group	
	2018	2017
	\$'000	\$'000
Salaries and other short-term employee benefits	390	248
Directors' fees of the Company	545	351
Post-employment benefits (including contributions to defined contribution plan)	17	14
	952	613

Included in the above is total compensation to directors of the Company amounting to \$545,000 (2017: \$351,000).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

33 OPERATING SEGMENTS

Following the internal reorganisation and implementation of a new financial reporting mechanism that change the composition of the Group's operating segments and reportable segments in 2018, the Group now has the following four (2017: two) strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. The Group's CEO reviews internal management reports of each division at least quarterly.

The following summary describes the operations in each of the Group's reportable segments:

- (i) Healthcare operations (PRC) – Trading of pharmaceutical supplies and medical equipment, and providing management services.
- (ii) Healthcare assets (Japan and PRC) – Rental of investment properties and assets owned by the Group.
- (iii) Properties under development (PRC and Malaysia) – Development of medical facilities, healthcare-related assets and integrated mixed-used projects.
- (iv) Investments (Singapore) – Investments in real estate investment trust ("REIT") and REIT manager.
- (v) Healthcare services (PRC) (Discontinued operation) – Operation of Wuxi New District Phoenix Hospital. This segment was discontinued in FY2018.

Others mainly comprise head office and corporate functions, including investment holding related activities.

In 2017, the following summary describes the operations in each of the Group's reportable segments:

- (i) Healthcare services (PRC) – Operation of hospital and trading of pharmaceutical supplies and drugs.
- (ii) Property investments (Japan, PRC and Malaysia) – Rental of investment properties owned by the Group.

Other operations mainly comprise a head office function, including mostly senior management staff.

None of these segments meets any of the quantitative thresholds for determining reportable segments in 2018 and 2017.

The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the statement of comprehensive income.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit/(loss) before tax, as included in the internal management reports that are reviewed by the key management. Segment profit/(loss) is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

33 OPERATING SEGMENTS (CONT'D)

Information about reportable segments

	Continuing Operations						Discontinued Operation	Consolidated
	Healthcare operations \$'000	Healthcare assets \$'000	Properties under development \$'000	Investments \$'000	Others \$'000	Total \$'000	Healthcare services \$'000	Total \$'000
Group								
31 December 2018								
Revenue								
External revenue	2,988	16,575	–	–	–	19,563	9,261	28,824
Inter-segment revenue	–	–	–	–	1,945	1,945	–	1,945
Segment revenue (including inter- segment revenue)	2,988	16,575	–	–	1,945	21,508	9,261	30,769
Segment (loss)/profit before tax	(963)	9,193	(2,116)	6,139	(19,793)	(7,540)	(35)	(7,575)
Depreciation	(52)	(1,291)	(1)	–	(115)	(1,459)	(159)	(1,618)
Amortisation	(234)	(66)	–	–	–	(300)	–	(300)
Finance expenses	(40)	(1,681)	(1,425)	–	(7,959)	(11,105)	–	(11,105)
Interest income	1	–	2	–	426	429	2	431
Share of results of equity-accounted investees, net of tax	(593)	–	–	6,139	–	5,546	–	5,546
Other material non-cash items								
Fair value gains on investment properties	–	49	–	–	–	49	–	49
Fair value (losses)/gains on investment properties under development	–	(69)	76	–	–	7	–	7
Loss from discontinued operation	–	–	–	–	–	–	(497)	(497)
Reportable segment assets	2,923	312,097	124,952	144,129	86,862	670,963	–	670,963
Additions to:								
– Property, plant and equipment	3	11	28,912	–	88	29,014	–	29,014
– Investment properties under development	–	–	725	–	–	725	–	725
Equity-accounted investees	1,218	–	–	144,129	–	145,347	–	145,347
Reportable segment liabilities	1,261	128,955	26,341	–	231,099	387,656	–	387,656
Current tax liabilities								1
Deferred tax liabilities								37,957
								<u>425,614</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

33 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Continuing Operations					Discontinued Operation	Consolidated
	Healthcare operations \$'000	Healthcare assets \$'000	Properties under development \$'000	Others \$'000	Total \$'000	Healthcare services \$'000	Total \$'000
Group							
31 December 2017 (Restated[#])							
Revenue							
External revenue	6,319	16,711	–	–	23,030	20,541	43,571
Inter-segment revenue	–	–	–	1,177	1,177	–	1,177
Segment revenue (including inter-segment revenue)	6,319	16,711	–	1,177	24,207	20,541	44,748
Segment (loss)/profit before tax	(1,011)	8,043	(1,167)	(89,043)	(83,178)	1,413	(81,765)
Depreciation	(58)	(1,438)	–	(70)	(1,566)	(267)	(1,833)
Amortisation	(234)	(290)	–	–	(524)	–	(524)
Finance expenses	(41)	(6,217)	(1,374)	(11,630)	(19,262)	(92)	(19,354)
Interest income	2	–	–	186	188	2	190
Other material non-cash items							
Fair value gains on investment properties	–	588	–	–	588	–	588
Fair value gains/(losses) on investment properties under development	–	340	(83)	–	257	–	257
Provisions for legal and related expenses	–	–	–	(46,000)	(46,000)	–	(46,000)
Impairment losses on trade and other receivables	–	–	–	(17,554)	(17,554)	–	(17,554)
Reportable segment assets	3,871	293,690	127,091	39,300	463,952	24,489	488,441
Additions to:							
– Property, plant and equipment	6	11	–	399	416	512	928
– Investment properties	–	51	–	–	51	–	51
– Investment properties under development	–	295	16	–	311	–	311
Reportable segment liabilities	1,650	128,211	26,822	250,286	406,969	5,671	412,640
Current tax liabilities							1,051
Deferred tax liabilities							36,715
							<u>450,406</u>

[#] See note 29.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

33 OPERATING SEGMENTS (CONT'D)

Reconciliations of reportable segment revenue and loss before tax

	2018 \$'000	2017 \$'000 Restated [#]
Revenue		
Total revenue for reportable segments	28,824	43,571
Revenue for other segment	1,945	1,177
Elimination of inter-segment revenue	(1,945)	(1,177)
Elimination of discontinued operation	(9,261)	(20,541)
Consolidated total revenue	19,563	23,030
Profit or loss		
Total loss before tax for:		
– Reportable segments	12,218	7,278
– Other segment	(19,793)	(89,043)
Elimination of discontinued operation	35	(1,413)
Consolidated loss before tax from continuing operations	(7,540)	(83,178)

