



# OUR VISION FOR THE FUTURE

ANNUAL REPORT 2015

# CORPORATE PROFILE

ISEC Healthcare Ltd. ("ISEC Healthcare" and together with its subsidiaries, the "Group") is an established provider of comprehensive medical eye care services. The Group currently operates eye care centers with world-class surgical facilities in Kuala Lumpur, Penang and Malacca.

In Malaysia, ISEC Healthcare has become a well-recognised brand that is synonymous with high quality, reliable and comprehensive eye care services. In Singapore, ISEC Eye Pte. Ltd. ("ISEC Eye") provides specialist medical ophthalmology services to Lee Hung Ming Eye Centre located in Singapore's Gleneagles Hospital, both of which are also highly regarded in the private medical eye care field.

Led by a team of specialist doctors, many of whom are key opinion leaders in their respective sub-specialty fields, we offer a full range of specialist eye care services. These include cataract and intraocular lens implant surgery, refractive surgery (including LASIK), vitreoretinal diseases, corneal diseases, external eye diseases, glaucoma, uveitis, oculoplastics, facial cosmetics & aesthetics surgery, adult strabismus and paediatric ophthalmology.

To provide patients with high quality and advanced treatments, our eye care centers are equipped with state-of-the-art ophthalmic equipment and facilities. Besides investing in the latest medical technologies, our doctors undergo continuous professional development and medical education to offer our patients with the highest standards of ophthalmic care.

Backed by our strong track record, the Group has set its sights on expanding the "ISEC" brand in Asia Pacific and elevating our position to a regional player in the private medical eye care services sector.

ISEC Healthcare was listed on the Catalist board of the Singapore Exchange Securities Trading Limited on 28 October 2014.

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ISEC Healthcare Ltd. (the "Company") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 28 October 2014. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor").

This annual report has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with 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 the 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 Keng Yeng Pheng, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.

## REGISTERED OFFICE

101 Thomson Road  
#09-04 United Square  
Singapore 307591

## BOARD OF DIRECTORS

### MR SITOY YIH PIN

Non-Executive Chairman and Independent Director

### DR LEE HUNG MING

Executive Vice Chairman

### DR WONG JUN SHYAN

Executive Director and Chief Executive Officer

### PROFESSOR LOW TECK SENG

Independent Director

### MR LIM WEE HANN

Independent Director

## AUDIT COMMITTEE

MR SITOY YIH PIN, Chairman

PROFESSOR LOW TECK SENG

MR LIM WEE HANN

## NOMINATING COMMITTEE

PROFESSOR LOW TECK SENG, Chairman

MR SITOY YIH PIN

MR LIM WEE HANN

## REMUNERATION COMMITTEE

MR LIM WEE HANN, Chairman

MR SITOY YIH PIN

PROFESSOR LOW TECK SENG

## COMPANY SECRETARY

LEONG CHEE MENG KENNETH

## SPONSOR

**PrimePartners Corporate Finance Pte. Ltd.**

16 Collyer Quay  
#10-00 Income at Raffles  
Singapore 049318

## SHARE REGISTRAR AND SHARE TRANSFER OFFICE

**Boardroom Corporate & Advisory  
Services Pte. Ltd.**

50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623

## INDEPENDENT AUDITORS

### BDO LLP

Public Accountants and  
Chartered Accountants  
21 Merchant Road  
#05-01  
Singapore 058267

Partner-in-charge: Mr Leong Hon Mun Peter  
(since financial year 2013)

## INVESTOR RELATIONS

ir@isehealthcare.com

## WEBSITE

<http://www.isehealthcare.com>

# MESSAGE TO SHAREHOLDERS

## DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present you with ISEC Healthcare's annual report for the financial year ended 31 December 2015 ("FY2015").

FY2015 marked another year of progress for ISEC Healthcare. The Group has continued to make further headway towards our vision of becoming a regional player in the medical eye care space in Asia Pacific. ISEC Healthcare also reported higher revenue in FY2015 as the Singapore operations recorded its first full year of contribution to the Group as compared to approximately 4.5 months of operations in FY2014.

In recognition of the support shown by shareholders since the Group's listing in October 2014, the Board is proposing to distribute a final dividend of 0.22 Singapore cents per ordinary share, subject to shareholders' approval at the upcoming Annual General Meeting on 28 April 2016. Together with our interim dividend of 0.22 Singapore cents per ordinary share, which was declared for the 6 months ended 30 June 2015 and paid in September 2015, the total dividends in respect of FY2015 would amount to 0.44 Singapore cents per ordinary share.

## POSITIVE FINANCIAL PERFORMANCE IN FY2015

In FY2015, the Group recorded increases in revenue and net profit. Revenue increased 21% to S\$26.7 million in FY2015 from S\$22.0 million in FY2014, lifted by higher contributions from both our Singapore and Malaysia operations. The Singapore operations recorded a full 12 months of revenue in FY2015 as opposed to only approximately 4.5 months of revenue in FY2014. While our Malaysia operations benefited from an increase in patient visits to register revenue growth of 14% in terms of Malaysian Ringgit, its contribution to Group revenue in FY2015 was reduced when translated to our reporting currency in Singapore Dollars due to the depreciation of the Malaysian Ringgit.

In line with the increase in revenue contribution from our Singapore operations, the Group's gross profit increased 24% to S\$11.9 million in FY2015 from S\$9.6 million in FY2014. The Group maintained a healthy gross profit margin of 45% in FY2015. As a result, the Group's net profit increased to S\$2.7 million in FY2015 from S\$1.9 million in FY2014. This was after accounting for the total loss and closure costs of approximately S\$2.6 million related to the cessation of our eye care operations in Mount Elizabeth Novena Specialist Centre in the Group's results for FY2015.

During FY2015, the Malaysian Ringgit continued to weaken against the Singapore Dollar. As the Group derives a portion of our revenue from Malaysia, the foreign exchange rate will affect the Group's financial performance going forward. We will continue to monitor closely the impact of the foreign exchange rate on the Group's financial position.

## PURSUING OUR REGIONAL STRATEGY

As part of the Group's growth strategy, we have continued to leverage on the strong recognition of the "ISEC" brand to expand our presence in Malaysia. In January 2015, the Group entered into a joint venture agreement to set up ISEC (Sibu) Sdn. Bhd. ("ISEC Sibu") to operate and administer an ophthalmology center of excellence in Sibu city in Sarawak, East Malaysia. The Company has an effective equity interest of 55% in ISEC Sibu which is expected to commence operations in late 2016. Strategically located to the Northeast of the capital city of Kuching, this new eye care center in Sibu will enable the Group to extend our services to patients in East Malaysia and North Kalimantan.

The Group has also moved to reinforce our market position in West Malaysia by expanding our coverage to the southern end of the peninsula. In October 2015, we entered into an agreement to acquire the entire issued and paid-up share capital of Southern Specialist Eye Centre Sdn. Bhd. ("SSEC") in Malacca. SSEC is a reputable private ophthalmology clinic and one of the largest practices south of Kuala Lumpur. Besides serving as an established gateway for medical tourists from Southern Sumatra and the Riau Bintang Islands, we believe SSEC will also attract Singapore patients who may consider having their procedures performed in Malacca as it is only about a three hour drive from Singapore. The acquisition of SSEC was completed in December 2015.

Beyond Malaysia and Singapore, the Group is also taking its first steps to tap on the potential of the eye care market in the Asia Pacific region. In January 2016, we entered into a non-binding memorandum of understanding ("MOU") with Hai Yen Anh Tran Company Limited and Dr Tran Hai Yen with the intention to operate and administer eye hospitals, ophthalmology centers and eye clinics in Vietnam through a joint stock company. The Company will make the relevant update announcements in compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist in relation to the MOU as and when there are material developments.

## PROSPECTS REMAIN PROMISING

Looking ahead, we believe the demand for ophthalmology services in Singapore and Malaysia continues to be positive mainly driven by an ageing population, increased awareness of eye disorders, rising income levels, increased uptake of private insurance and growth of medical tourism.

Hence, we plan to continue extending the Group's comprehensive range of services to other major cities in Peninsular Malaysia and East Malaysia. We also recognise that Singapore is an important market for the healthcare business. While we took the decision to close our eye care operations in Mount Elizabeth Novena Specialist Centre, the Group intends to maintain an active presence in Singapore through the provision of ISEC Eye's specialist medical ophthalmology services to Lee Hung Ming Eye Centre at Gleneagles Hospital.

As patients from overseas markets comprise about 20% to 30% of the Group's patients in its Malaysia and Singapore centers, we believe there is scope to further expand our business from medical tourism. Hence, we will continue to widen our network of referral centers overseas to capture a larger pool of patients who require advanced eye care procedures.

To realise our vision of becoming a regional healthcare player, we will continue exploring opportunities in Asia Pacific to acquire assets, businesses and companies in similar specialties, or that are complementary to the Group's existing business. We have identified China, India, Indonesia, Myanmar, the Philippines, Taiwan and Vietnam as markets that offer promising growth potential due to their large populations and rising private healthcare spending.

Our aim is to work towards building a more resilient and robust business model by expanding the Group's regional business to a size where there is a healthy and diverse mix of revenue streams from various geographical markets.

## NOTE OF APPRECIATION

On behalf of the Board of Directors, I wish to thank our specialist doctors, clinical staff and management for their dedication to uphold the highest standards of patient care and unwavering commitment to our Group. We are also grateful to our patients for their valued patronage and to our business partners and associates for their support and valued contributions. To our shareholders, thank you for your continuous support of ISEC Healthcare.

## SITOH YIH PIN

*Non-Executive Chairman and Independent Director*

## INCOME STATEMENT

For the financial year ended 31 December 2015 ("FY2015"), the Group posted growth in revenue to S\$26.7 million, an increase of 21% from S\$22.0 million in FY2014. This was mainly due to higher revenue contribution from both the Group's Singapore and Malaysia operations.

During FY2015, the Group recorded its first full-year of operations contribution from Singapore as compared to approximately 4.5 months in FY2014.

The Group's Malaysia operations continued to record healthy revenue growth in tandem with increased patient visits. Notably, the patient base at the Group's new eye care center in Penang, which commenced operations in early 2014, has steadily gained traction with increasing awareness over the past two years. In Malaysian Ringgit terms, revenue from Malaysia operations improved 14% to RM59.4 million in FY2015. However, when translated to the Group's reporting currency in Singapore Dollar, Malaysia operations recorded lower revenue growth of 3% to S\$20.9 million due to the depreciation of the Malaysian Ringgit against the Singapore Dollar.

The Malaysia operations accounted for around 78% of Group revenue in FY2015, with the remaining 22% or S\$5.8 million derived from the Group's operations in Singapore.

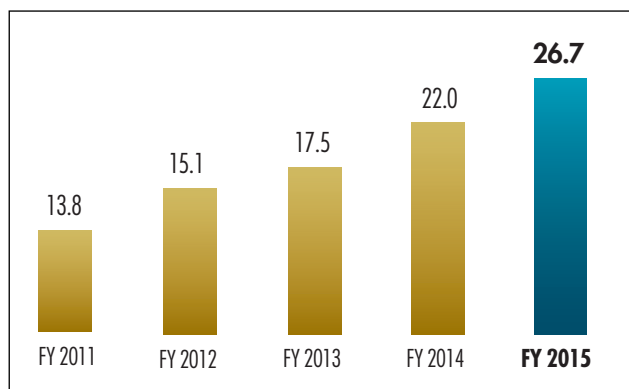
Gross profit grew 24% to S\$11.9 million in FY2015 in line with higher revenue contribution from Singapore operations. Correspondingly, gross profit margin improved to 45% in FY2015 from 44% in FY2014.

The Group's total operating expenses increased to S\$8.3 million in FY2015 from S\$6.5 million in FY2014, attributable mainly to higher administrative and other expenses. Selling expenses in FY2015 remained relatively stable at S\$0.2 million. Administrative expenses increased to S\$6.8 million in FY2015 from S\$6.1 million in FY2014 due to increased headcount to support the expansion of the Group's business activities, rental for new office space in Singapore and Kuala Lumpur, as well as higher corporate expenses associated with being a publicly-listed corporation.

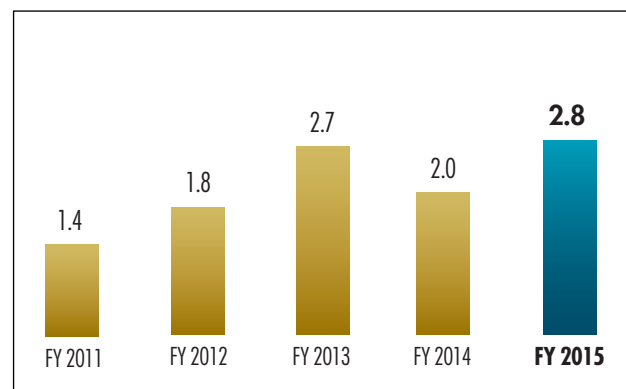
Other expenses increased to S\$1.3 million in FY2015 from S\$0.2 million in FY2014. This was attributable to a write-off of capitalised renovation costs and plant and equipment, and inventories which amounted to a total of S\$0.7 million following the closure of a clinic in Singapore (ISEC Singapore). There was also an increase in amortisation charge of S\$0.4 million in FY2015 relating to intangible assets arising from the acquisition of ISEC Eye which was completed in September 2014.

As a result, the Group registered higher net profit of S\$2.7 million in FY2015, compared to S\$1.9 million in FY2014. This was despite incurring an operating loss and closure costs for ISEC Singapore which amounted to S\$2.6 million in total. The loss was offset by higher profit contributions from the Malaysia operations and ISEC Eye.

REVENUE (S\$'m)



PROFIT ATTRIBUTABLE TO SHAREHOLDERS (S\$'m)



### Notes:

- FY2011, FY2012 and FY2013 figures only consist of financial results of ISEC Sdn. Bhd. and its subsidiaries in Malaysia.
- FY2014 figures consist of financial results of ISEC Sdn. Bhd. and its subsidiaries in Malaysia and financial results of ISEC Healthcare Ltd., International Specialist Eye Centre Pte. Ltd. (which was set up in August 2014 and subsequently closed in September 2015) and ISEC Eye (the acquisition of which was completed on 26 September 2014) in Singapore.

