

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL HEALTHWAY CORPORATION LIMITED

## Report on the Financial Statements

We were engaged to audit the accompanying financial statements of International Healthway Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 6 to 92, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2015, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

### *Basis for Disclaimer of Opinion*

- (a) As disclosed in Note 21 to the financial statements, the Group's investment properties under development at 31 December 2015 includes an amount of S\$87,674,000 relating to two properties in China ("China properties"), in respect of which the Group has recorded a fair value gain of S\$46,004,000 for the financial year then ended. As stated in Note 3(a) to the financial statements, the carrying value of these China properties is based on certain critical estimates and assumptions. We were unable to obtain sufficient appropriate audit evidence regarding the appropriateness and reliability of all of these estimates and assumptions as the Group was unable to provide satisfactory documentary support for these estimates and assumptions. Consequently, we were unable to determine whether any adjustment to the accompanying financial statements in relation to the two China properties was necessary.
- (b) Included in the Group's current borrowings and other payables as at 31 December 2015 is a principal amount of S\$4,116,000 and related interest of S\$1,147,000 owed by a wholly-owned subsidiary to certain Funds (Note 29(a)).

However, this is significantly lower than the total amount alleged as being owed to the Funds as at 31 December 2015 of approximately S\$28,662,000 and S\$18,630,000 in relation to the Group and the Company respectively (including the outstanding interest of S\$2,579,000 and S\$1,281,000 in relation to the Group and Company respectively), as described in Notes 3(b) and 29(a) to the financial statements. As this claim against the Group and the Company is in its early stages of development, we were unable to obtain sufficient appropriate audit evidence regarding (i) the amount of liabilities that should be recorded by the Group and the Company in relation to the borrowings from the Funds, and (ii) whether the receivership action taken by the Funds as described in Note 29 (a) to the financial statements would have an impact on the ongoing business operations of the Group.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL HEALTHWAY CORPORATION LIMITED (CONTINUED)

### Report on the Financial Statements (continued)

- (c) As stated in Note 2.1 to the financial statements, the appropriateness of the going concern assumption on which the financial statements have been prepared is dependent on certain key assumptions, including the Group's and the Company's compliance with certain externally imposed covenants and the continued financial support from the Group's and the Company's bankers and other lenders. If significant adjustments have to be made to the financial statements of the Group and of the Company for the financial year ended 31 December 2015 as a result of the matters described in paragraphs (a) and (b) above, the Group and the Company would be in breach of certain externally imposed loan covenants. If this happens, non-current borrowings amounting to S\$121,687,000 and S\$97,808,000 of the Group and the Company respectively will become payable immediately and would have to be reclassified as current liabilities in the respective balance sheets as at 31 December 2015. This indicates the existence of material uncertainties which may cast significant doubt about the ability of the Group and the Company to continue as going concern.

If the going concern assumption on which the accompanying financial statements of the Group and Company have been prepared is not appropriate, adjustments would have to be made to reflect a situation where the assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts stated in the balance sheet of the Group and Company. In addition, the Group and the Company may have to provide for further liabilities which may arise, and to classify the non-current assets and non-current liabilities as current assets and current liabilities respectively.

The financial statements do not include the adjustments that would result if the Company and the Group are unable to continue as going concerns.

### *Disclaimer of Opinion*

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

### Report on other Legal and Regulatory Requirements

In view of the significance of the matters referred to in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.



PricewaterhouseCoopers LLP  
Public Accountants and Chartered Accountants  
Singapore, 3 June 2016