Reconciliations of reportable segment assets and liabilities

	2018 \$'000	2017 \$'000 Restated [#]
Assets		
Total assets for reportable segments	584,101	449,141
Assets for other segments	86,862	39,300
Consolidated total assets	670,963	488,441
Liabilities		
Total liabilities for reportable segments	156,557	162,354
Liabilities for other segments	231,099	250,286
Other unallocated amounts		
– Current tax liabilities	1	1,051
– Deferred tax liabilities	37,957	36,715
Consolidated total liabilities	425,614	450,406

Geographical information

	Revenue	
	2018 \$'000	2017 \$'000
Japan	16,575	16,711
PRC (of which \$9,261,000 (2017: \$20,541,000) relates to discontinued healthcare services operation)	12,249	26,860
Healthcare services operation (discontinued)	(9,261)	(20,541)
	19,563	23,030

[#] See note 29.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

33 OPERATING SEGMENTS (CONT'D)

Geographical information (cont'd)

	Non-current assets *	
	2018	2017
	\$'000	\$'000
Japan	290,263	287,823
Malaysia	59,184	59,453
PRC	71,830	76,386
Singapore	147,552	361
	568,829	424,023

* Non-current assets relate to the carrying amounts of property, plant and equipment, intangible assets and goodwill, investment properties, investment properties under development and lease prepayments, and associate and joint ventures.

Major customer

Revenues from one customer of the Group's healthcare assets segment represents approximately \$11,834,000 (2017: \$11,737,000) of the Group's total revenues.

34 SUBSEQUENT EVENTS

On 28 January 2019, the Company has obtained the approval of its shareholders to proceed with the acquisition of a 40.0% stake in Yoma Siloam Hospital Pun Hlaing Limited and a 35.0% stake in Pun Hlaing International Hospital Limited, for a consideration of US\$19.5 million (approximately \$26.5 million).

35 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

As stated in note 3.1, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

The accounting policies set out in note 4 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In preparing the opening SFRS(I) statement of financial position, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRS.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

35 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS(I) – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The application of the above standards and interpretations do not have material effect on the financial statements, except for SFRS(I) 1 and SFRS(I) 9.

An explanation of how the transition from previous FRS to SFRS(I) and the adoption of SFRS(I) 9 have affected the Group's financial position, and the Company's financial position is set out under the summary of quantitative impact and the accompanying notes.

Summary of quantitative impact

The following reconciliations summarise the impacts on initial application of SFRS(I) 1 and SFRS(I) 9 on the Group's and the Company's financial positions as at 1 January 2017, 31 December 2017 and 1 January 2018. There were no material adjustments to the Group's profit or loss, other comprehensive income and statement of cash flows for the year ended 31 December 2017 arising on the transition to SFRS(I).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

35 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

Reconciliation of the Group's equity Consolidated statement of financial position

Note	31 December 2017			1 January 2018	
	FRS framework	SFRS(I) 1	SFRS(I) framework	SFRS(I) 9	SFRS(I) framework
	\$'000	\$'000	\$'000	\$'000	\$'000
Non-current assets					
Property, plant and equipment	6,520	–	6,520	–	6,520
Intangible assets and goodwill	467	–	467	–	467
Investment properties	287,784	–	287,784	–	287,784
Investment properties under development	123,712	–	123,712	–	123,712
Lease prepayments	5,540	–	5,540	–	5,540
	424,023	–	424,023	–	424,023
Current assets					
Inventories	1,137	–	1,137	–	1,137
Trade and other receivables	41,751	–	41,751	–	41,751
Cash and cash equivalents	21,530	–	21,530	–	21,530
	64,418	–	64,418	–	64,418
Total assets	488,441	–	488,441	–	488,441
Equity					
Share capital	192,707	–	192,707	–	192,707
Merger reserve	(65,742)	–	(65,742)	–	(65,742)
Asset revaluation reserve	3,630	–	3,630	–	3,630
Foreign currency translation reserve	A(i) (6,538)	2,787	(3,751)	–	(3,751)
Statutory surplus reserve	327	–	327	–	327
Accumulated losses	A(i) (86,423)	(2,787)	(89,210)	–	(89,210)
Equity attributable to owners of the Company	37,961	–	37,961	–	37,961
Non-controlling interests	74	–	74	–	74
Total equity	38,035	–	38,035	–	38,035
Non-current liabilities					
Loans and borrowings	160,164	–	160,164	–	160,164
Trade and other payables	7,419	–	7,419	–	7,419
Deferred tax liabilities	36,715	–	36,715	–	36,715
	204,298	–	204,298	–	204,298
Current liabilities					
Loans and borrowings	173,814	–	173,814	–	173,814
Trade and other payables	25,243	–	25,243	–	25,243
Provisions	46,000	–	46,000	–	46,000
Current tax liabilities	1,051	–	1,051	–	1,051
	246,108	–	246,108	–	246,108
Total liabilities	450,406	–	450,406	–	450,406
Total equity and liabilities	488,441	–	488,441	–	488,441

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

35 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

Reconciliation of the Group's equity Consolidated statement of financial position (cont'd)

Note	1 January 2017		
	FRS framework	SFRS(I) 1	SFRS(I) framework
	\$'000	\$'000	\$'000
Non-current assets			
Property, plant and equipment	7,631	–	7,631
Intangible assets and goodwill	715	–	715
Investment properties	296,588	–	296,588
Investment properties under development	123,012	–	123,012
Lease prepayments	5,932	–	5,932
	433,878	–	433,878
Current assets			
Inventories	776	–	776
Trade and other receivables	58,333	–	58,333
Cash and cash equivalents	15,186	–	15,186
	74,295	–	74,295
Total assets	508,173	–	508,173
Equity			
Share capital	192,707	–	192,707
Merger reserve	(65,742)	–	(65,742)
Asset revaluation reserve	3,630	–	3,630
Foreign currency translation reserve	A(i) (2,787)	2,787	–
Statutory surplus reserve	327	–	327
Accumulated profits	A(i) 4,277	(2,787)	1,490
Equity attributable to owners of the Company	132,412	–	132,412
Non-controlling interests	(644)	–	(644)
Total equity	131,768	–	131,768
Non-current liabilities			
Loans and borrowings	140,618	–	140,618
Trade and other payables	7,663	–	7,663
Deferred tax liabilities	29,494	–	29,494
	177,775	–	177,775
Current liabilities			
Loans and borrowings	170,336	–	170,336
Trade and other payables	27,214	–	27,214
Current tax liabilities	1,080	–	1,080
	198,630	–	198,630
Total liabilities	376,405	–	376,405
Total equity and liabilities	508,173	–	508,173