## BALANCE SHEET

At the end of FY2015, the Group maintained a sound financial position with cash and cash equivalents of S\$24.9 million and zero borrowings. Shareholders' equity increased to S\$52.0 million from S\$43.9 million as at 31 December 2014.

The Group's non-current assets as at 31 December 2015 increased to S\$28.8 million from S\$17.5 million as at 31 December 2014, due mainly to an increase in intangible assets. Intangible assets increased by S\$11.9 million, attributable mainly to goodwill of S\$12.4 million arising from the acquisition of Southern Specialist Eye Centre ("SSEC") in December 2015. This was offset partially by amortization of intangible assets in relation to the acquisition of ISEC Eye.

The goodwill related to SSEC was arrived at based on the excess of the fair value purchase consideration of S\$13.2 million over the net amount of the identifiable assets acquired at acquisition date and liabilities assumed of S\$0.8 million.

Current assets decreased to S\$27.9 million as at 31 December 2015 compared to S\$30.6 million at the end of FY2014. This was mainly attributable to lower trade and other receivables and cash and cash equivalents, partially offset by an increase in inventories.

Cash and cash equivalents declined by S\$2.3 million due mainly to the acquisition of SSEC. Trade and other receivables also decreased by approximately S\$0.7 million due to the receipt of goods and services tax receivables of S\$0.4 million by the Company and ISEC Singapore, the use of deposits of S\$0.1 million for the purchase of medical equipment and the receipt of deposits of S\$0.1 million by ISEC Singapore recorded as at 31 December 2014. Inventories increased by S\$0.4 million in anticipation of an increase in business activities for the Malaysia operations.

Current liabilities as at 31 December 2015 increased to S\$3.9 million from S\$3.3 million as at 31 December 2014. This was due mainly to higher trade and other payables resulting from increased purchases required to support the higher level of business activities in Malaysia, as well as an increase in provision for staff bonus in line with a larger headcount.

## CASH FLOW STATEMENT

The Group generated net cash from operating activities of S\$4.8 million in FY2015. This was derived primarily from operating cash flows before working capital changes of S\$5.8 million, and net working capital inflows of around S\$1.0 million arising from the decrease in trade and other receivables as well as higher trade and other payables. These were offset by net income tax payment of S\$1.9 million in FY2015.

Net cash used in investing activities in FY2015 amounted to S\$5.1 million. Approximately S\$4.5 million was used for the acquisition of SSEC while S\$0.7 million was spent on the purchase of plant and equipment. Net cash used in financing activities in FY2015 was S\$1.4 million, due mainly to the payment of dividends during the year.

As a result, the Group's cash and cash equivalents decreased to S\$24.9 million as at 31 December 2015 compared to S\$27.3 million as at 31 December 2014.

# BOARD OF DIRECTORS



**MR SITOH YIH PIN, 52**  
NON-EXECUTIVE CHAIRMAN AND  
INDEPENDENT DIRECTOR

Mr Sitoh Yih Pin is our Non-Executive Chairman and Independent Director and was appointed to our Board on 29 September 2014. He is also the Chairman of our Audit Committee and a member of both our Nominating and Remuneration Committees.

Mr Sitoh is a Chartered Accountant and the Chairman of Nexia TS Public Accounting Corporation. Mr Sitoh is the Member of Parliament of Potong Pasir Constituency.

He is also a director of Talkmed Group Limited. Mr Sitoh was also the director of several publicly listed companies in the preceding five years including Allied Technologies Limited, Lian Beng Group Ltd, Chinasing Investment Holdings Limited, Meiban Group Pte Ltd, United Food Holdings Limited and Nera Telecommunications Ltd.

Mr Sitoh holds a Bachelor of Accountancy (Honours) degree from the National University of Singapore and is a Fellow member of both the Institute of Chartered Accountants in Australia and the Institute of Singapore Chartered Accountants.

**DR LEE HUNG MING, 52**  
EXECUTIVE VICE CHAIRMAN

Dr Lee Hung Ming is our Executive Vice Chairman and was appointed on 2 January 2014. Dr Lee was an ex-officio member of our Medical Board, and Centre Director of Lee Hung Ming Eye Centre since 2007.

Dr Lee is a Senior Consultant Ophthalmologist, currently spearheading Lee Hung Ming Eye Centre at Gleneagles Hospital. He is a renowned LASIK and cataract specialist and is considered a key opinion leader in his fields of subspecialty, namely cornea, refractive surgery, cataract and implant surgery.

Dr Lee has sat on the Board of various professional associations and he has also received various awards, including the A.C.E. Award in 2003 for excellence in training and education of eye surgeons in the Asia Pacific region by the Asia Pacific Society of Cataract and Refractive Surgery and the International Gold Medal in 2011 by the Indian Intraocular Implant and Refractive Society for outstanding contribution in the field of ophthalmology.

Dr Lee graduated from the National University of Singapore with a Bachelor of Medicine and Bachelor of Surgery in 1989. He has also obtained his Master of Medicine in Ophthalmology from the Graduate School of Medical Studies, National University of Singapore, FRCS Fellowship from the Royal College of Edinburgh Scotland and FAMS (Ophth) Fellowship from the Academy of Medicine, Singapore.

**DR WONG JUN SHYAN, 50**  
EXECUTIVE DIRECTOR AND  
CHIEF EXECUTIVE OFFICER

Dr Wong Jun Shyan is our Executive Director and Chief Executive Officer and was appointed on 2 January 2014. Dr Wong was an ex-officio member of our Medical Board, and also one of the founding members of ISEC KL. He has been a Consultant Ophthalmologist at ISEC KL since 2007. He is considered a key opinion leader in his fields of subspecialty and Honorary Part Time Lecturer for the Department of Optometry, Faculty of Allied Health Sciences in Universiti Kebangsaan Malaysia.

Dr Wong previously sat on the Board of various professional associations, amongst others, as Vice-Chairman of the Ophthalmologic Society of Malaysian Medical Association and Chairman of the Malaysian Small Incision Surgery (MASIS) Panel. He was also a recipient of the American Academy of Ophthalmology Leadership Development Programme in 2006. Dr Wong has been a Fellow of the Royal College of Surgeons of Edinburgh since 1996 and a member of The Retina Society of the USA since 2007.

Dr Wong graduated from the National University of Singapore with a Bachelor of Medicine and Bachelor of Surgery in 1991 and obtained his Master of Medicine (Ophthalmology) in 1996. He completed his residency as Chief Resident in Ophthalmology at the National University Hospital Singapore and continued as Registrar and was a Retina Fellow at the Singapore National Eye Centre. Dr Wong then pursued clinical fellowships in VitreoRetinal (VR) Disease at The Royal Victorian Eye and Ear Hospital, University of Melbourne, the Beetham Eye Institute of Joslin Diabetes Centre, Boston, the Department of Ophthalmology at Harvard Medical School and the Massachusetts Eye and Ear Infirmary, Beth Israel Deaconess Medical Centre and Brigham and Women's Hospital.





**PROFESSOR LOW TECK SENG, 61**  
INDEPENDENT DIRECTOR

Professor Low Teck Seng is our Independent Director and was appointed to our Board on 29 September 2014. He is also the Chairman of our Nominating Committee and a member of both our Audit and Remuneration Committees.

Professor Low is currently the Chief Executive Officer of the National Research Foundation, Singapore. He is a tenured Professor at the National University of Singapore and Nanyang Technological University, and sits on the Board of publicly listed companies, including Singapore Post Limited and Excelpoint Technology Ltd. His previous Board appointments include Frencken Group Limited and Innotek Limited. He is also the Board Member of Singapore-MIT Alliance for Research & Technology Centre.

Prior to his appointment at the National Research Foundation, Professor Low was the Managing Director of A\*STAR from 2009 to 2012. Between 2008 and 2009, Professor Low was Group Senior Vice President and Chief Executive Officer of Parkway Education (a subsidiary of Parkway Heath Group). He also sat on the Board of the Health Science Authority in Singapore from 2004 to 2010.

Professor Low was the founding Director of the Data Storage Institute from 1992 to 1998. From 1998 to 2000 he served as Dean of Engineering at the National University of Singapore and from 2002 to 2008 he was the founding Principal of Republic Polytechnic.

In 2007, Professor Low was awarded the Public Administration Medal (Gold) by the President of Singapore for his outstanding contributions to the development of technical education and management of science and technology for the nation. He was awarded the National Science and Technology Medal, Singapore's highest honour for science and technology, in 2004 for his distinguished, sustained and exceptional contributions through the promotion and management of research and development. Professor Low is a fellow of Institute of Electrical and Electronics Engineers. In 2009, he was conferred the Honorary Doctor of Science by Southampton University in recognition of his contributions to Singapore and his profession internationally.

Professor Low graduated with First Class Honours in Electrical & Electronic Engineering in 1978 from Southampton University and subsequently received his PhD from the same university in 1982.



**MR LIM WEE HANN, 49**  
INDEPENDENT DIRECTOR

Mr Lim Wee Hann is our Independent Director and was appointed to our Board on 29 September 2014. He is also the Chairman of our Remuneration Committee and a member of both our Audit and Nominating Committees.

Mr Lim currently practises as an advocate and solicitor and is an Equity Partner, Co-Head of the Mergers & Acquisitions Practice Group at Rajah & Tann Singapore LLP and Executive Committee Member of Rajah & Tann LCT Lawyers. He is also called to the Malaysian Bar and is an Equity Partner of Messrs Christopher & Lee Ong, the Malaysian member firm of Rajah & Tann Asia.

Mr Lim has over 24 years of experience in the legal sector and specialises in cross-border investments, private mergers and acquisitions and other corporate transactions, labour and employment law, and also has significant biotechnology, health and pharmaceutical practice background. He currently also sits on the Board of A. Menarini Asia-Pacific Holdings Pte. Ltd., part of Menarini group, the largest Italian multinational biopharmaceutical company.

Mr Lim is a member of the Law Society of Singapore, the Singapore Academy of Law and the Bar Council of Malaysia. He graduated from the National University of Singapore with a Bachelor of Law (Honours) in 1990.

# EXECUTIVE OFFICERS

## **DR FANG SENG KHEONG** CHAIRMAN OF MEDICAL BOARD

Dr Fang Seng Kheong is the Chairman of our Medical Board and is one of the founding members of ISEC KL and has been a Consultant Ophthalmologist in our Group since 2007. Dr Fang is currently the President of the Malaysian Society of Ophthalmology (MSO), and is a Council member of the Asia-Pacific Academy of Ophthalmology. Dr Fang is also the Editorial Board member of the International Glaucoma Review, Asia-Pacific Journal of Ophthalmology, and Ocular Surgery News, Asia-Pacific Edition.

Prior to joining our Group, Dr Fang was a Consultant Ophthalmologist and Glaucoma Specialist at The Tun Hussein Onn National Eye Hospital in Petaling Jaya, Selangor from 1999 to 2007. Between 1995 and 1999, he was a Consultant Ophthalmologist and Chief of Glaucoma Service at Hospital Kuala Lumpur.

Dr Fang has been a life member of the Malaysian Medical Association since 1992 and is also a member of numerous medical associations including the College of Surgeons Malaysia, College of Ophthalmologist, Academy of Medicine Malaysia, American Academy of Ophthalmology and Asia-Pacific Glaucoma Society where he has been the Honorary Secretary since 2012. He is also a founding member of the Malaysian Society of Ophthalmology.

Dr Fang graduated with a Bachelor of Medicine and Bachelor of Surgery from University of Malaya in 1986. In 1994, he obtained his Masters in Surgery (Ophthalmology) from the National University of Malaysia (Universiti Kebangsaan Malaysia).

## **DR CHOONG YEE FONG** KUALA LUMPUR CENTRE DIRECTOR

Dr Choong Yee Fong is one of the founding members of ISEC KL and is the Medical Director of our Kuala Lumpur Centre. He has been a Consultant Ophthalmologist in our Group since 2007 and is a Visiting Consultant Ophthalmologist at Gleneagles Kuala Lumpur, Malaysia.

A key opinion leader in the subspecialty fields of adult strabismus and paediatric ophthalmology and refractive cataract surgery, Dr Choong received the British High Commissioner's Award, a prestigious academic scholarship for medical studies in 1990. Therefrom, he continued to receive various awards and recognition throughout his medical studies and was awarded the Welsh Office Research and Development Grant by the Government of Wales in 2001.

Dr Choong is currently a member of the Academy of Medicine Malaysia, the Malaysia Medical Association and a founding member of the World Society of Paediatric Ophthalmology and Strabismus.

Dr Choong graduated with a Bachelor of Medicine and Bachelor of Surgery from the University of Leeds, United Kingdom in 1995. He has been a Fellow of the Royal College of Ophthalmologists, London, United Kingdom since 1998.

## **DR ALAN ANG** PENANG CENTRE DIRECTOR

Dr Alan Ang joined our Group in October 2012 and is the Medical Director of our Penang Centre. He specialises in both cataract and vitreoretinal surgery and is considered a key opinion leader in his field of subspecialty.

Prior to joining us, Dr Ang was a Consultant Vitreoretinal Surgeon at the Royal Hallamshire Hospital in Sheffield, United Kingdom. Between 2004 and 2005, Dr Ang completed his Vitreoretinal Fellowship at Addenbrooke's Hospital in Cambridge and Oxford Radcliffe Infirmary. He is also a member of the United Kingdom Ireland Society of Cataract and Refractive Surgery and the European Society of Cataract and Refractive Surgery.

Dr Ang graduated with a Bachelor of Medicine, Bachelor of Surgery and Bachelor of Obstetrics from Queen's University of Belfast, United Kingdom in 1996.