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

35 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

Reconciliation of the Company's equity Statement of financial position of the Company

		31 December 2017	1 January 2018	
	Note	FRS framework and SFRS(I) framework \$'000	SFRS(I) 9 \$'000	SFRS(I) framework \$'000
Non-current assets				
Property, plant and equipment		321	–	321
Subsidiaries	B(ii)	120,700	(370)	120,330
Trade and other receivables	B(ii)	9,792	–	9,792
		130,813	(370)	130,443
Current assets				
Trade and other receivables	B(ii)	166,316	(6,969)	159,347
Cash and cash equivalents		31	–	31
		166,347	(6,969)	159,378
Total assets		297,160	(7,339)	289,821
Equity				
Share capital		192,707	–	192,707
Accumulated losses		(115,543)	(7,339)	(122,882)
Equity attributable to owners of the Company		77,164	(7,339)	69,825
Total equity		77,164	(7,339)	69,825
Non-current liabilities				
Trade and other payables		908	–	908
		908	–	908
Current liabilities				
Loans and borrowings		171,681	–	171,681
Trade and other payables		42,407	–	42,407
Provisions		5,000	–	5,000
		219,088	–	219,088
Total liabilities		219,996	–	219,996
Total equity and liabilities		297,160	(7,339)	289,821

Notes to the reconciliations

A SFRS(I) 1

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. Except as described below, the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

35 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

Notes to the reconciliations (cont'd)

A SFRS(I) 1 (cont'd)

(i) Foreign currency translation reserve (FCTR)

The Group considers that restating FCTR to comply with current SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* may not be practicable as certain acquisitions and disposals were transacted at dates that preceded the statutory record keeping periods.

The Group elected the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for all foreign operations to nil at the date of transition, and reclassified the cumulative FCTR of \$2,787,000 as at 1 January 2017 determined in accordance with FRS at that date to accumulated losses. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

By electing this optional exemption, the cumulative FCTR increased by \$2,787,000 and accumulated losses increased by the same amount as at 31 December 2017.

B SFRS(I) 9

SFRS(I) 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in accumulated losses and reserves as at 1 January 2018.

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 are provided for the comparative period.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been generally applied by the Group retrospectively, except as described below.

- The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.
 - The determination of the business model within which a financial asset is held; and
 - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The impact upon adoption of SFRS(I) 9, including the corresponding tax effects, are described below.

(i) Classification of financial assets and financial liabilities

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI – debt instrument, FVOCI – equity instrument; or FVTPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under SFRS(I) 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

For an explanation of how the Group classifies and measures financial assets and related gains and losses under SFRS(I) 9, see note (4.3(ii)).

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

35 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

B SFRS(I) 9 (cont'd)

(i) Classification of financial assets and financial liabilities (cont'd)

The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group and the Company's financial assets as at 1 January 2018.

			1 January 2018	
	Original classification under FRS 39	New classification under FRS 109	Original carrying amount under FRS 39 \$'000	New carrying amount under FRS 109 \$'000
Group				
Trade and other receivables	Loans and receivables	Amortised cost	41,085	41,085
Cash and cash equivalents	Loans and receivables	Amortised cost	21,530	21,530
			62,615	62,615
Company				
Trade and other receivables	Loans and receivables	Amortised cost	176,084	169,115
Cash and cash equivalents	Loans and receivables	Amortised cost	31	31
			176,115	169,146

(ii) Impairment of financial assets

SFRS(I) 9 replaces the 'incurred loss' model in FRS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets, debt investments at FVOCI and intra-group financial guarantee contracts, but not to equity investments. The adoption of the new impairment model under SFRS(I) does not affect the carrying amount of intra-group financial guarantee contracts at 1 January 2018, as the amount initially recognised less the cumulative amount of income recognised in accordance with SFRS(I) 15 is higher than the estimated ECL amount.

The application of SFRS(I) 9 impairment requirements at 1 January 2018 results in additional allowances for impairment as follows:

	Company \$'000
Loss allowance at 31 December 2017 under FRS 39	(51,259)
Additional impairment recognised at 1 January 2018 on:	
Loan to a subsidiary as at 31 December 2017	(370)
Trade and other receivables as at 31 December 2017	(6,969)
Loss allowance at 1 January 2018 under SFRS(I) 9	(58,598)

Loss allowance for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Additional information about how the Group and the Company measure the allowance for impairment is described in note 31.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

35 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

B SFRS(I) 9 (cont'd)

(iii) Transition impact on equity

The following table summarises the impact, net of tax, of transition to SFRS(I) 9 on accumulated losses:

	Impact of adoption SFRS(I) 9 at 1 January 2018 Company \$'000
Accumulated losses	
Closing balance under FRS 39 (31 December 2017)	(115,543)
Recognition of expected credit losses under SFRS(I) 9	(7,339)
Opening balance under SFRS(I) 9 (1 January 2018)	<u>(122,882)</u>

36 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier applications is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

36 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONT'D)

The Group has assessed the estimated impact that initial application of SFRS(I) 16 will have on the financial statements. The Group's assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group is described below.

SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including 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 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group and the Company plan to apply SFRS(I) 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of accumulated losses at 1 January 2019, with no restatement of comparative information. The Group and the Company plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

i. The Group and the Company as lessee

The Group and the Company expect to measure lease liabilities by applying a single discount rate to their portfolio. Furthermore, the Company is likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 January 2019. For lease contracts that contain the option to renew, the Group and the Company are expected to use hindsight in determining the lease term.

The Group and the Company expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16.

As at 1 January 2019, the Group expects an increase in ROU assets of \$244,000, an increase in lease liabilities of \$913,000, and an increase in accumulated losses of \$669,000. The Company expects an increase in ROU asset of \$165,000, an increase in lease liabilities of \$730,000, and an increase in accumulated losses of \$565,000 as at 1 January 2019.

The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

ii. The Group as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively. The Group will reassess the classification of sub-leases in which the Group is a lessor.

No significant impact is expected for other leases in which the Group is a lessor.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

37 COMPARATIVE INFORMATION

During the year, the Group has one segment that is classified as discontinued. The Group represented the 2017 comparatives for the consolidated statement of comprehensive income in respect of the discontinued operation.

	As previously reported \$'000	Reclassification \$'000	As restated \$'000
Revenue	43,571	(20,541)	23,030
Cost of sales	(24,976)	16,212	(8,764)
Gross profit	18,595	(4,329)	14,266
Administrative expenses	(18,321)	2,826	(15,495)
Other income/(expenses), net	(62,042)	–	(62,042)
Results from operating activities	(61,768)	(1,503)	(63,271)
Finance income	190	(2)	188
Finance costs	(20,187)	92	(20,095)
Net finance costs	(19,997)	90	(19,907)
Loss before tax	(81,765)	(1,413)	(83,178)
Tax expenses	(8,223)	–	(8,223)
Loss after tax from continuing operations	(89,988)	(1,413)	(91,401)
Discontinued operation			
Profit from discontinued operation (net of tax)	–	1,413	1,413
Loss for the year	(89,988)	–	(89,988)

STATISTICS OF SHAREHOLDINGS

AS AT 7 MARCH 2019

Class of shares	:	Ordinary shares
Total number of ordinary shares issued and fully paid	:	4,443,129,206 ordinary shares (excluding treasury shares)
Total number of treasury shares	:	Nil
Total number of subsidiary holdings	:	Nil
Voting rights	:	One vote per ordinary share (excluding treasury shares)

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF			
	SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	545	12.09	23,933	0.00
100 – 1,000	1,016	22.54	502,049	0.01
1,001 – 10,000	1,754	38.91	7,758,743	0.18
10,001 – 1,000,000	1,149	25.49	107,987,979	2.43
1,000,001 AND ABOVE	44	0.97	4,326,856,502	97.38
TOTAL	4,508	100.00	4,443,129,206	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	OCBC SECURITIES PRIVATE LIMITED	2,446,242,620	55.06
2	BROWNY HEALTHCARE PTE. LTD.	1,125,000,000	25.32
3	CITIBANK NOMINEES SINGAPORE PTE LTD	421,457,577	9.49
4	THE ENTERPRISE FUND III LTD	59,304,800	1.33
5	GOI SENG HUI	40,713,200	0.92
6	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	39,524,230	0.89
7	LIM CHAP HUAT	37,935,856	0.85
8	MAYBANK KIM ENG SECURITIES PTE. LTD.	27,274,187	0.61
9	TOH LEONG SAN	17,000,000	0.38
10	WONG QUEE QUEE JEFFREY (HUANG GUIGUI JEFFREY)	10,650,985	0.24
11	DBS NOMINEES (PRIVATE) LIMITED	9,719,795	0.22
12	YEO KAY BENG	7,700,000	0.17
13	TAN KHEEN SENG @ JOHN	7,450,549	0.17
14	RHB SECURITIES SINGAPORE PTE. LTD.	6,714,541	0.15
15	RAFFLES NOMINEES (PTE.) LIMITED	6,281,315	0.14
16	ZENG LIREN	6,150,000	0.14
17	MORPH INVESTMENTS LTD	5,199,900	0.12
18	JIMMY LEE PENG SIEW	5,123,000	0.12
19	PHILLIP SECURITIES PTE LTD	3,733,055	0.08
20	TAN KOON	3,300,874	0.07
	TOTAL	4,286,476,484	96.47

SUBSTANTIAL SHAREHOLDERS

AS SHOWN IN THE COMPANY'S REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 7 MARCH 2019

	Direct Interest		Deemed Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
Treasure International Holdings Pte. Ltd. ("TIHPL")	2,859,029,000	64.35	—	—
OUE Limited ("OUE") ⁽²⁾	—	—	2,859,029,000	64.35
OUE Realty Pte. Ltd. ("OUER") ⁽³⁾	—	—	2,859,029,000	64.35
Golden Concord Asia Limited ("GCAL") ⁽⁴⁾	—	—	2,859,029,000	64.35
Fortune Code Limited ("FCL") ⁽⁵⁾	—	—	2,859,029,000	64.35
Lippo ASM Asia Property Limited ("LAAPL") ⁽⁶⁾	—	—	2,859,029,000	64.35
Pacific Landmark Holdings Limited ("Pacific Landmark") ⁽⁷⁾	—	—	2,859,029,000	64.35
HKC Property Investment Holdings Limited ("HKC Property") ⁽⁸⁾	—	—	2,859,029,000	64.35
Hongkong Chinese Limited ("HCL") ⁽⁹⁾	—	—	2,859,029,000	64.35
Hennessy Holdings Limited ("Hennessy") ⁽¹⁰⁾	—	—	2,859,029,000	64.35
Prime Success Limited ("PSL") ⁽¹¹⁾	—	—	2,859,029,000	64.35
Lippo Limited ("LL") ⁽¹²⁾	—	—	2,859,029,000	64.35
Lippo Capital Limited ("LCL") ⁽¹³⁾	—	—	2,859,029,000	64.35
Lippo Capital Holdings Company Limited ("LCH") ⁽¹⁴⁾	—	—	2,859,029,000	64.35
Lippo Capital Group Limited ("LCG") ⁽¹⁵⁾	—	—	2,859,029,000	64.35
PT Trijaya Utama Mandiri ("PT Trijaya") ⁽¹⁶⁾	—	—	2,859,029,000	64.35
Admiralty Station Management Limited ("Admiralty") ⁽¹⁷⁾	—	—	2,859,029,000	64.35
Argyle Street Management Limited ("ASML") ⁽¹⁸⁾	—	—	2,859,029,000	64.35
Argyle Street Management Holdings Limited ("ASMHL") ⁽¹⁹⁾	—	—	2,859,029,000	64.35
Mr. James Tjahaja Riady ⁽²⁰⁾	—	—	2,859,029,000	64.35
Dr. Stephen Riady ⁽²¹⁾	—	—	2,859,029,000	64.35
Mr. Kin Chan ⁽²²⁾	—	—	2,859,029,000	64.35
Mr. V-Nee Yeh ⁽²³⁾	—	—	2,859,029,000	64.35
Brownly Healthcare Pte. Ltd. ("BHPL")	1,125,000,000	25.32	—	—
ITOCHU Singapore Pte Ltd ("ITOCHU SG") ⁽²⁴⁾	—	—	1,125,000,000	25.32
ITOCHU Corporation ("ITOCHU Corp") ⁽²⁵⁾	—	—	1,125,000,000	25.32