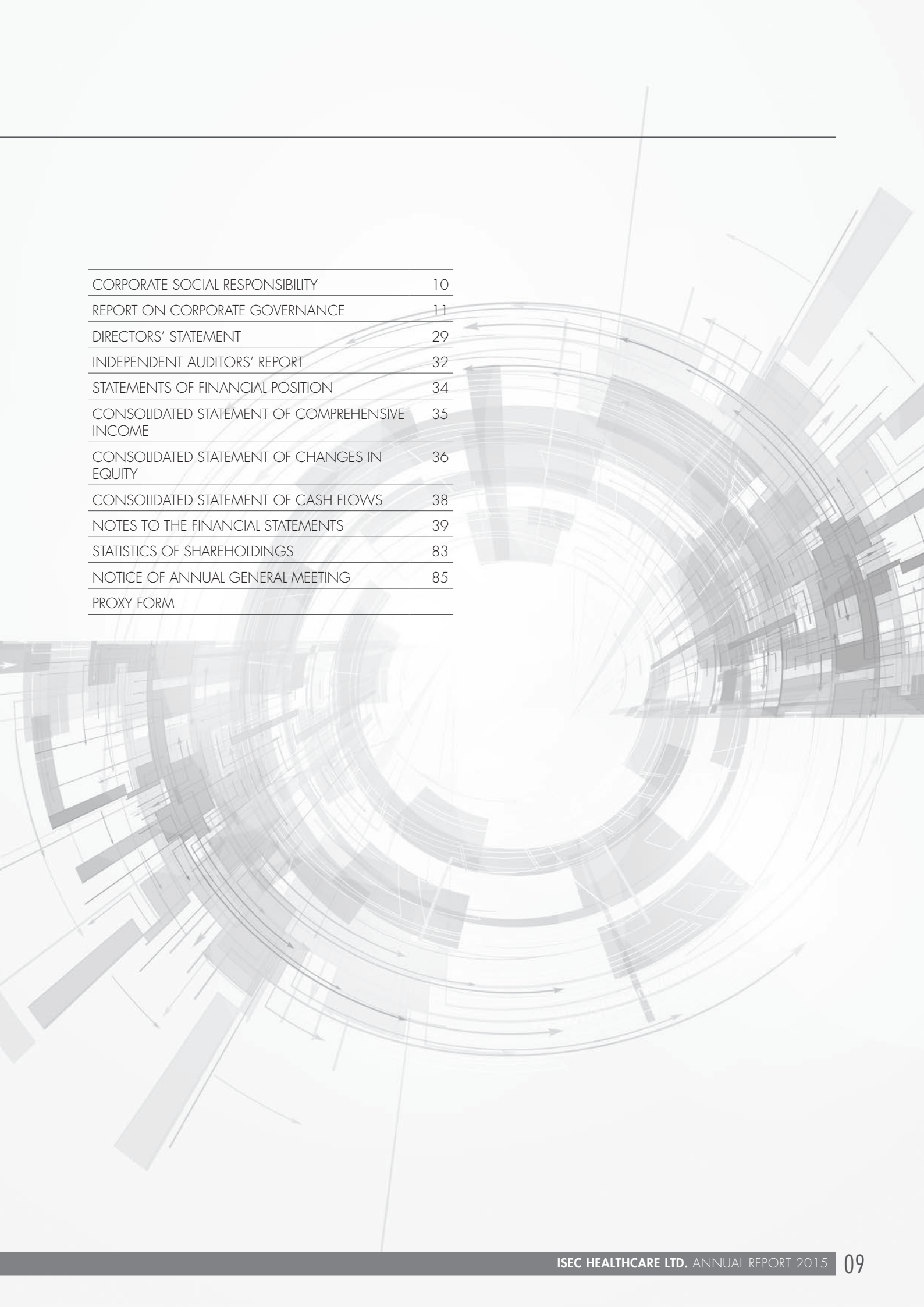
He has been a Fellow of the Royal College of Ophthalmologists, London, United Kingdom since 1999 where he received his Certificate of Specialist Training in Ophthalmology in 2004.

## **MS MACY THONG** CHIEF FINANCIAL OFFICER

Ms Macy Thong is our Chief Financial Officer and joined the Group in April 2014 and is responsible for overseeing the finance and accounting functions of our Group.

Prior to joining the Group, Ms Thong held managerial roles in accounting and finance, corporate finance, administration, investors relations and corporate affairs for various companies that included OPTIMAX Eye Specialist Centre Sdn Bhd, Sena Diecasting Industries Sdn Bhd, Megan Media Holdings Berhad and Nirvana Asia Ltd. (formerly known as NV Multi Corporation Berhad). Ms Thong started her career with KPMG, Malaysia.

Ms Thong has been a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom, since 2005 and has been a Member of the Malaysia Institute of Accountants since 2001. Ms Thong graduated from Tunku Abdul Rahman College (TARC) Malaysia with a Diploma in Commerce (Financial Accounting) in 1996.



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# CORPORATE SOCIAL RESPONSIBILITY

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As a provider of medical eye care services and a publicly-listed company, ISEC Healthcare takes our commitment to Corporate Social Responsibility (CSR) very seriously by offering our medical expertise responsibly and generously.

## **COMMITMENT TO PATIENTS**

As part of our Group's Service Quality Control, we emphasise on providing quality eye care that is in line with the highest safety standards.

ISEC KL became the first eye care centre in the South East Asia and Far East Region to obtain the prestigious Joint Commission International ("JCI") accreditation in 2009, which was subsequently renewed in 2012 and 2015. This is a testament to the Group's continuous commitment to safety and quality of care. To offer our patients the best care possible, our specialist doctors constantly update themselves with the latest in medical technology advancements. ISEC Malaysia was also awarded the 2015 Ophthalmology Services Provider by Frost and Sullivan Malaysia.

We have an internal medical board to implement and govern the compliance code of ethics of specialist doctors within the Group, oversee patients' interests, govern internal disciplinary matters, manage research and training of the medical staff and monitor the medical outcome and audit programmes.

## **COMMITMENT TO EMPLOYEES**

We recognise that people are our most valuable resources, and are committed to providing them with a Human Resource framework that will ensure a rewarding and fulfilling career.

We constantly upgrade the proficiencies of our employees to ensure our services rendered are at a high and consistent level and also encourage them to acquire new skills to improve their job competency.

## **COMMITMENT TO THE COMMUNITY**

We understand that as medical practitioners we have an obligation to the community and the ability to make a difference.

ISEC Healthcare conducts clinical trials from time to time to seek new solutions, methods and technologies that will enhance medical eye care. We are currently conducting collaborative clinical trials with international pharmaceutical companies on glaucoma intervention. Some of our specialist doctors are also actively involved in the development of eye care equipment and technology by sitting on advisory boards of key corporations including Bayer Healthcare, Alcon Laboratories, Novartis, Ophthalmic and Allergan Inc.

In Malaysia, the Group engages in public education, free professional development programmes for optometrists and opticians and provides free eye screening and pro bono eye care programmes. In conjunction with World Glaucoma Week, ISEC KL provided free eye screening for glaucoma. Both ISEC KL and ISEC Penang were also active in Asia-Pacific Eye Care Week in conjunction with World Sight Day, providing educational talks on eye healthcare and free eye screening programmes. Our specialist doctors at ISEC Penang also provided free eye screening for diabetic retinopathy on World Diabetic Day. ISEC KL continues to provide pro bono teaching and training programme for the optometrist students from the Faculty of Allied Health Universiti Kebangsaan Malaysia and SEGi University.

## **COMMITMENT TO SHAREHOLDERS**

We are fully committed to engage in an open two-way communication with the investment community to keep them updated with transparent, timely and accurate information. Since our listing in October 2014, we have maintained a dedicated investor relations section on our corporate website with easy access to our latest corporate announcements, press releases and presentation slides which were also posted on SGXNet. We also hold 1-on-1 meetings with analysts and investors, and small group meetings upon request.

# REPORT ON CORPORATE GOVERNANCE

The Board of Directors (the “**Board**”) and the management (the “**Management**”) of ISEC Healthcare Ltd. (the “**Company**” or together with its subsidiaries, the “**Group**”) are committed to maintain a high degree of corporate governance and transparency for the benefit of all its stakeholders. For the financial year ended 31 December 2015 (“**FY2015**”), the Board and Management are pleased to confirm that the Company has adhered to the principles and guidelines of the Code of Corporate Governance 2012 (the “**Code**”) where applicable, pursuant to Rule 710 of Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”) issued by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

This report outlines the Company’s corporate governance processes and structure that were in place during FY2015, with specific reference to the principles and guidelines of the Code and the disclosure guide developed by the SGX-ST in January 2015 (the “**Guide**”). Where there is a deviation from the Code and/or the Guide, proper explanation has been provided.

## (A) BOARD MATTERS

### Principal 1 – The Board’s Conduct of its Affairs

The Board oversees the corporate policy and overall strategy for the Group. The principal roles and responsibilities of the Board include:

- Oversees the overall strategic plans including sustainability and environmental issues as part of its strategic formulation, strategic human resources framework, and financial objectives of the Group; and
- Oversees and safeguards shareholders’ interest and the Company’s assets through a robust system of effective internal controls, risk management, financial reporting and compliance.

The Board is the highest authority of approval and specific functions of the Board are either carried out by the Board or through various committees established by the Board, namely, the Audit Committee (the “**AC**”), the Nominating Committee (the “**NC**”) and the Remuneration Committee (the “**RC**”) (collectively, the “**Board Committees**”). Each committee has the authority to examine issues relevant to their term of references and to make fair, proper and appropriate recommendations to the Board when required. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board. Matters that require the Board’s approval include, amongst others, the following:

- Board authorization limits;
- Interested persons transactions exceeding S\$100,000;
- Bank mandates and facilities;
- Appointment and re-election of Directors at general meeting;
- Salaries and benefits/allowances of the members of the Board and key management personnel;
- Share option and performance share schemes;
- Investments, mergers and acquisitions (“**M&A**”) transactions and divestments;
- Independent valuation reports prior to making any investments, M&A transactions and divestments decision;
- Annual business strategy and the financial budget;
- Significant capital expenditure and purchase of major assets;
- Public announcements and responses to the SGX-ST/regulators;
- Dividend decisions;
- Auditor’s reports if deemed satisfactory and free of material errors after review; and
- Composition of the Medical Board.

The Board conducts scheduled meetings on a quarterly basis. Additional meetings are convened as and when circumstances warrant. The Constitution of the Company (the “**Constitution**”) allow Board meetings to be conducted via any form of audio or audio-visual communication. The Directors are free to discuss any information or views presented by any member of the Board and Management.

# REPORT ON CORPORATE GOVERNANCE

The Company adopts a policy which welcomes Directors to request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business from the Management. The CEO updates the Board at each meeting on business and strategic developments of the Group, where applicable.

When necessary or appropriate, members of the Board exchange views outside the formal environment of board meetings. Each Board member is expected to objectively discharge his or her duties and responsibilities at all times as fiduciaries in the best interest of the Company.

The attendance record of each Director at meetings of the Board and Board Committees during the FY2015 is disclosed below:

	Board	AC	NC	RC
<b>Number of meetings held in FY2015</b>	5	4	1	1
<b>Name of Director</b>	<b>Number of meetings attended in FY2015</b>			
Sitoh Yih Pin	5	4	1	1
Dr Lee Hung Ming	5	-	-	-
Dr Wong Jun Shyan	5	-	-	-
Professor Low Teck Seng	5	4	1	1
Lim Wee Hann	5	4	1	1

Newly appointed directors will be given briefings and orientation by the Executive Directors and Management to familiarise them with the businesses and operations of the Group. The newly appointed directors will also be provided with an opportunity to conduct a site visit at the Group's medical centers. Upon appointment, the Director will receive a letter of appointment setting out his/her duties and responsibilities. The Company will arrange and fund the relevant training for any newly appointed directors who do not possess any prior experience as a director of a listed company. There were no new directors appointed in FY2015.

The Directors may join institutes and group associations of specific interests, and attend relevant training seminars or informative talks from time to time so that they are in a better position to discharge their duties. The Company encourages the directors to attend courses in areas of directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, changes in the Companies Act (Chapter 50) of Singapore (the "**Companies Act**") and industry-related matters, to develop themselves professionally, at the Company's expense.

The Board is regularly briefed on recent updates and changes in relation to accounting standards, amendments to the Companies Act and Catalist Rules and other applicable regulatory updates or amendments to relevant laws, rules and regulations from time to time.

For FY2015, briefings, updates and trainings for the Directors includes:

- briefing by the external auditors ("**EA**") on changes or amendments to accounting standards at the AC meetings; and
- updates by the Company Secretary on amendments to the Companies Act, and Catalist Rules, from time to time.

## Principle 2 – Board Composition and Guidance

Currently, the Board comprises five (5) directors, as set out below. There are two Executive Directors namely Dr Lee Hung Ming who is the Executive Vice Chairman of the Company and Dr Wong Jun Shyan who is the Executive Director and Chief Executive Officer of the Company. The Non-Executive and Independent Directors comprise Mr Sitoh Yih Pin, Professor Low Teck Seng and Mr Lim Wee Hann.

Director	Designation	Date of Initial Appointment as Director	Date of Last Re-Election	AC	NC	RC
Sitoh Yih Pin	Non-Executive Chairman and Independent Director	29 September 2014	24 April 2015	Chairman	Member	Member
Dr Lee Hung Ming	Executive Vice Chairman	2 January 2014	24 April 2015	–	–	–
Dr Wong Jun Shyan <sup>(1)</sup>	Executive Director and Chief Executive Officer	2 January 2014	Nil	–	–	–
Professor Low Teck Seng	Independent Director	29 September 2014	24 April 2015	Member	Chairman	Member
Lim Wee Hann <sup>(2)</sup>	Independent Director	29 September 2014	24 April 2015	Member	Member	Chairman

### Notes:

- (1) Dr Wong Jun Shyan will retire pursuant to Regulation 114 of the Constitution of the Company and is subject to re-election as a director at the forthcoming AGM of the Company to be held on 28 April 2016.
- (2) Mr Lim Wee Hann will retire pursuant to Regulation 114 of the Constitution of the Company and is subject to re-election as a director at the forthcoming AGM of the Company to be held on 28 April 2016.

The NC evaluates on an annual basis whether or not a Director is independent in accordance with the Code. The NC assessed the independence of each Director and had considered Mr Sitoh Yih Pin, Professor Low Teck Seng and Mr Lim Wee Hann to be independent.

Details of the Directors' qualifications and experiences are set out on pages 6 and 7 of this Annual Report.

The current Independent Directors have also confirmed their independence in accordance with the Code. Each member of the NC has abstained from deliberations in respect of the assessment of his own independence. There is no Independent Director who has served beyond nine years since the date of his first appointment.

For FY2015, the NC had reviewed the size and composition of the Board for effective decision making, taking into account factors such as the scope and nature of the operations of the Group and the core competencies of Board members in the fields of medical, accounting and finance, and professional legal services. The Non-Executive Directors are able to constructively challenge and assist in the development of the business strategies and in reviewing and monitoring of the Management's performance against set targets.