Notes:

- (1) Based on the total number of issued ordinary shares of the Company (the "Shares") of 4,443,129,206 Shares as at 7 March 2019.
- (2) OUE is the holding company of TIHPL. Accordingly, OUE has a deemed interest in the Shares held by TIHPL.
- (3) OUER is the holding company of OUE. Accordingly, OUER has a deemed interest in the Shares in which OUE has an interest.
- (4) GCAL is the holding company of OUER, and an intermediate holding company of OUE. Accordingly, GCAL has a deemed interest in the Shares in which OUE has an interest.
- (5) FCL is the holding company of GCAL, and an intermediate holding company of OUE. Accordingly, FCL has a deemed interest in the Shares in which OUE has an interest.
- (6) LAAPL is the holding company of FCL. FCL is an intermediate holding company of OUE. Accordingly, LAAPL has a deemed interest in the Shares in which OUE has an interest.

SUBSTANTIAL SHAREHOLDERS

AS SHOWN IN THE COMPANY'S REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 7 MARCH 2019

- (7) OUE is a subsidiary of LAAPL which is jointly held by Admiralty and Pacific Landmark. Accordingly, Pacific Landmark has a deemed interest in the Shares in which OUE has an interest.
- (8) HKC Property is the holding company of Pacific Landmark. OUE is a subsidiary of LAAPL which is jointly held by Admiralty and Pacific Landmark. Accordingly, HKC Property has a deemed interest in the Shares in which OUE has an interest.
- (9) HCL is an intermediate holding company of Pacific Landmark. OUE is a subsidiary of LAAPL which is jointly held by Admiralty and Pacific Landmark. Accordingly, HCL has a deemed interest in the Shares in which OUE has an interest.
- (10) Hennessy is an intermediate holding company of Pacific Landmark. OUE is a subsidiary of LAAPL which is jointly held by Admiralty and Pacific Landmark. Accordingly, Hennessy has a deemed interest in the Shares in which OUE has an interest.
- (11) PSL is an intermediate holding company of Pacific Landmark. OUE is a subsidiary of LAAPL which is jointly held by Admiralty and Pacific Landmark. Accordingly, PSL has a deemed interest in the Shares in which OUE has an interest.
- (12) LL is an intermediate holding company of Pacific Landmark. OUE is a subsidiary of LAAPL which is jointly held by Admiralty and Pacific Landmark. Accordingly, LL has a deemed interest in the Shares in which OUE has an interest.
- (13) LCL is an intermediate holding company of Pacific Landmark. OUE is a subsidiary of LAAPL which is jointly held by Admiralty and Pacific Landmark. Accordingly, LCL has a deemed interest in the Shares in which OUE has an interest.
- (14) LCH is an intermediate holding company of Pacific Landmark. OUE is a subsidiary of LAAPL which is jointly held by Admiralty and Pacific Landmark. Accordingly, LCH has a deemed interest in the Shares in which OUE has an interest.
- (15) LCG is the holding company of LCH, which in turn is an intermediate holding company of Pacific Landmark. OUE is a subsidiary of LAAPL which is jointly held by Admiralty and Pacific Landmark. Accordingly, LCG has a deemed interest in the Shares in which OUE has an interest.
- (16) PT Trijaya holds more than 20% of the shares in LCL, which is an intermediate holding company of Pacific Landmark. OUE is a subsidiary of LAAPL which is jointly held by Admiralty and Pacific Landmark. Accordingly, PT Trijaya has a deemed interest in the Shares in which OUE has an interest.
- (17) LAAPL is an intermediate holding company of OUE, and LAAPL is jointly held by Admiralty and Pacific Landmark. Accordingly, Admiralty has a deemed interest in the Shares in which OUE has an interest.
- (18) ASML owns 100% of the voting shares in the capital of Admiralty. LAAPL is an intermediate holding company of OUE, and LAAPL is jointly held by Admiralty and Pacific Landmark. Accordingly, ASML has a deemed interest in the Shares in which OUE has an interest.
- (19) ASMHL is the holding company of ASML. ASML owns 100% of the voting shares in the capital of Admiralty. LAAPL is an intermediate holding company of OUE, and LAAPL is jointly held by Admiralty and Pacific Landmark. Accordingly, ASMHL has a deemed interest in the Shares in which OUE has an interest.
- (20) Mr. James Tjahaja Riady effectively holds all the shares in PT Trijaya, which holds more than 20% of the shares in LCL. LCL is an intermediate holding company of Pacific Landmark. OUE is a subsidiary of LAAPL which is jointly held by Admiralty and Pacific Landmark. Accordingly, Mr. James Tjahaja Riady has a deemed interest in the Shares in which OUE has an interest.
- (21) Dr. Stephen Riady holds 100% of the issued share capital of LCG, which is the holding company of LCH. LCH is an intermediate holding company of Pacific Landmark. Pacific Landmark and Admiralty jointly hold LAAPL. LAAPL is the indirect holding company of TIHPL. TIHPL has a direct interest in 2,859,029,000 Shares. Accordingly, Dr. Stephen Riady has a deemed interest in the Shares held by TIHPL.

SUBSTANTIAL SHAREHOLDERS

AS SHOWN IN THE COMPANY'S REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 7 MARCH 2019

- (22) Mr. Kin Chan is the beneficial owner of more than 20% of the issued share capital of ASMHL, the holding company of ASML. ASML owns 100% of the voting shares in the capital of Admiralty. LAAPL is an intermediate holding company of OUE, and LAAPL is jointly held by Admiralty and Pacific Landmark. Accordingly, Mr. Kin Chan has a deemed interest in the Shares in which OUE has an interest.
- (23) Mr. V-Nee Yeh is the beneficial owner of more than 20% of the issued share capital of ASMHL, the holding company of ASML. ASML owns 100% of the voting shares in the capital of Admiralty. LAAPL is an intermediate holding company of OUE, and LAAPL is jointly held by Admiralty and Pacific Landmark. Accordingly, Mr. V-Nee Yeh has a deemed interest in the Shares in which OUE has an interest.
- (24) ITOCHU SG holds 60% of the issued share capital of BHPL. Accordingly, ITOCHU SG has a deemed interest in the Shares held by BHPL.
- (25) ITOCHU Corp is the holding company of ITOCHU SG. ITOCHU SG holds 60% of the issued share capital of BHPL. Accordingly, ITOCHU Corp has a deemed interest in the Shares in which ITOCHU SG has an interest.