The Independent Directors may at any time meet separately without the presence of Management. For FY2015, the Independent Directors have met in February 2015 without the presence of Management together with the external auditors.

# REPORT ON CORPORATE GOVERNANCE

The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender. The current Board composition provides a diversity of skills, experience, and knowledge to the Company as follows:

<b>Balance and Diversity of the Board</b>		
	<b>Number of Directors</b>	<b>Proportion of Board</b>
<b>Core Competencies</b>		
– Accounting or finance related	1	20%
– Business and management experience	5	100%
– Engineering & Research and Development	1	20%
– Legal or corporate governance	3	60%
– Relevant industry knowledge	2	40%
– Strategic planning experience	5	100%

The Board has taken the following steps to maintain or enhance its balance and diversity:

- Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and
- Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board.

The NC has considered the results of these exercises in its recommendation for the appointment of new Directors and/or the re-appointment of incumbent Directors.

### **Principle 3 – Chairman and Chief Executive Officer**

The roles of the Chairman and Chief Executive Officer (the "CEO") in the Company are separate. Mr Sitoh Yih Pin is our Non-Executive Chairman of the Board and is also our Independent Director. Dr Wong Jun Shyan is our CEO. The Chairman and the CEO are not related.

The CEO has the executive responsibility for the day-to-day operations of the Group whilst the Chairman provides overall leadership to the Board. The Chairman, with the help of the Company Secretary, ensures that Board meetings are held as and when necessary and sets the meeting agenda in consultation with the CEO and fellow directors and other executives, and if warranted, with professional advisors.

The Chairman also ensures the quality, quantity and timeliness of the flow of information between the Management, the Board and shareholders. He assumes the lead role in promoting high standards of corporate governance processes as well as the culture of openness and debate at Board meetings. He also encourages constructive relationship within the Board and between the Board and Management while facilitating the effective contributions of Non-Executive Directors and Independent Directors during the Board meetings.



## Principle 4 – Board Membership

The Company has established the NC to make recommendations to the Board on all Board appointments and re-appointments. The key terms of reference of the NC include:

- (a) making recommendations to the Board on relevant matters relating to (i) the review of board succession plans for Directors, in particular, the Chairman and the CEO, (ii) the review of training and professional development programs for the Board and (iii) the appointment and re-appointment of Directors (including alternate Directors, if applicable);
- (b) reviewing and determining annually, and as and when circumstances require, if a Director is independent, in accordance with the Code and any other salient factors;
- (c) reviewing the composition of the Board annually to ensure that the Board and its committees comprise Directors who as a group provide an appropriate balance and diversity of skills, expertise, gender and knowledge of the Group and provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge; and
- (d) where a Director has multiple board representations, deciding whether the Director is able to and has been adequately carrying out his duties as a Director, taking into consideration the Director's number of listed company board representation and other principal commitments.

The NC comprises three directors, all whom including the Chairman, are non-executive and independent. The NC members are:

- Professor Low Teck Seng (Chairman)
- Sitoh Yih Pin
- Lim Wee Hann

The NC has implemented a process for assessing the effectiveness of the Board as a whole and its committees, and for assessing the contribution of our Chairman and each individual Director to the effectiveness of the Board. The Chairman will act on the results of the performance evaluation of the Board, and in consultation with the NC to propose, where appropriate, any new member to be appointed to the Board or seek the resignation of an existing Director.

At each AGM of the Company, the Constitution requires one-third of the Directors (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, being one third of those who have been longest in office since their last re-election. The retiring Directors would submit themselves for re-nomination and re-election. Newly appointed Directors are required to submit themselves for re-election at the next AGM following their appointments.

# REPORT ON CORPORATE GOVERNANCE

The NC has noted that the following directors will retire via rotation at the forthcoming AGM pursuant to the following Regulation of the Constitution:

Name of Director	Designation	Retiring Pursuant to Constitution
Dr Wong Jun Shyan	Executive Director and Chief Executive Officer	114
Lim Wee Hann	Independent Director	114

The NC had reviewed and recommended that Dr Wong Jun Shyan who will retire via rotation pursuant to the Regulation 114 of the Constitution, being eligible and having consented, be nominated for re-election as Director at the forthcoming AGM, and subject to being duly re-elected, Dr Wong Jun Shyan will remain as the Executive Director and Chief Executive Officer.

Pursuant to Regulation 114 of the Constitution, Mr Lim Wee Hann will retire at the forthcoming AGM. The NC, with Mr Lim Wee Hann having abstained from the deliberations, had recommended Mr Lim Wee Hann for re-election at the forthcoming AGM.

Upon re-election as Director, Mr Lim Wee Han will remain as an Independent Director, the RC Chairman and a member of the AC and NC. Mr Lim Wee Hann will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

In assessing and recommending a candidate for appointment to the Board, the NC takes into consideration the background, qualifications, experience and knowledge that the candidate brings and which could benefit the Board. Other important issues to be considered as part of the process for the selection, appointment and re-appointment of Directors include the composition and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candor), if applicable, as an Independent Director.

The NC may also engage external search consultants to search for new Directors at the Company's expense. New Directors are appointed by way of a board resolution after the NC recommends the appointment for approval of the Board.

As a broad-based NC policy, the board nomination process for evaluating an Executive Director vis-a-vis a Non-Executive or Independent Director is different. For an Executive Director, the nomination process would in general be tied to his ability to contribute through his acumen and thinking process of the businesses. As for a Non-Executive or Independent Director, his nominations are hinged on myriad of criteria whereby he should possess the independence of mind despite confirmation via in writing, as evaluated by the NC. The existing Independent Directors were selected from contacts as recommended to Management, where Management had in their opinion, deemed that these professionals will be able to give an independent view to take the Group's businesses to a higher level as the current Executive Directors lack listed company directorship experience and would depend on the stewardship of more experienced Independent Directors.

Furthermore, the NC also had considered, and is of the opinion, that based on the following considerations evaluated, they had not impeded any Director's performance in FY2015 from carrying out their duties to the Company:

- (a) expected and/or competing time commitments of each Director;
- (b) number of board representation held by each Director;
- (c) size and composition of the Board; and
- (d) nature and scope of the Group's operations and size.

For FY2015, the Board did not set any cap on the number of listed company directorships given that all Non-Executive or Independent Directors were able to dedicate their time to the business of the Company. Nevertheless, if the Board finds that time commitment is lacking from any particular director, they may consider imposing a cap in future. There is no alternate director appointed by any Director in FY2015.

The following key information regarding directors are set out on the following pages of this Annual Report:

- (a) Pages 6 to 7 – Academic and professional qualifications, date of first appointment as director, if any, directorships or chairmanships both present and those held over the preceding three years in other listed companies and other major appointments, whether the appointment is executive or non-executive, or considered by the NC to be independent; and
- (b) Page 29 – Shareholdings, if any, in the Company and its subsidiaries.

## **Principle 5 – Board Performance**

The NC is responsible for assessing the effectiveness of the Board as a whole, the Board Committees and each individual Director. The NC decides how the Board's performance may be evaluated and proposes objective performance criteria that are approved by the Board.

The criteria for evaluation of the performance of individual directors include qualitative and quantitative factors such as performance of principal functions and fiduciary duties, Director's attendance at meetings and his contribution and performance at such meetings. The NC and the Board strives to ensure that each Director, with his contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The NC meets once a year, and as warranted by circumstances, to discharge its functions. In FY2015, one NC meeting was held in February 2015.

The NC has in place an annual performance evaluation process for assessing the effectiveness of the Board as a whole and its Board Committees and for assessing the contribution by the Chairman and each individual director to the effectiveness of the Board. The Company Secretary will collate the Board's and directors' evaluations and provide the summary observations to the NC Chairman and the Board Chairman. The NC would then discuss the evaluation and conclude the performance results during the NC meeting.

The NC had at a meeting held in February 2016 assessed the performance of the Board, the Board Committees and individual Directors (including the Chairman). The assessment of the Board and the Board Committees is done via a confidential questionnaire, covering areas such as Board composition, Board processes managing the Group's performance and the effectiveness of the Board in its monitoring role and the effectiveness of the respective Committees. The assessment of the individual directors is done through peer assessments through a confidential questionnaire completed by each director. The assessment parameters include attendance and contributions during Board and Board Committee meetings as well as commitment to their role as directors.

The NC, having reviewed the performance of the Board in terms of its roles and responsibilities and the conduct of its affairs as a whole, is of the view that the Board and the Board Committees have operated effectively and each Director (including the Chairman) has contributed to the overall effectiveness of the Board in FY2015. No external facilitator was used in the evaluation process.

## **Principle 6 – Access to Information**

Management including the Executive Directors keeps the Board apprised of the Group's operations and performance through quarterly updates and reports as well as through informal discussions. Key executives who can provide additional insight into the matters at hand would be invited to the Board meeting.

# REPORT ON CORPORATE GOVERNANCE

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Prior to any meetings of the Board or the Board Committees, Directors are provided, where appropriate, with sufficient relevant information to enable them to be prepared for the meetings. On an ongoing basis, all Board members have separate and independent access to Management should they have any queries or require additional information on the affairs of the Group.

Before each meeting, Management would provide the Board members with the required explanatory documents relating to matters to be brought before the Board. The Management also provides the Board with quarterly updates on financial results, operational performance, business development and other important and relevant information.

The Directors also have access to the Company Secretary who attends all Board and its Board Committees' meetings. The Company Secretary also assists the Chairman and the Board to implement and strengthen corporate governance practices and processes. The Board is given the names and contact details of the Company's Management and the Company Secretary to facilitate direct, separate and independent access. The appointment and removal of the Company Secretary is subject to the approval of the Board as a whole.

Where the Directors either individually or as a group, in the furtherance of their duties, require independent professional advice, assistance is made available to them in obtaining such advice at the Company's expense.

## **(B) REMUNERATION MATTERS**

### **Principle 7 – Procedures for Developing Remuneration Policies**

The terms of reference of the RC cover the functions described in the Code including but not limited to, the following:

- (a) reviewing and recommending to the Board, in consultation with the Chairman of the Board for endorsement, a comprehensive remuneration policy framework and guidelines for remuneration of Directors, the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of our Company ("**Key Management Personnel**");
- (b) reviewing and recommending to the Board for endorsement, the specific remuneration packages for each Director and Key Management Personnel;
- (c) reviewing and approving the design of all share option plans, performance share plans and/or other equity based plans;
- (d) in the case of service contracts, reviewing the Company's obligations arising in the event of termination of the Directors' or Key Management Personnels' contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with a view to being fair and avoiding the reward of poor performance; and
- (e) approving performance targets for assessing the performance of each of the Key Management Personnel and recommend such targets for each of such Key Management Personnel, for endorsement by the Board.

The RC comprises entirely Non-Executive Directors, all of whom are independent. The RC meets at least once a year, and as warranted by circumstances, to discharge its functions. The RC members are:

- Lim Wee Hann (Chairman)
- Sitoh Yih Pin
- Professor Low Teck Seng

All recommendations made by the RC on remuneration of Directors and Key Management Personnel will be submitted for endorsement by the Board. No member of the RC is involved in setting his remuneration package. As and when deemed appropriate by the RC, independent expert advice is sought at the Company's expense. The RC shall ensure that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.

## Principle 8 – Level and Mix of Remuneration

The RC recommends to the Board the quantum of directors' fees and the Board in turn endorses the recommendation for shareholders' approval at each AGM. To facilitate timely payment of directors' fees, the Company has recommended for the directors' fees amounting to S\$210,000/- to be paid on a quarterly basis in arrears for FY2016 once approval is obtained from shareholders at the forthcoming AGM.

The remuneration packages take into consideration the performance of the Group and individual assessment of each Non-Executive Director, the level of contribution to the Company and Board, taking into account various factors including but not limited to efforts and time spent, responsibilities and duties of the Directors.

For the Executive Directors and Key Management Personnel, each of their service agreements and/or compensation packages is reviewed by the RC. These service agreements cover the terms of employment and specifically, the salaries and bonuses of the Executive Directors and Key Management Personnel. The Company may terminate a service agreement if, inter alia, the relevant Executive Director or Key Management Personnel is guilty of dishonesty or serious or persistent misconduct, become bankrupt or otherwise act to the Company's prejudice. Executive Directors of the Company are not entitled to any Directors' fees.

The Company has entered into separate service agreements (the "**Service Agreements**") with the Executive Directors, namely, Dr Lee Hung Ming and Dr Wong Jun Shyan. Please refer to our Offer Document dated 14 October 2014 page 140 and 141 for the details of the service agreements.

The RC will ensure that the Independent Directors are not overcompensated to the extent that their independence may be compromised. Non-Executive Directors are able to participate in the ISEC Healthcare Share Option Scheme and hold shares in the Company so as to better align their interests with the interests of shareholders.

During FY2015, the RC had reviewed the compensation and remuneration packages and believes that the remuneration of Directors and Key Management Personnel commensurate with their respective roles and responsibilities. For FY2015, the Company did not engage any external remuneration consultant to assist in the review of compensation and remuneration packages.

There are no termination, retirement and post-employment benefits that may be granted to the Directors, the CEO and top 5 Key Management Personnel.

# REPORT ON CORPORATE GOVERNANCE

## Principle 9 – Disclosure on Remuneration

The breakdown (in percentage terms) of the remuneration of Directors of the Company for FY2015 is set out below:

Remuneration and Name of Director	Salary and allowance <sup>(1)</sup> (%)	Fixed Bonus <sup>(1)</sup> (%)	Variable Bonus <sup>(1)</sup> (%)	Director's Fees <sup>(2)</sup> (%)	Total (%)
<b>From S\$0 to S\$250,000</b>					
Lim Wee Hann	0	0	0	100	100
Professor Low Teck Seng	0	0	0	100	100
Sitoh Yih Pin	0	0	0	100	100
<b>From S\$1,000,001 to S\$1,250,000</b>					
Dr Lee Hung Ming	58	26	16	0	100
<b>From S\$1,250,001 to S\$1,500,000</b>					
Dr Wong Jun Shyan	89	0	11	0	100

The breakdown (in percentage terms) of the remuneration of the 5 top Key Management Personnel of the Group for FY2015 is set out below:

Remuneration and Name of Key Management Personnel	Designation	Salary and allowance <sup>(1)</sup> (%)	Consultancy Fees (%)	Variable Bonus <sup>(1)</sup> (%)	Others <sup>(4)</sup> (%)	Total (%)
<b>From S\$250,001 to S\$500,000</b>						
Dr Alan Ang	Penang Centre Director	75	12	13	0	100
Macy Thong	Chief Financial Officer	70	0	30	0	100
<b>From S\$500,001 to S\$750,000</b>						
Dr Cordelia Chan <sup>(3)</sup>	Singapore Centre Director	100	0	0	0	100
Dr Fang Seng Kheong	Medical Board Chairman	83	16	1	0	100
<b>From S\$750,001 to S\$1,000,000</b>						
Dr Choong Yee Fong	Kuala Lumpur Centre Director	80	15	4	1	100

## Notes:

1. The salary, allowance, fixed and variable bonus amounts shown are inclusive of Central Provident Funds and Employees Provident Funds contributions respectively.
2. The director's fees are subject to shareholders' approval at the forthcoming Annual General Meeting.
3. Dr Cordelia Chan had resigned as Singapore Centre Director with effect from 31 December 2015.
4. Dr Choong Yee Fong ("**Dr Choong**") is a director of the Company's subsidiary, ISEC Sdn. Bhd. ("**ISEC KL**"). There are director's fees payable to Dr Choong from ISEC KL for FY2015.

Given the highly competitive conditions, sensitive and confidential nature of such information of each Director and Key Management Personnel, the Company believes that the disclosure of the total remuneration as recommended by the Code may not be in the best interest of the Group. Nevertheless, the Company has sought to provide the remuneration in the bands of S\$250,000 and also a breakdown in percentage terms.

In aggregate, the total remuneration paid to the 5 top Key Management Personnel was S\$2,792,000 in FY2015. There is no family relationship between any of our Directors, CEO and/or Key Management Personnel, and there is also no employee who is an immediate family member of a Director and/or CEO whose remuneration exceeded S\$50,000 during FY2015.

The remuneration received by the Executive Directors and Key Management Personnel takes into consideration his or her individual performance and contribution toward the overall performance of the Group for FY2015. Their remuneration is made up of fixed and variable compensations. The fixed compensation consists of an annual base salary and fixed allowance. The variable compensation is determined based on the level of achievement of corporate and individual performance objectives.

## SHARE OPTION SCHEME

On 26 September 2014, the shareholders adopted the "ISEC Healthcare Share Option Scheme" (the "**Share Option Scheme**"). The Share Option Scheme has been assigned by the Board of Directors to be administered by a committee comprising members of our Remuneration Committee (the "**Committee**").

The primary objective of establishing the Share Option Scheme is to provide eligible participants (the "**Participant**") with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The Share Option Scheme, which forms an integral and important component of a compensation plan, is designed to primarily reward and retain Directors (including Independent Directors) and employees of the Group whose services are vital to our well-being and success. The other objectives of the Share Option Scheme are as follows:

- to retain key employees and Directors of the Group whose contributions are essential to the long-term growth and prosperity of the Group;
- to instil loyalty to, and a stronger identification by Participants with the long-term prosperity of the Company;
- to attract potential employees with relevant skills to contribute to the Group and to create value for our shareholders; and
- to align the interests of Participants with the interests of our shareholders.

The Share Option Scheme allows for participation by full-time employees of the Group and Directors (including Independent Directors) who have attained the age of 21 years on or before the relevant date of grant of the option, provided that none shall be an undischarged bankrupt or have entered into a composition with his creditors. The aggregate number of shares which may be offered by way of grant of options to the controlling shareholder and their respective associates under the Share Option Scheme shall not exceed 25% of the total number of shares available under the Share Option Scheme, with the number of shares which may be offered by way of grant of options to each controlling shareholder and his respective associate not exceeding 10% of the total number of shares available under the Share Option Scheme.

# REPORT ON CORPORATE GOVERNANCE

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The total number of shares over which the Committee may grant options on any date, when added to the number of shares issued and issuable in respect of all options granted under the Share Option Scheme (including any other share option schemes of our Company) shall not exceed 15% of the number of all issued shares (excluding treasury shares) on the day preceding the date of the relevant grant.

No share has been awarded to any Participant under the Share Option Scheme since adoption including in FY2015.

The options that are granted under the Share Option Scheme may have exercise prices that are, at the discretion of the Committee:

- (a) set at a discount to a price equal to the average of the last dealt prices for the shares on the SGX-ST for the five (5) consecutive market days immediately preceding the relevant date of grant of the relevant option (the “**Market Price**”) (subject to a maximum discount of 20%) (the “**Incentive Options**”); or
- (b) fixed at the Market Price (the “**Market Price Options**”).

Subject as provided in the Share Option Scheme and any other conditions as may be introduced by the Committee from time to time, a Market Price Option or an Incentive Option, as the case may be, shall be exercisable, in whole or in part, as follows:

- (a) in the case of a Market Price Option, during the period commencing after the first anniversary of the date of grant and expiring on the tenth anniversary of such date of grant (or such shorter period if so determined by the Committee); and
- (b) in the case of an Incentive Option, during the period commencing after the second anniversary of the date of grant and expiring on the tenth anniversary of such date of grant (or such shorter period if so determined by the Committee).

The Share Option Scheme shall continue in operation for a maximum period of 10 years commencing on the date on which the Share Option Scheme is adopted by our Company in general meeting, provided that the Share Option Scheme may continue for any further period thereafter with the approval of our Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

## **(C) ACCOUNTABILITY AND AUDIT**

### **Principle 10 – Accountability**

The Board is responsible for providing a balanced and understandable assessment of the Group’s performance, position and prospects, including interim and other price sensitive public information and reports to regulators (if required). Management provides directors on a quarterly basis with sufficient relevant information on the Group’s financial performance and commentary of the competitive conditions of the industry in which the Group operates. The Company adopts a policy which welcomes directors to request for further explanations, briefings or informal discussions on any aspect of the Group’s operations or business from Management.

The AC reports to the Board on the financial results for review and approval. The Board approves the financial results after review and authorises the release of the results on SGXNet and the public. The Company also uploads the latest announcement(s) which has been disseminated via SGXNet on its website <http://isehealthcare.com>.



## Principle 11 – Risk Management and Internal Controls

The Board has the overall responsibility for the Group's risk management and internal controls in safeguarding shareholders' interests and the Group's assets. The Group's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial information, and to safeguard and maintain accountability of assets. Procedures are in place to identify major business risks and evaluate potential financial implications, as well as for the authorisation of capital expenditure and investments.

The AC, on behalf of the Board, reviews the adequacy and effectiveness of the Group's system of internal controls, including financial, operational, compliance and information technology controls, and risk management policies and systems established by Management on an annual basis. The Group currently does not have a Board Risk Management Committee but the Board has approved a "Risk Governance and Internal Control Framework Manual" dated August 2014 which set out the following risk management policies, where Management is required to strictly adhere to. They are:

- Code of Ethics
- Risk Appetite and Risk Tolerance guidance
- Authority and Risk Control Matrix
- Key Control Activities
- Key Reporting and Monitoring Activities

Dr Choong Yee Fong, Medical Director of ISEC Sdn Bhd, has been appointed by the Chief Executive Officer as the Group's Chief Risk Officer and he is assisting the AC in overseeing the overall adequacy and effectiveness of the Group's risk management systems and procedures.

Management also regularly reviews the Group's business and operations to identify areas of significant business risks and controls to mitigate the risks. The Management will highlight all significant matters to the Board and AC.

For FY2015, the AC had received assurance from the CEO and the Chief Financial Officer that:

- accounting and other records have been properly maintained and the Company's risk management and internal control systems are adequate and effective; and
- the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances.

The design, implementation and operation of the accounting and internal control systems are intended to prevent and detect fraud and errors. The Board notes that the system of internal controls provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. The Board also notes that no system of internal controls can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

Based on the framework of risk management and internal controls established and maintained by the Management, reviews carried out by the respective Board Committees, work performed by the internal auditors and external auditors, and assurance from the Management, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management systems and system of internal controls is adequate and effective in addressing financial, operational, compliance and information technology risks.

# REPORT ON CORPORATE GOVERNANCE

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## Principle 12 – Audit Committee (“AC”)

The terms of reference of the AC include the following:

- (a) assisting the Board in discharging its statutory responsibilities on financing and accounting matters;
- (b) reviewing significant financial reporting issues and judgments to ensure the integrity of the financial statements and any formal announcements relating to financial performance;
- (c) reviewing the scope and external auditor’s audit plan and the results and audit report carried out by the external auditors and its cost effectiveness, and the independence and objectivity of the external auditors;
- (d) reviewing the key financial risk areas, the risk management structure and any oversight of the risk management process and activities to mitigate and manage risks at acceptable levels determined by the Board;
- (e) reviewing the statements to be included in the annual report concerning the adequacy and effectiveness of our risk management and internal controls systems, including financial, operational, compliance controls, and information technology controls;
- (f) reviewing any interested person transactions and monitoring the procedures established to regulate interested person transactions, including ensuring compliance with the Company’s internal control system and the relevant provisions of the Catalist Rules, as well as all conflicts of interests to ensure that proper measures to mitigate such conflicts of interests have been put in place;
- (g) reviewing the internal audit program and reports on a periodic basis and monitor Management’s responsiveness to the findings and recommendations by internal auditors;
- (h) approving the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced;
- (i) appraising and reporting to the Board on the audits undertaken by the external auditors and internal auditors and the adequacy of disclosure of information;
- (j) making recommendations to the Board on the proposals to shareholders on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;
- (k) undertaking such other reviews and projects as may be requested by the Board, and report to the same on its findings from time to time on matters arising and requiring the attention of the AC; and
- (l) undertaking generally such other functions and duties as may be required by law or the Catalist Rules, and by amendments made thereto from time to time.

The AC comprises three members, all of whom are non-executive, independent directors. The members of the AC are:

- Sitoh Yih Pin (Chairman)
- Professor Low Teck Seng
- Lim Wee Hann

The AC has explicit authority to investigate any matter within its terms of references. It has full access to Management and full discretion to invite any Director or key management personnel to attend its meetings, and to be provided with reasonable resources to enable it to discharge its functions properly. The Executive Directors and key management personnel were invited to be present at the AC meetings to report and brief the AC members on the financial and operating performance of the Group and to answer any queries from the AC members on any aspect of the operations of the Group.

# REPORT ON CORPORATE GOVERNANCE

The AC had met up with the external auditors without the presence of Management in February 2016. The external auditors were also, as and when required, invited to be present at AC meetings held during FY2015 to, inter alia, answer or clarify any matter on accounting, audit or internal controls.

The aggregate amount of expense paid or payable to BDO members firm ("BDO") for FY2015 are approximately:

		BDO Singapore	BDO Malaysia	Total
Audit fees	:	S\$56,000	S\$20,000	S\$76,000
Non-audit fees	:	S\$42,000	S\$19,000	S\$61,000
Total	:	S\$98,000	S\$39,000	S\$137,000

The AC has reviewed the non-audit services in relation to tax services, other advisory services and goods and service tax services provided by BDO. As S\$50,000 of the non-audit services rendered by BDO is non-recurring and relates to tax advisory, goods and service tax and financial due diligence services, the Board, with the concurrence of the AC is of the opinion that the independence and objectivity of the external auditors have not been affected.

The financial statements of the Company and its subsidiaries are audited by BDO. The AC and the Board are of the view that the audit firms are adequately resourced, effective and of appropriate standing within the international affiliation. The AC has reviewed and is satisfied that the appointment of BDO as external auditors would not compromise the standard and effectiveness of the audit of the Company and that the Company has complied with Rules 712 and 715 of the Catalist Rules.

The AC has recommended to the Board the re-appointment of BDO as external auditors of the Company at the forthcoming AGM of the Company to be held on 28 April 2016.

The Company has a whistle-blowing policy whereby staff of the Group and any external parties may, in confidence, raise concerns about possible irregularities in matters of financial reporting or other matters. The policy defines the processes clearly to ensure independent investigation of such matters and permits whistle blowers to report directly via email to the AC Chairman's email account at [sitoh@nexiats.com.sg](mailto:sitoh@nexiats.com.sg).

The AC has power to conduct or authorise investigations into any matter within the AC's scope of responsibility. On a regular basis, all whistle-blowing cases reported and the resolution would be reported to the AC. Depending on the nature of the concern raised or information provided, the investigation may be conducted involving one or more of these persons or entities:

- The AC;
- The external or internal auditor;
- Forensic professionals;
- The Police or Commercial Affairs Department; and/or
- The Corrupt Practices Investigation Bureau.

For FY2015, the Board had concluded, with the help of the NC, that the members of the AC are appropriately qualified to discharge their duties and responsibilities. The Board's view is that adequate and reasonable assistance and support has been properly rendered by the Management to the AC and that the AC has effectively and efficiently contributed to the Board and the Group. The AC chairman is a Chartered Accountant and is currently, the Chairman of Nexia TS Public Accounting Corporation, an accounting firm in Singapore. During FY2015, the AC was provided with information such as updates on the changes to the Singapore's Financial Reporting Standards by the external auditors in the course of their report to AC.

# REPORT ON CORPORATE GOVERNANCE

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## **Principle 13 – Internal Audit**

The AC relies on reports from the Management and external and internal auditors on any material non-compliance and internal control weaknesses. Thereafter, the AC oversees and monitors the implementations thereto.

For FY2015, the Group had outsourced its internal audit function to RSM Ethos Pte. Ltd. (the “IA”) which reports directly to the AC. The IA has an administrative reporting function to Management where planning, co-ordinating, managing and implementing internal audit work cycle are concerned. The work undertaken by the IA, are carried out in accordance with the standards set by internationally recognised professional bodies including Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The IA will report their audit findings, any material non-compliance or failures in internal control and recommendations for improvements directly to the AC.

The AC has reviewed the report submitted by IA on internal procedures and the internal controls in place and is satisfied that there are adequate and effective internal controls in the Company. The AC will review on an annual basis the adequacy and effectiveness of the internal audit function.

The AC is satisfied that the IA is adequately qualified and resourced, and has appropriate standing in the Company to discharge its duties effectively. The AC approves the appointment, removal, evaluation and compensation of IA.

For the financial year ending 31 December 2016, having considered the Group’s business and operations, the Group has replaced its outsourced internal audit function from RSM Ethos Pte. Ltd. to Crowe Horwath Governance Sdn. Bhd. (“**Crowe Horwath**”). Crowe Horwath is a corporate member of the Malaysian Institute of Internal Auditors and the internal audit work carried out by Crowe Horwath is guided by The Institute of Internal Auditors Inc. International Professional Practice Framework.