PUBLIC FLOAT

Rule 723 of Section B: Rules of Catalist of the Listing Manual of the Singapore Exchange Securities Trading Limited requires that at least 10.0% of the total number of issued shares (excluding preference shares, convertible equity securities and treasury shares) in a class that is listed ("**Shares**") is at all times held by the public. The Company has complied with this requirement.

As at 7 March 2019, approximately 10.33% of its listed Shares were held in the hands of the public.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that Annual General Meeting of **OUE LIPPO HEALTHCARE LIMITED** will be held at No. 1 Marina Boulevard, Level 7 Stephen Riady Auditorium @ NTUC, NTUC Centre, Singapore 018989 on Thursday, 25 April 2019 at 2:00 p.m., for the following purposes:

AS ORDINARY BUSINESS:

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company and its subsidiaries for the financial year ended 31 December 2018 and the Auditors' Report thereon.
2. To approve the payment of S\$545,292 as Directors' Fees for the financial year ended 31 December ("**FY**") 2018 (FY2017: S\$350,826.38).
3. To re-elect the following Directors retiring in accordance with the Company's Constitution and who, being eligible, offer themselves for re-election:
 - (a) Mr. Yet Kum Meng (appointed on 28 February 2019)
 - (b) Mr. Roger Tan Chade Phang
 - (c) Mr. Jackson Tay Eng Kiat

Note: Dr. Stephen Riady who will be retiring by rotation in accordance with the Company's Constitution, has notified the Company that he will not be seeking re-election as a Director at this Annual General Meeting.

4. To re-appoint Messrs KPMG LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.

AS SPECIAL BUSINESS:

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

5. That pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore and the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") and notwithstanding the provisions of the Constitution of the Company, authority be and is hereby given to the Directors of the Company to:
 - a.
 - (i) issue shares in the capital of the Company (whether by way of rights, bonus or otherwise); and/or
 - (ii) make or grant offers, agreements or options (collectively, "**instruments**") that may or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
 - b. (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any instrument made or granted by the Directors while this Resolution was in force,

provided that:
 - (i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) does not exceed one hundred per cent (100%) of the total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares to be granted other than on a *pro-rata* basis to shareholders of the Company (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (ii) below);

NOTICE OF ANNUAL GENERAL MEETING

- (ii) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the percentage of the total number of issued shares excluding treasury shares and subsidiary holdings shall be calculated based on the total number of issued shares excluding treasury shares and subsidiary holdings at the time of the passing of this Resolution, after adjusting for:
 - (1) new shares arising from the conversion or exercise of any convertible securities;
 - (2) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
 - (3) any subsequent bonus issue, consolidation or subdivision of shares;
- (iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (iv) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

By Order of the Board

Fazilah Abdul Rahman
Company Secretary

Singapore, 3 April 2019

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

- (a) **Resolution 3(a)** – Re-election of Mr. Yet Kum Meng, a Director retiring under Article 92 of the Company's Constitution and who, being eligible, offers himself for re-election.

Mr. Yet Kum Meng will, upon re-election, continue as the Chief Executive Officer and Executive Director of the Company. The profile of Mr. Yet Kum Meng can be found under the sections entitled "Board of Directors" and "Additional Information on Directors Seeking Re-election" in the Annual Report 2018.

- (b) **Resolution 3(b)** – Re-election of Mr. Roger Tan Chade Phang, a Director retiring by rotation under Article 93 of the Company's Constitution and who, being eligible, offers himself for re-election.

Mr. Roger Tan Chade Phang will, upon re-election, continue as the Lead Independent Director and the Chairman of the Nominating and Remuneration Committee and a member of the Audit and Risk Committee of the Company. The profile of Mr. Roger Tan Chade Phang can be found under the sections entitled "Board of Directors" and "Additional Information on Directors Seeking Re-election" in the Annual Report 2018. He will be considered independent for the purpose of Rule 704(7) of the Catalist Rules.

- (c) **Resolution 3(c)** – Re-election of Mr. Jackson Tay Eng Kiat, a Director retiring by rotation under Article 93 of the Company's Constitution and who, being eligible, offers himself for re-election.

Mr. Jackson Tay Eng Kiat will, upon re-election, continue as an Independent Director and a member of the Nominating and Remuneration Committee and the Audit and Risk Committee of the Company. The profile of Mr. Jackson Tay Eng Kiat can be found under the sections entitled "Board of Directors" and "Additional Information on Directors Seeking Re-election" in the Annual Report 2018. He will be considered independent for the purpose of Rule 704(7) of the Catalist Rules.

- (d) **Resolution 5** is to empower the Directors to issue shares in the capital of the Company and/or instruments (as defined above). The aggregate number of shares to be issued pursuant to Resolution 5 (including shares to be issued in pursuance of instruments made or granted) shall not exceed one hundred per cent (100%) of the total number of issued shares excluding treasury shares and subsidiary holdings, with a sub-limit of fifty per cent (50%) for shares issued other than on a *pro-rata* basis (including shares to be issued in pursuance of instruments made or granted pursuant to Resolution 5).

For the purpose of determining the aggregate number of shares that may be issued, the percentage of the total number of issued shares excluding treasury shares and subsidiary holdings will be calculated based on the total number of issued shares excluding treasury shares and subsidiary holdings at the time of the passing of Resolution 5, after adjusting for (i) new shares arising from the conversion or exercise of any convertible securities; (ii) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of Resolution 5, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and (iii) any subsequent bonus issue, consolidation or subdivision of shares.

Personal Data Privacy:

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

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1.
 - (a) *A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.*
 - (b) *A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.*

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.
2. *A proxy need not be a member of the Company.*
3. *The instrument appointing a proxy or proxies must be deposited at the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time set for the Annual General Meeting.*

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Please see below for information of Mr. Yet Kum Meng, Mr. Roger Tan Chade Phang and Mr. Jackson Tay Eng Kiat, all of whom are seeking re-election as Directors at the 2019 Annual General Meeting as set out in the Appendix 7F of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”). Additional information can also be found under their profiles within the section entitled “Board of Directors” of the Annual Report.