## **(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES**

### **Principle 14 – Shareholder Rights**

### **Principle 15 – Communication with Shareholders**

### **Principle 16 – Conduct of Shareholder Meetings**

The Company strives to disclose information on a timely basis to shareholders and ensure any disclosure of price sensitive information is not made to a selective group. The information is communicated to our shareholders via:

- annual reports – the Board strives to include all relevant information about the Group, including future developments and disclosures required by the Companies Act, Financial Reporting Standards and the Catalist Rules;
- presentation slides accompanying quarterly results announcement; and
- SGXNet and press releases on major developments of the Group.

SGXNet disclosures, presentation slides and press releases of the Group are also available on the Company’s website at <http://isehealthcare.com>. A copy of the annual report for FY2015 will also be made available on the Company’s website and published via SGXNet. As part of the Company’s efforts to communicate continuously with its shareholders, the Company had conducted and participated in more than 10 investor and analyst meeting sessions, attended by investors in FY2015.

At the forthcoming AGM, shareholders will be given the opportunity to air their views and ask Directors or Management questions regarding the Company and the Group. The notice of AGM will be sent together with the annual report, released on SGXNet and on the Company’s website as well as published in the newspapers to inform shareholders of upcoming meetings.

# REPORT ON CORPORATE GOVERNANCE

The Board, Management and the external auditors will also be present to address any relevant queries the shareholders may have. At the forthcoming AGM, the Company will prepare the minutes of the AGM which would include substantial or relevant comments from shareholders and the minutes of the AGM will be made available to shareholders, upon their request.

The Company's Constitution does not allow for abstentia voting at general meetings of shareholders as authentication of shareholder identity information and other related security issues remains a concern. However, the Constitution of the Company does allow a shareholder (who is not a relevant intermediary, as defined in Section 181(6) of the Companies Act) to vote either in person or appoint not more than two proxies to attend and vote in his stead. Such proxy to be appointed need not be a shareholder. Pursuant to the Companies (Amendment) Act 2014, a shareholder of the Company who is a relevant intermediary (as defined in Section 181(6) of the Companies Act), may appoint more than two proxies to attend, speak and vote at the AGM.

Pursuant to Catalyst Rule 730A(2), all resolutions will be put to vote by way of a poll at the forthcoming AGM, and their detailed results will be announced via SGXNet after the conclusion of the general meeting.

The Board has proposed a final (tax exempt one-tier) dividend of S\$0.0022 per ordinary share for FY2015 which will be subject to shareholders' approval at the forthcoming AGM. The Company had declared a first interim (tax exempt one-tier) dividend of S\$0.0022 per ordinary share for the 6 months ended 30 June 2015 which was paid on 8 September 2015.

## **(E) DEALINGS IN SECURITIES**

The Company has adopted an internal code on dealings in securities, which has been disseminated to all Directors and officers within the Group. The Company will also send a notification via email to notify all its Directors and officers a day prior to the close of window for trading of the Company's securities.

Directors and officers of the Company are reminded not to deal (whether directly or indirectly) in the Company's securities on short-term considerations and be mindful of the law on insider trading as prescribed by the Securities and Futures Act (Chapter 289) of Singapore. The internal code on dealings in securities also makes clear that the Company, its Directors and officers should not deal in the Company's securities, while in possession of unpublished price-sensitive information and prohibits trading as well as in the following periods:

- (i) the period commencing two weeks before the announcement of the Company's financial statements for the first, second and third quarters of its financial year; and
- (ii) the period commencing one month before the announcement of the Company's financial statements for its full financial year.

Each of the above periods will end on the date of the announcement of the relevant financial results of the Company.

## **(F) INTERESTED PERSON TRANSACTIONS ("IPT")**

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

There were no IPTs with value more than S\$100,000 transacted during FY2015. The Company does not have any IPT mandate.

# REPORT ON CORPORATE GOVERNANCE

## (G) USE OF PROCEEDS (CATALIST RULE 1204(5F) AND (22))

As of the date of this report, the utilisation of the Company's IPO net proceeds is set out below:

	Amount allocated S\$'000	Amount allocated pursuant to reallocation of unutilised listing expenses S\$'000	Amount utilised S\$'000	Balance S\$'000
Business expansion in the Asia Pacific region (including Malaysia and Singapore)	13,800	300	(5,326) <sup>(1)</sup>	8,774
General and working capital	2,500	–	(2,500) <sup>(2)</sup>	–
Total	<u>16,300</u>	<u>300</u>	<u>(7,826)</u>	<u>8,774</u>

### Notes:

(1) Utilised for the acquisition of Southern Specialist Eye Centre Sdn. Bhd.:

	S\$'000
Cash consideration	5,204
Administrative expenses	122
	<u>5,326</u>

(2) Utilised for:

	S\$'000
Cost of sales	1,028
Administrative expenses	1,378
Selling and distribution expenses	94
	<u>2,500</u>

## (H) MATERIAL CONTRACTS

Save for the service agreements entered with the Executive Directors as disclosed on page 140 and 141 of the Offer Document dated 14 October 2014, there was no other material contract involving the interests of the CEO, any Director or controlling shareholders of the Company which has been entered into by the Group, which are either still subsisting at the end of FY2015 or if not then subsisting, entered into since the end of the previous financial year.

## (I) NON-SPONSOR FEES (CATALIST RULE 1204(21))

For FY2015, there was no non-sponsor fees paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd.

The Directors of the Company present their statement to the members together with the audited consolidated financial statements of ISEC Healthcare Ltd. (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2015 and the statement of financial position of the Company as at 31 December 2015.

## 1. OPINION OF THE DIRECTORS

In the opinion of the Board of Directors,

- (a) the consolidated financial statements of the Group and statement of financial position of the Company, together with the notes thereon 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 2015 and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) as at date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## 2. DIRECTORS

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

Sitoh Yih Pin  
Dr Lee Hung Ming  
Dr Wong Jun Shyan  
Professor Low Teck Seng  
Lim Wee Hann

## 3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

## 4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The Directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as follows:

	Shareholdings registered in the name of Directors		Shareholdings in which Directors are deemed to have an interest	
	Balance at 1 January 2015	Balance at 31 December 2015	Balance at 1 January 2015	Balance at 31 December 2015
	Number of ordinary shares			
<b>The Company</b>				
Sitoh Yih Pin	400,000	400,000	–	–
Professor Low Teck Seng	400,000	400,000	–	–
Lim Wee Hann	400,000	–	–	–
Dr Lee Hung Ming	157,500,000	83,609,200	–	78,390,800
Dr Wong Jun Shyan	42,079,905	27,585,705	–	15,000,000

# DIRECTORS' STATEMENT

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## 4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONT'D)

By virtue of Section 7 of the Act, Dr Lee Hung Ming is deemed to have an interest in all of the interest in subsidiary corporations owned by the Company at the beginning and end of the financial year.

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' shareholdings, the Directors' interest as at 21 January 2016 in the shares of the Company have not changed from those disclosed as at 31 December 2015.

## 5. SHARE OPTIONS

There were no share options granted by the Company or its subsidiary corporations during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or of its subsidiary corporations under options as at the end of the financial year.

### Share Option Scheme ("SOS")

The Company has implemented a share option scheme known as ISEC Healthcare SOS. The ISEC Healthcare SOS was approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 26 September 2014. No share options or performance shares have been granted or awarded pursuant to the ISEC Healthcare SOS.

## 6. AUDIT COMMITTEE

The Audit Committee comprises the following members, who are all Non-Executive and Independent Directors. The members of the Audit Committee during the financial year and at the date of this statement are:

Sitoh Yih Pin	(Independent and Non-Executive Director)
Professor Low Teck Seng	(Independent and Non-Executive Director)
Lim Wee Hann	(Independent and Non-Executive Director)

The Audit Committee performed the functions specified in Section 201B(5) of the Singapore Companies Act, Chapter 50, and the Singapore Code of Corporate Governance, including the following:

- (i) reviewing the audit plans and results of the external audits;
- (ii) reviewing the audit plans and results of the internal auditors' examination and evaluation of the Group's system of internal controls;
- (iii) reviewing the Group's financial and operating results and accounting policies;
- (iv) reviewing the consolidated financial statements of the Group and the statement of financial position of the Company before their submission to the Directors of the Company and the external auditors' report on those financial statements;
- (v) reviewing the quarterly and annual announcements on the results of the Company and the Group;
- (vi) ensuring the co-operation and assistance given by the management to the Group's internal and external auditors;



## 6. AUDIT COMMITTEE (CONT'D)

- (vii) making recommendation to the Board on the re-appointment of the Group's internal and external auditors; and
- (viii) reviewing the Interested Person Transactions as required and defined in Chapter 9 of the Rules of Catalist of the Singapore Exchange Securities Trading Limited (SGX-ST) and ensuring that the transactions were on normal commercial terms and not prejudicial to the interests of the members of the Company.

The Audit Committee confirmed that it has undertaken a review of all non-audit services provided by the external auditors to the Group and is satisfied that the nature and extent of such services would not affect the independence of the external auditors.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Board of Directors the nomination of BDO LLP, for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting.

## 7. AUDITORS

The independent auditors, BDO LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

**Dr Lee Hung Ming**  
Director

**Dr Wong Jun Shyan**  
Director

Singapore  
31 March 2016

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ISEC HEALTHCARE LTD.

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of ISEC Healthcare Ltd. (the "Company") and its subsidiaries (the "Group") as set out on pages 34 to 82, which comprise the statements of financial position of the Group and of the Company as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial 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.

### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ISEC HEALTHCARE LTD.

## REPORT ON THE FINANCIAL STATEMENTS (CONT'D)

### Opinion

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

## 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 those subsidiary corporations incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

### BDO LLP

Public Accountants and  
Chartered Accountants

Singapore  
31 March 2016

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group		Company	
		2015 \$	2014 \$	2015 \$	2014 \$
<b>ASSETS</b>					
<b>Non-current assets</b>					
Plant and equipment	4	3,639,032	4,285,498	152,603	187,341
Intangible assets	5	25,161,926	13,218,699	7,662	1,099
Investment in subsidiaries	6	–	–	34,388,977	20,090,100
Deferred tax assets	7	38,764	–	–	–
		<u>28,839,722</u>	<u>17,504,197</u>	<u>34,549,242</u>	<u>20,278,540</u>
<b>Current assets</b>					
Inventories	8	982,128	580,255	–	–
Trade and other receivables	9	1,903,980	2,569,830	2,599,146	7,772,640
Prepayments		107,346	179,002	8,617	9,494
Cash and cash equivalents	10	24,924,432	27,266,816	16,073,380	17,831,409
		<u>27,917,886</u>	<u>30,595,903</u>	<u>18,681,143</u>	<u>25,613,543</u>
<b>Total assets</b>		<u>56,757,608</u>	<u>48,100,100</u>	<u>53,230,385</u>	<u>45,892,083</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	11	51,461,751	43,630,212	51,461,751	43,630,212
Other reserves	12	(4,824,905)	(3,868,248)	–	–
Retained earnings	13	5,361,870	4,115,052	1,406,111	2,078,097
<b>Equity attributable to owners of the parent</b>		<u>51,998,716</u>	<u>43,877,016</u>	<u>52,867,862</u>	<u>45,708,309</u>
Non-controlling interests		(74,018)	(197,240)	–	–
<b>Total equity</b>		<u>51,924,698</u>	<u>43,679,776</u>	<u>52,867,862</u>	<u>45,708,309</u>
<b>Non-current liabilities</b>					
Provisions	14	113,772	246,568	18,827	18,475
Deferred tax liabilities	7	842,429	908,665	–	–
		<u>956,201</u>	<u>1,155,233</u>	<u>18,827</u>	<u>18,475</u>
<b>Current liabilities</b>					
Trade and other payables	15	3,409,708	2,497,647	342,780	165,299
Current income tax payable		467,001	767,444	916	–
		<u>3,876,709</u>	<u>3,265,091</u>	<u>343,696</u>	<u>165,299</u>
<b>Total liabilities</b>		<u>4,832,910</u>	<u>4,420,324</u>	<u>362,523</u>	<u>183,774</u>
<b>Total equity and liabilities</b>		<u>56,757,608</u>	<u>48,100,100</u>	<u>53,230,385</u>	<u>45,892,083</u>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$	2014 \$
Revenue	16	26,690,338	21,997,324
Cost of sales		<u>(14,773,169)</u>	<u>(12,415,723)</u>
Gross profit		11,917,169	9,581,601
<b>Other item of income</b>			
Other income	17	385,615	77,932
<b>Other items of expense</b>			
Selling and distribution expenses		(218,616)	(173,519)
Administrative expenses		(6,837,206)	(6,125,381)
Other expenses		(1,255,800)	(175,230)
Finance costs	18	<u>(6,284)</u>	<u>(43,937)</u>
Profit before income tax	19	3,984,878	3,141,466
Income tax expense	20	<u>(1,241,177)</u>	<u>(1,243,440)</u>
<b>Profit for the financial year</b>		<u>2,743,701</u>	<u>1,898,026</u>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences – foreign operations		(946,341)	(132,557)
Reclassification arising from disposal of foreign subsidiary		–	33,166
<b>Other comprehensive income for the financial year, net of tax</b>		<u>(946,341)</u>	<u>(99,391)</u>
<b>Total comprehensive income for the financial year</b>		<u>1,797,360</u>	<u>1,798,635</u>
<b>Profit attributable to:</b>			
Owners of the parent		2,759,868	1,967,217
Non-controlling interests		<u>(16,167)</u>	<u>(69,191)</u>
		<u>2,743,701</u>	<u>1,898,026</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		1,803,211	1,853,391
Non-controlling interests		<u>(5,851)</u>	<u>(54,756)</u>
		<u>1,797,360</u>	<u>1,798,635</u>
<b>Earnings per share</b>	21		(Restated)
– basic (in cents)		0.60	0.74
– diluted (in cents)		<u>0.60</u>	<u>0.74</u>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Note	Share capital \$	Foreign currency translation account \$	Merger reserve \$	Retained earnings \$	Equity attributable to owners of the parent \$	Non-controlling interests \$	Total equity \$
Balance at 1 January 2015	43,630,212	(296,248)	(3,572,000)	4,115,052	43,877,016	(197,240)	43,679,776
<b>Profit for the financial year</b>	-	-	-	2,759,868	2,759,868	(16,167)	2,743,701
<b>Other comprehensive income:</b> Foreign currency translation differences – foreign operations	-	(956,657)	-	-	(956,657)	10,316	(946,341)
<b>Total comprehensive income for the financial year</b>	-	(956,657)	-	2,759,868	1,803,211	(5,851)	1,797,360
<b>Contributions by and distributions to owners of the parent</b>							
Issuance of ordinary shares	7,831,539	-	-	-	7,831,539	-	7,831,539
Dividends	-	-	-	(1,513,050)	(1,513,050)	-	(1,513,050)
<b>Total transactions with owners of the parent</b>	7,831,539	-	-	(1,513,050)	6,318,489	-	6,318,489
<b>Transaction with non-controlling interests</b>							
Subscription of shares in subsidiaries by non-controlling interests	-	-	-	-	-	129,073	129,073
<b>Total transaction with non-controlling interests</b>	-	-	-	-	-	129,073	129,073
Balance at 31 December 2015	51,461,751	(1,252,905)	(3,572,000)	5,361,870	51,998,716	(74,018)	51,924,698