Name of the person	Mr. Yet Kum Meng	Mr. Roger Tan Chade Phang	Mr. Jackson Tay Eng Kiat
Age	48	42	41
Country of Principal Residence	Singapore	Singapore	Singapore
The Board's comments on the re-election, job title and whether the re-election is executive (if so, the area of responsibility)	The re-election of Mr. Yet Kum Meng as an Executive Director of the Company was recommended by the Nominating and Remuneration Committee (“NRC”) and the Board has accepted the recommendation, after taking into consideration all factors such as his qualifications, expertise, past experiences, multiple directorships/ principal commitments and overall contribution since he joined the Company as Chief Financial Officer. Mr. Yet Kum Meng will, upon re-election, continue to also serve as Chief Executive Officer of the Company to manage and oversee the overall business and development matters of the Group.	The re-election of Roger Tan Chade Phang as the Independent Director of the Company was recommended by the NRC and the Board has accepted the recommendation, after taking into consideration all factors such as his independence, qualifications, expertise, past experiences, multiple directorships/principal commitments and overall contribution since he was appointed as a Director of the Company. Mr. Roger Tan Chade Phang will, upon re-election, continue to also serve as the Lead Independent Director, Chairman of the NRC and a member of Audit and Risk Committee (“ARC”) of the Company. Mr. Roger Tan Chade Phang is considered independent for the purpose of Rule 704(7) of the Catalist Rules..	The re-election of Jackson Tay Eng Kiat as an Independent Director of the Company was recommended by the NRC and the Board has accepted the recommendation, after taking into consideration all factors such as his independence, qualifications, expertise, past experiences, multiple directorships/ principal commitments and overall contribution since he was appointed as a Director of the Company. Mr. Jackson Tay Eng Kiat will, upon re-election, continue to also serve as a member of the NRC and the ARC of the Company. Mr. Jackson Tay Eng Kiat is considered independent for the purpose of Rule 704 (7) of the Catalist Rules.
Details on date of appointment and last re-election (if applicable), professional qualification, working experience and occupation(s) during the past 10 years.	Please refer to page 16 of the Annual Report.	Please refer to page 17 of the Annual Report.	Please refer to page 18 of the Annual Report.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the Company and/ or substantial shareholder of the Company or of any of its principal subsidiaries	Nil	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil	Nil
Undertaking submitted to the Company in the form of Appendix 7H (Rule 704(6) of the Catalist Rules)	Yes	Yes	Yes
Shareholding interest in the Company and its subsidiaries?	Nil	Nil	Nil

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of the person	Mr. Yet Kum Meng	Mr. Roger Tan Chade Phang	Mr. Jackson Tay Eng Kiat
Present Directorship(s)/ Principal Commitment (as at 3 April 2019)	1. Brainy World Holdings Limited 2. Hipermar Hypermarket (Xuzhou) Co., Ltd. 3. Hipermart Investment (China) Co., Ltd. 4. Hyperion Planet Ltd. (dormant) 5. LEM Pte. Ltd. 6. Lippo Health Care Limited 力寶醫療有限公司 7. MA China Medical Facilities Pte. Ltd. 8. MA Investment Holding Pte. Ltd. 9. MA Trading Pte. Ltd. 10. Nationwide Building (England) Co., Ltd (dormant) 11. Nationwide Building International Co., Ltd (dormant) 12. OLV Healthcare Asset Management Pte. Ltd. 13. OUELH Apex Limited 14. OUELH Chengdu Women and Child Hospital Pte. Ltd. 15. OUELH Japan Medical Assets Pte. Ltd. 16. OUELH Japan Medical Facilities Pte. Ltd. 17. OUELH KLCC Investment Pte. Ltd. 18. OUELH Medical Assets Pte. Ltd. 19. OUELH Medical Developments Pte. Ltd. 20. OUELH Peak Limited 21. OUELH Star Limited 22. OUELH Summit Limited 23. OUELH Wuxi Hospital Pte. Ltd. 24. Robbinz Department Store (Chengdu) Limited 25. Robbinz Department Store (Tianjin) Limited 26. Robbinz Enterprise Management Consulting (Tianjin) Co., Ltd. 27. Yangzhou Robbinz Department Store Limited 28. YL Capital, LLC 29. 北京视弘医院管理有限公司 30. 康慧(成都)置业有限公司	1. Voyage Research Pte Ltd 2. Starland Holdings Limited 3. TIH Limited Please refer to page 17 of the Annual Report for principal commitment.	1. Sim Leisure Group Ltd. 2. Hafary Balestier Showroom Pte. Ltd. 3. Hafary Centre Pte. Ltd. 4. Hafary Pte Ltd. 5. Hafary W+S Pte. Ltd. 6. One Heart Investment Pte. Ltd. 7. Wood Culture Pte. Ltd. 8. Xquisit Pte. Ltd. 9. One Heart International Trading Pte Ltd. Please refer to page 18 of the Annual Report for principal commitment.
Past Directorship(s)/ Principal Commitment held over the preceding five years	1. Beijing Lippo Century Realty Co., Ltd. 2. Beijing Lippo Commercial Consultants Limited 3. Fujian Tati Meizhou Industrial Park Development Co., Ltd 4. Hipermar Hypermarket (Changzhou) Co., Ltd. 5. Hipermar Hypermarket (Suzhou) Co., Ltd. 6. Hipermar Hypermarket (Tianjin) Co., Ltd. 7. Hipermart Management (Suzhou) Co. Ltd. 8. Lippo Realty (Jiangsu) Limited 9. Lippo Realty (Taizhou) Limited 10. Robbinz (China) Investment Co., Ltd. 11. Robbinz Department Store (Changzhou) Limited 12. Robbinz Department Store (Shenyang) Limited 13. Robbinz Department Store (Suzhou) Limited 14. Skywealth Realty Taizhou Limited 15. Suzhou Paibo Hypermarket Co., Ltd.	1. Sai Yi Hong 2. Dapai International Holdings Co. Ltd. 3. Transcorp Holdings Limited 4. Bodhi Tree Network Pte. Ltd.	1. Viet Ceramics International Joint Stock Company 2. Park Mall Pte. Ltd.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of the person	Mr. Yet Kum Meng	Mr. Roger Tan Chade Phang	Mr. Jackson Tay Eng Kiat
Information required pursuant to Rules 704(6) and/or 704(7) of the Catalist Rules			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of the person	Mr. Yet Kum Meng	Mr. Roger Tan Chade Phang	Mr. Jackson Tay Eng Kiat
Information required pursuant to Rules 704(6) and/or 704(7) of the Catalyst Rules (cont'd)			
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:—	No	Yes. Mr. Roger Tan was appointed as Independent Director of Dapai International Holdings Co. Ltd. in March 2016 and was subsequently appointed as its Audit Committee's Chairman to oversee the agreed upon procedures (conducted by BDO) and special audit (conducted by KordaMentha) in consultation with SGX on matters prior to his appointment. The findings of the special audit report was released on SGXNET on 7 July 2017.	No
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or			
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?			
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No
Any prior experience as a director of an issuer listed on the SGX-ST? If yes, please provide details of prior experience. If no, please state if the director as attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the SGX-ST (if applicable)	No. Mr. Yet Kum Meng has been briefed on his role and responsibilities as a director of a listed company in Singapore and the Company will arrange for Mr. Yet Kum Meng to undertake training courses prescribed by the SGX-ST in connection with his duties as a Director within one year from his date of appointment to the Board.	Yes. Mr. Roger Tan Chade Phang is currently an Independent Director of TIH Limited and Starland Holdings Limited.	Yes. Mr. Jackson Tay is currently the Chairman and Independent Director of Sim Leisure Group Ltd. In addition, Mr. Jackson Tay is also the Chief Operating Officer and the Company Secretary of Hafary Holdings Limited Group and thus he is familiar with the role and responsibilities as a director of a listed company in Singapore.