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Note	Share capital \$	Foreign currency translation account \$	Merger reserve \$	Retained earnings \$	Equity attributable to owners of the parent \$	Non-controlling interests \$	Total equity \$
Balance at 1 January 2014	418,000	(182,422)	-	2,147,835	2,383,413	(81,946)	2,301,467
<b>Profit for the financial year</b>	-	-	-	1,967,217	1,967,217	(69,191)	1,898,026
<b>Other comprehensive income:</b>							
Foreign currency translation differences – foreign operations	-	(137,042)	-	-	(137,042)	4,485	(132,557)
Reclassification arising from disposal of foreign subsidiary	-	23,216	-	-	23,216	9,950	33,166
<b>Total comprehensive income for the financial year</b>	-	(113,826)	-	1,967,217	1,853,391	(54,756)	1,798,635
<b>Contributions by owners of the parent</b>							
Issue of subscribers' shares at incorporation of the Company	100	-	-	-	100	-	100
Issue of shares pursuant to the restructuring exercise	25,589,900	-	-	-	25,589,900	-	25,589,900
Adjustment pursuant to the restructuring exercise	(418,000)	-	(3,572,000)	-	(3,990,000)	-	(3,990,000)
Issue of shares pursuant to an initial public offering exercise	19,600,000	-	-	-	19,600,000	-	19,600,000
Share issue expenses	(1,559,788)	-	-	-	(1,559,788)	-	(1,559,788)
<b>Total transactions with owners of the parent</b>	43,212,212	-	(3,572,000)	-	39,640,212	-	39,640,212
<b>Transaction with non-controlling interests</b>							
Disposal of a subsidiary	-	-	-	-	-	(60,538)	(60,538)
<b>Total transaction with non-controlling interests</b>	-	-	-	-	-	(60,538)	(60,538)
Balance at 31 December 2014	43,630,212	(296,248)	(3,572,000)	4,115,052	43,877,016	(197,240)	43,679,776

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	2015 \$	2014 \$
<b>Operating activities</b>		
Profit before income tax	3,984,878	3,141,466
Adjustments for:		
Allowance for impairment loss on doubtful third parties trade receivables	14,236	–
Amortisation of intangible assets	582,612	159,217
Bad third parties trade receivable written off	22,461	–
Depreciation of plant and equipment	799,277	624,712
Intangible assets written off	838	–
Interest income	(192,226)	(56,194)
Interest expense	6,284	43,937
Inventories written off	75,744	–
Loss on disposal of a subsidiary	–	32,951
Loss/(Gain) on disposal of plant and equipment	738	(3,428)
Plant and equipment written off	637,529	9,565
Provision for restoration costs written back	(125,323)	–
Reversal of accrual for unutilised leave	(24,210)	–
Operating cash flows before working capital changes	<u>5,782,838</u>	<u>3,952,226</u>
Working capital changes:		
Inventories	(237,287)	(181,724)
Trade and other receivables	794,475	(576,075)
Prepayments	74,135	(26,114)
Trade and other payables	<u>325,818</u>	<u>1,024,472</u>
Cash generated from operations	6,739,979	4,192,785
Income tax paid	<u>(1,939,438)</u>	<u>(1,704,497)</u>
Net cash from operating activities	<u>4,800,541</u>	<u>2,488,288</u>
<b>Investing activities</b>		
Proceeds from disposal of plant and equipment	36,387	10,985
Proceeds from disposal of subsidiary	–	141,070
Cash and cash equivalents disposed of	–	(1,239)
Acquisition of subsidiary, net of cash acquired	(4,487,229)	3,811,213
Purchase of plant and equipment	(673,298)	(2,253,013)
Purchase of intangible assets	(179,928)	(12,451)
Interest received	183,181	56,194
Net cash (used in)/from investing activities	<u>(5,120,887)</u>	<u>1,752,759</u>
<b>Financing activities</b>		
Dividends paid	(1,513,050)	(1,828,770)
Proceeds from issuance of ordinary shares	–	25,100,000
Share issue expenses	–	(1,559,788)
Subscription of shares in subsidiaries by non-controlling interests	129,073	–
Interest paid	–	(36,151)
Net cash (used in)/from financing activities	<u>(1,383,977)</u>	<u>21,675,291</u>
Net change in cash and cash equivalents	(1,704,323)	25,916,338
Cash and cash equivalents at beginning of financial year	27,266,816	1,420,677
Effect of exchange rate changes on cash and cash equivalents	(638,061)	(70,199)
Cash and cash equivalents at end of financial year	<u>24,924,432</u>	<u>27,266,816</u>

The accompanying notes form an integral part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

These notes form an integral part of and should be read in conjunction with the financial statements.

## 1. GENERAL CORPORATE INFORMATION

ISEC Healthcare Ltd. (the "Company") is a public limited company, incorporated and domiciled in Singapore with its registered office address and principal place of business at 101 Thomson Road #09-04 United Square Singapore 307591. The Company's registration number is 201400185H. The Company is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited.

The principal activity of the Company is that of an investment holding company.

The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

The statement of financial position of Company and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2015 were authorised for issue in accordance with a Directors' resolution dated 31 March 2016.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The consolidated financial statements and the statement of financial position of the Company are presented in Singapore dollar, which is the functional currency of the Company and the presentation currency for the financial statements.

The preparation of financial statements in conformity with FRS requires the management to exercise judgement in the process of applying the Group's and the Company's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period, and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on the management's best knowledge of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised if the revision affects only that financial year, or in the financial year of the revision and future financial years if the revision affects both current and future financial years.

Critical accounting judgements and key sources of estimation uncertainty used that are significant to the financial statements are disclosed in Note 3 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

### 2.1 Basis of preparation of financial statements (cont'd)

#### *FRS issued but not yet effective*

During the financial year, the Group and the Company adopted the new or revised FRS that are relevant to their operations and effective for the current financial year. The adoption of the new or revised FRS did not result in any substantial changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current and prior financial years.

As at the date of the authorisation of these financial statements, the Group and the Company have not adopted the following FRS that have been issued but not yet effective:

		<b>Effective date (annual periods beginning on or after)</b>
FRS 1	: Amendments to FRS 1 – Disclosure Initiative	1 January 2016
FRS 7	: Amendments to FRS 7 – Disclosure Initiative	1 January 2017
FRS 12	: Amendments to FRS 12 – Recognition to Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 16 and FRS 38	: Amendments to FRS 16 and FRS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
FRS 16 and FRS 41	: Amendments to FRS 16 and FRS 41 – Agriculture: Bearer Plants	1 January 2016
FRS 27	: Amendments to FRS 27 – Equity Method in Separate Financial Statements	1 January 2016
FRS 109	: Financial Instruments	1 January 2018
FRS 110 and FRS 28	: Amendments to FRS 110 and FRS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
FRS 110, FRS 112 and FRS 28	: Amendments to FRS 110, FRS 112 and FRS 28 – Investment Entities: Applying the Consolidation Exception	1 January 2016
FRS 111	: Amendments to FRS 111 – Accounting for Acquisitions of Interest in Joint Operations	1 January 2016
FRS 114	: Regulatory Deferral Accounts	1 January 2016
FRS 115	: Revenue from Contracts with Customers	1 January 2018
Improvements to FRSs 2014 (November 2014)		1 January 2016

Consequential amendments were also made to various standards as a result of these new or revised standards.

The Group and the Company expect that the adoption of the above FRS, if applicable, will have no material impact on the financial statements in the period of initial adoption except as discussed below.

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

### 2.1 Basis of preparation of financial statements (cont'd)

#### *FRS issued but not yet effective (cont'd)*

##### *Amendments to FRS 7 Disclosure Initiative*

The amendments require additional disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Group will adopt these amendments in the financial year beginning on 1 January 2017 and will include the additional disclosures in its financial statements for that financial year.

##### *Amendments to FRS 12 Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments clarify the requirements for the recognition of deferred tax assets for unrealised losses, particularly those relating to debt instruments measured at fair value. The Group will adopt these amendments in the financial year beginning on 1 January 2017 with retrospective effect in accordance with the transitional provisions.

##### *FRS 109 Financial Instruments*

FRS 109 supersedes FRS 39 *Financial Instruments: Recognition and Measurement* with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's and the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group and the Company will have a choice to recognise the gains and losses in other comprehensive income. A third measurement category has been added for debt instruments – fair value through other comprehensive income. This measurement category applies to debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group and the Company are holding the debt instrument to both collect the contractual cash flows and to sell the financial assets.

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets at amortised cost or fair value through other comprehensive income, the Group and the Company will now always recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

### 2.1 Basis of preparation of financial statements (cont'd)

#### *FRS issued but not yet effective (cont'd)*

##### *FRS 109 Financial Instruments (cont'd)*

FRS 109 also introduces a new hedge accounting model designed to allow entities to better reflect their risk management activities in their financial statements.

The Group and the Company plan to adopt FRS 109 in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions. There may be a potentially significant impact on the accounting for financial instruments on initial adoption. The Group and the Company are currently assessing the impact of FRS 109 and plan to adopt the standard on the required effective date.

##### *FRS 115 Revenue from Contracts with Customers*

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

On initial adoption of this standard there may be a potentially significant impact on the timing and profile of revenue recognition of the Group. The Group is currently assessing the impact of FRS 115 and plans to adopt the standard in the financial year beginning on 1 January 2018 which is the effective date with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

### 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries made up to the end of the reporting period. The financial statements of the subsidiaries are prepared for the same reporting date as that of the parent company.

Accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group to ensure consistency.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which that control ceases. In preparing the consolidated financial statements, inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment loss of the asset transferred.

Non-controlling interests in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the consolidated statements of comprehensive income, financial position and changes in equity.

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

### 2.2 Basis of consolidation (cont'd)

Non-controlling interests in the acquiree that have a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

### 2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration also includes the fair value of any contingent consideration.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at the lower of cost and fair value less costs to sell.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss.

Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

### 2.3 Business combinations (cont'd)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

#### **Acquisition under common control**

Business combination arising from transfers of interest in entities that are under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period 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 and no adjustments are made to reflect the fair values or recognised any new assets or liabilities, including no goodwill is recognised as a result of the combination. The components of equity of the acquired entities are added to the same components within the Group equity. Any difference between the consideration paid for the acquisition and share capital of acquiree is recognised directly to equity as merger reserve.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

### 2.3 Business combinations (cont'd)

#### *Acquisition under common control (cont'd)*

The restructuring exercise as described in Note 6 to the financial statements involved acquisition of companies which are under common control, namely ISEC Sdn. Bhd. and its subsidiaries. The consolidated financial statements of the Group for inclusion of ISEC Sdn. Bhd. and its subsidiaries have been prepared in a manner similar to the "pooling-of-interest" method. Such manner of presentation reflects the economic substance of the combining companies as a single economic enterprise, although the legal parent-subsidiary relationship was not established until after 26 September 2014.

### 2.4 Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the separate financial statements of the Company, investments in subsidiaries are carried at cost, less any impairment loss that has been recognised in profit or loss.

### 2.5 Plant and equipment

Plant and equipment are initially recorded at cost. Subsequent to initial recognition, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

Subsequent expenditure relating to the plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group, and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

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

Depreciation is calculated using the straight-line method to allocate the depreciable amounts of plant and equipment over their estimated useful lives as follows:

	<u>Years</u>
Computer equipment	5
Electrical equipment	6 – 10
Motor vehicles	5
Medical equipment	5 – 8
Office equipment, furniture and fittings	5 – 6
Renovation	6 – 10

The residual values, estimated useful lives and depreciation method are reviewed at each financial year-end to ensure that the residual values, period of depreciation and depreciation method are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

### 2.6 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition.

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

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

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

#### ***Computer software and software under development***

Acquired computer software are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the software for its intended use. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred. Software under development are carried at cost, less any recognised impairment loss. Cost includes professional fees and other directly attributable costs of developing the software for its intended use. Capitalisation of software under development costs ceases and the software under development is transferred to computer software when substantially all the activities necessary to prepare the software under development for their intended use are completed.

Subsequent to initial recognition, computer software is carried at cost less accumulated amortisation and accumulated impairment losses. The cost of computer software is amortised to profit or loss using the straight-line method over the estimated useful life of 5 years.

#### ***Goodwill***

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.



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

### 2.6 Intangible assets (cont'd)

#### *Goodwill (cont'd)*

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

#### *Contractual relationships*

Contractual relationships acquired in a business combination are measured at its fair value as at the date of acquisition. Following initial recognition, contractual relationships are carried at cost less any accumulated amortisation and any accumulated impairment losses. The contractual relationships are amortised over the estimated useful life of 10 years.