QUE LIPPO HEALTHCARE LIMITED

(Incorporated in Singapore)

(Registration No. 201304341E)

(in receivership over charged shares in certain subsidiaries)

**PROXY FORM
ANNUAL GENERAL MEETING**

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. Relevant intermediaries (as defined in Section 181 Companies Act, Cap. 50) may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used CPF/SRS monies to buy shares in the OUE Lippo Healthcare Limited, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks or SRS Operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s) the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 3 April 2019.

I/We _____ (Name) _____ (NRIC/Passport No./Company Regn. No.)

of _____ (Address)

being a member/members* of OUE Lippo Healthcare Limited (the “Company”), hereby appoint:

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

and/or failing him/her*

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

and/or failing him/her*, the Chairman of the Annual General Meeting, as my/our* proxy/proxies* to attend and vote for me/us* on my/our* behalf at the Annual General Meeting of the Company to be held at No. 1 Marina Boulevard, Level 7 Stephen Riady Auditorium @ NTUC, NTUC Centre, Singapore 018989 on Thursday, 25 April 2019 at 2:00 p.m. and at any adjournment thereof.

The proxy/proxies* shall vote on the Resolutions set out in the notice of Annual General Meeting in accordance with my/our* directions as indicated hereunder. Where no such direction is given, the proxy/proxies* may vote or abstain from voting at his/their* discretion, on any matter at the Annual General Meeting or at any adjournment thereof.

No.	ORDINARY RESOLUTIONS	FOR **	AGAINST **
ORDINARY BUSINESS			
1.	Adoption of the Directors' Statement and Audited Financial Statements of the Company and its subsidiaries for the financial year ended 31 December 2018 and the Auditors' Report thereon.		
2.	Approval of Directors' fees		
3.	(a) Re-election of Mr. Yet Kum Meng as Director		
	(b) Re-election of Mr. Roger Tan Chade Phang as Director		
	(c) Re-election of Mr. Jackson Tay Eng Kiat as Director		
4.	Re-appointment of Messrs KPMG LLP as Auditors		
SPECIAL BUSINESS			
5.	Authority for Directors to allot and issue new shares pursuant to Section 161 of the Companies Act, Cap. 50		

* Delete as appropriate

** Voting will be conducted by poll. If you wish to exercise all your votes “For” or “Against”, please indicate with an “X” within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2019

Total Number of Shares held in:	No. of Shares
CDP Register	
Register of Members	

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

IMPORTANT: PLEASE READ NOTES OVERLEAF.

NOTES:

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy (the **"Proxy Form"**) will be deemed to relate to all shares held by the member.
2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's Proxy Form appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the Proxy Form.

(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's Proxy Form appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the Proxy Form.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50 of Singapore.
3. A proxy need not be a member of the Company.
4. Completion and return of the Proxy Form shall not preclude a member from attending and voting at the Annual General Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Annual General Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the Annual General Meeting.

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Affix
Postage
Stamp

The Share Registrar
OUE LIPPO HEALTHCARE LIMITED
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Please fold here

5. The Proxy Form must be deposited at the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time set for the Annual General Meeting.
6. The Proxy Form must be under the hand of the appointor or of his attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where a Proxy Form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore.
9. The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form (or any related attachment) if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Lee Yi Shyan

(Non-Independent and Non-Executive Chairman)

Stephen Riady

(Non-Independent and Non-Executive Director)

Yet Kum Meng

(Chief Executive Officer/Executive Director)

Masato Mohri

(Non-Independent and Non-Executive Director)

Roger Tan Chade Phang

(Lead Independent Director)

Eric Sho Kian Hin

(Independent Director)

Jackson Tay Eng Kiat

(Independent Director)

Johji Sato

(Independent Director)

AUDIT AND RISK COMMITTEE

Eric Sho Kian Hin

(Chairman)

Roger Tan Chade Phang

Jackson Tay Eng Kiat

Johji Sato

NOMINATING AND REMUNERATION COMMITTEE

Roger Tan Chade Phang

(Chairman)

Lee Yi Shyan

Masato Mohri

Eric Sho Kian Hin

Jackson Tay Eng Kiat

COMPANY SECRETARY

Fazilah Abdul Rahman

REGISTERED OFFICE

9 Battery Road

#15-01 MYP Centre

Singapore 049910

T: 6578 9188 F: 6476 4647

W: www.ouelh.com

Co Reg No. 201304341E

SHARE REGISTRAR

**Boardroom Corporate & Advisory
Services Pte. Ltd.**

50 Raffles Place

#32-01 Singapore Land Tower

Singapore 048623

Tel: (65) 6536 5355

SPONSOR

PrimePartners Corporate Finance Pte. Ltd.

16 Collyer Quay

#10-00 Income at Raffles

Singapore 049318

AUDITOR

KPMG LLP

16 Raffles Quay

#22-00 Hong Leong Building

Singapore 048581

Partner-in-charge: Teo Han Jo

With effect from financial year

ended 31 December 2017



OUE LIPPO HEALTHCARE LIMITED

(Company Reg. No. 201304341E)

(In receivership over charged shares in certain subsidiaries)