### 2.7 Impairment of non-financial assets excluding goodwill

The carrying amounts of non-financial assets excluding goodwill are reviewed at the end of each reporting period to determine whether there is any indication of impairment loss and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups of assets. Impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to other comprehensive income, in which case it is charged to other comprehensive income up to the amount of any previous revaluation.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. Recoverable amount is determined for individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash-generating unit to which the assets belong. The fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable willing parties less costs of disposal. Value in use is the present value of estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life, discounted at pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the asset or cash-generating unit for which the future cash flow estimates have not been adjusted.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

### 2.7 Impairment of non-financial assets excluding goodwill (cont'd)

An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. An impairment loss recognised in prior periods is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. 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. Reversals of impairment loss are recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal in excess of impairment losses recognised in profit or loss in prior periods is treated as a revaluation increase. After such a reversal, the depreciation or amortisation is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### 2.8 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on a weighted average basis and includes all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price at which inventories can be realised in the ordinary course of business, less estimated costs incurred in marketing and distribution. Where necessary, the carrying values of inventories are adjusted to lower of cost and net realisable value.

### 2.9 Financial assets

The Group and the Company classify their financial assets as loans and receivables. The classification depends on the purpose of which the assets were acquired. The management determines the classification of the financial assets at initial recognition and re-evaluates this designation at the end of the reporting period, where allowed and appropriate.

#### (i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are classified within "trade and other receivables" and "cash and cash equivalents" on the statements of financial position.

#### **Recognition and derecognition**

Financial assets are recognised on the statements of financial position when, and only when, the Group and the Company become parties to contractual provisions of the financial instruments.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership.

On derecognition of a financial asset, the difference between the carrying amount and the net sale proceeds is recognised in profit or loss.

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

### 2.9 Financial assets (cont'd)

#### *Recognition and derecognition (cont'd)*

##### *Initial and subsequent measurement*

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

After initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less impairment loss, if any.

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

#### *Impairment*

The Group and the Company assess at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

##### (i) Loans and receivables

An allowance for impairment loss of loans and receivables is recognised when there is objective evidence that the Group and the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in profit or loss.

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

### 2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

### 2.11 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity and recognised at the fair value of the consideration received. Incremental costs directly attributable to the issuance of new equity instruments are shown in equity as a deduction from the proceeds.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

### 2.12 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition. The Group and the Company have not designated any financial liabilities as fair value through profit or loss upon initial recognition.

The accounting policies adopted for other financial liabilities are set out below:

#### (i) *Trade and other payables*

Trade and other payables are recognised initially at cost which represents the fair value of the consideration to be paid in the future, less transaction cost, for goods received or services rendered, whether or not billed to the Group and the Company, and are subsequently measured at amortised cost using the effective interest method.

#### *Recognition and derecognition*

Financial liabilities are recognised on the statements of financial position when, and only when, the Group and the Company become parties to the contractual provisions of the financial instruments.

Financial liabilities are derecognised when the contractual obligation has been discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

When an existing liability is replaced by another form from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### 2.13 Provisions

Provisions are recognised when the Group and the Company have a present obligation as a result of a past event and it is probable an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in provision due to the passage of time is recognised as a finance cost.

### 2.14 Revenue recognition

Revenue is measured at fair value of the consideration received or receivable for the services rendered in the ordinary course of business. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is presented, net of rebates, discounts and sales related taxes.

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

### 2.14 Revenue recognition (cont'd)

Revenue from rendering of services is recognised when the services have been performed and accepted by the customers in accordance with the relevant terms and conditions of the contract.

Interest income is recognised on a time-proportion basis using the effective interest method.

### 2.15 Employee benefits

#### *Defined contribution plan*

Obligations for contributions to defined contribution plans are recognised as expenses in profit or loss in the periods during which related services are rendered by employees.

#### *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 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.

### 2.16 Operating leases

#### *When the Group is the lessee of operating leases*

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

### 2.17 Finance costs

Finance costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised as expenses in profit or loss in the financial year in which they are incurred. Finance costs are recognised on a time-proportion basis in profit or loss using the effective interest method.

### 2.18 Income tax

Income tax expense comprises current and deferred taxes. Income tax expense 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 other comprehensive income.

Current income tax expense is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to income tax payable in respect of previous financial years. Taxable income differs from profit reported as profit or loss because it excluded items of income or expenses that are taxable or deductible in other years and it further excludes items of income or expenses that are not taxable or tax deductible.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

### 2.18 Income tax (cont'd)

Deferred tax is provided, using the balance sheet liability method, for temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured using the tax rates expected to be applied to the temporary differences when they are realised or settled, based on tax rates enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same tax authority and where there is intention to settle the current tax assets and liabilities on a net basis.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

### 2.19 Foreign currencies

#### *Foreign currency transactions*

Items included in the individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency").

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-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 of the functional currency at the beginning of the year, adjusted for effective interest and payments during the financial year, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-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 re-translation are recognised in profit or loss.

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

### 2.19 Foreign currencies (cont'd)

#### *Foreign operations*

The assets and liabilities of foreign operations 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 average exchange rates for the financial year which approximates the exchange rates at the dates of the transactions (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions).

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation account 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 non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation account related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

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 other comprehensive income, and are presented in the foreign currency translation account in equity.

### 2.20 Dividends

Dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by shareholders.

### 2.21 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 relating to transactions with other components of the Group) and whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

### 3.1 Critical judgements made in applying the accounting policies

In the process of applying the Group's and the Company's accounting policies, the management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements except as discussed below.

#### *(i) Impairment of investments in subsidiaries*

The Group and the Company follow the guidance of FRS 36 on determining whether investments in subsidiaries are impaired. This determination requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the fair values of investments in subsidiaries are less than their cost and the financial health of and near-term business outlook for the investments in subsidiaries, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the reported amounts of revenue and expenses within the next financial year are discussed below.

#### (i) *Goodwill and intangible assets*

The management determines whether goodwill and contractual relationships are impaired at least on an annual basis. This requires an estimation of the recoverable amounts of the cash-generating units to which the goodwill and contractual relationships are allocated. Recoverable amount of the cash-generating units is the higher of its fair value less costs to sell or its value in use. The value in use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for the extrapolation purposes. The carrying amounts of the Group's goodwill and contractual relationships as at 31 December 2015 were \$20,334,573 and \$4,637,500 (2014: \$7,969,861 and \$5,167,500) respectively.

Intangible assets other than goodwill are amortised on a straight-line method over the estimated useful life of between 5 and 10 years. Changes in the expected level of benefits to be derived from the intangible assets could impact the economic useful life and the residual value of the intangible assets and therefore, future amortisation charges may be revised. The carrying amount of the Group's intangible assets other than goodwill as at 31 December 2015 was \$4,827,353 (2014: \$5,248,838).

#### (ii) *Allowance for impairment loss on receivables*

The management establishes allowance for impairment loss on receivables on a case-by-case basis when they believe that payment of amounts owed is unlikely to occur. In establishing these allowances, the management considers its historical experience and changes to its customers' financial position. If the financial conditions of receivables were to deteriorate, resulting in impairment of their abilities to make the required payments, additional allowances may be required. The carrying amounts of trade and other receivables of the Group and of the Company as at 31 December 2015 were \$1,903,980 and \$2,599,146 (2014: \$2,569,830 and \$7,772,640) respectively.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 4. PLANT AND EQUIPMENT

Group	Computer equipment \$	Electrical equipment \$	Motor vehicles \$	Medical equipment \$	Office equipment, furniture and fittings \$	Renovation \$	Total \$
Balance at 1.1.2015	358,843	540,884	65,824	5,119,449	318,772	2,256,421	8,660,193
Additions	61,997	-	-	566,660	26,520	18,121	673,298
Acquisition of subsidiary	17,344	38,469	-	230,749	113,496	49,222	449,280
Disposals	-	-	-	(12,920)	(4,914)	(42,380)	(60,214)
Written off	(2,435)	-	-	(72,440)	(8,991)	(720,043)	(803,909)
Currency re-alignment	(35,483)	(69,486)	(8,478)	(533,252)	(38,166)	(174,003)	(858,868)
Balance at 31.12.2015	400,266	509,867	57,346	5,298,246	406,717	1,387,338	8,059,780
<b>Accumulated depreciation</b>							
Balance at 1.1.2015	136,436	144,327	39,494	2,945,836	170,077	938,525	4,374,695
Depreciation for the financial year	61,276	46,496	12,305	450,270	34,738	194,192	799,277
Disposals	-	-	-	(1,547)	(1,215)	(8,885)	(11,647)
Written off	(690)	-	-	(13,166)	(2,524)	(150,000)	(166,380)
Currency re-alignment	(18,404)	(21,683)	(5,923)	(388,217)	(23,851)	(117,119)	(575,197)
Balance at 31.12.2015	178,618	169,140	45,876	2,993,176	177,225	856,713	4,420,748
<b>Carrying amount</b>							
Balance at 31.12.2015	221,648	340,727	11,470	2,305,070	229,492	530,625	3,639,032

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 4. PLANT AND EQUIPMENT (CONT'D)

Group	Computer equipment \$	Electrical equipment \$	Motor vehicles \$	Medical equipment \$	Office equipment, furniture and fittings \$	Renovation \$	Total \$
<b>Cost</b>							
Balance at 1.1.2014	174,274	465,683	67,130	4,266,817	252,334	1,315,147	6,541,385
Reclassification	-	83,650	-	-	-	(83,650)	-
Additions	189,223	623	-	1,177,200	72,494	1,054,631	2,494,171
Disposals	-	-	-	(22,953)	(294)	-	(23,247)
Written off	-	-	-	(223,664)	(17)	(891)	(224,572)
Currency re-alignment	(4,654)	(9,072)	(1,306)	(77,951)	(5,745)	(28,816)	(127,544)
Balance at 31.12.2014	358,843	540,884	65,824	5,119,449	318,772	2,256,421	8,660,193
<b>Accumulated depreciation</b>							
Balance at 1.1.2014	107,135	85,352	26,851	2,837,550	152,347	856,748	4,065,983
Reclassification	-	11,153	-	-	-	(11,153)	-
Depreciation for the financial year	31,895	50,682	13,484	396,509	21,141	111,001	624,712
Disposals	-	-	-	(15,685)	(5)	-	(15,690)
Written off	-	-	-	(214,758)	(6)	(243)	(215,007)
Currency re-alignment	(2,594)	(2,860)	(841)	(57,780)	(3,400)	(17,828)	(85,303)
Balance at 31.12.2014	136,436	144,327	39,494	2,945,836	170,077	938,525	4,374,695
<b>Carrying amount</b>							
Balance at 31.12.2014	222,407	396,557	26,330	2,173,613	148,695	1,317,896	4,285,498

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 4. PLANT AND EQUIPMENT (CONT'D)

	Computer equipment \$	Office equipment, furniture and fittings \$	Renovation \$	Total \$
<b>Company</b>				
<b>2015</b>				
<b>Cost</b>				
Balance at 1.1.2015 and 31.12.2015	40,760	13,483	144,243	198,486
<b>Accumulated depreciation</b>				
Balance at 1.1.2015	2,437	776	7,932	11,145
Depreciation for the financial year	8,152	2,546	24,040	34,738
Balance at 31.12.2015	10,589	3,322	31,972	45,883
<b>Carrying amount</b>				
Balance at 31.12.2015	30,171	10,161	112,271	152,603
<b>2014</b>				
<b>Cost</b>				
Balance at date of incorporation	-	-	-	-
Additions	40,760	13,483	144,243	198,486
Balance at 31.12.2014	40,760	13,483	144,243	198,486
<b>Accumulated depreciation</b>				
Balance at date of incorporation	-	-	-	-
Depreciation for the financial year	2,437	776	7,932	11,145
Balance at 31.12.2014	2,437	776	7,932	11,145
<b>Carrying amount</b>				
Balance at 31.12.2014	38,323	12,707	136,311	187,341

For the purpose of consolidated statement of cash flows, the Group's addition to plant and equipment were financed as follows:-

	Group	
	2015 \$	2014 \$
Addition of plant and equipment	673,298	2,494,171
Provision for restoration costs	-	(241,158)
Cash payment to acquire plant and equipment	673,298	2,253,013

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 4. PLANT AND EQUIPMENT (CONT'D)

For the purpose of consolidated statement of cash flows, the Group's proceeds from the disposal of plant and equipment were as follows:

	Group	
	2015	2014
	\$	\$
Carrying value of plant and equipment disposed	48,567	7,557
(Loss)/Gain on disposal	(738)	3,428
Amount included in receivables as at end of reporting period	(11,442)	-
Cash proceeds from disposal of plant and equipment	<u>36,387</u>	<u>10,985</u>

As a result of the cessation of operations of International Specialist Eye Centre Pte. Ltd., the management specifically carried out a review of plant and equipment. The review resulted in plant and equipment written off during the financial year amounting to \$637,529 (2014: either obsolete or physically damaged \$9,565) which is recognised in "administrative expenses" and "other expenses" line items in profit or loss respectively.

## 5. INTANGIBLE ASSETS

	Computer software	Software under development	Goodwill	Contractual relationships	Total
	\$	\$	\$	\$	\$
<b>Group</b>					
<b>2015</b>					
<b>Cost</b>					
Balance at 1.1.2015	356,913	-	7,969,861	5,300,000	13,626,774
Additions	143,136	36,792	-	-	179,928
Arising from acquisition of subsidiary	8,098	-	12,388,473	-	12,396,571
Written off	(1,226)	-	-	-	(1,226)
Currency re-alignment	(62,905)	-	(23,761)	-	(86,666)
Balance at 31.12.2015	<u>444,016</u>	<u>36,792</u>	<u>20,334,573</u>	<u>5,300,000</u>	<u>26,115,381</u>
<b>Accumulated amortisation</b>					
Balance at 1.1.2015	275,575	-	-	132,500	408,075
Amortisation for the financial year	52,612	-	-	530,000	582,612
Written off	(388)	-	-	-	(388)
Currency re-alignment	(36,844)	-	-	-	(36,844)
Balance at 31.12.2015	<u>290,955</u>	<u>-</u>	<u>-</u>	<u>662,500</u>	<u>953,455</u>
<b>Carrying amount</b>					
Balance at 31.12.2015	<u>153,061</u>	<u>36,792</u>	<u>20,334,573</u>	<u>4,637,500</u>	<u>25,161,926</u>
Remaining useful life as at 31 December 2015 (years)	<u>1 to 5</u>	<u>-</u>	<u>-</u>	<u>8.75</u>	

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 5. INTANGIBLE ASSETS (CONT'D)

	Computer software \$	Goodwill \$	Contractual relationships \$	Total \$
<b>Group</b>				
<b>2014</b>				
<b>Cost</b>				
Balance at 1.1.2014	364,843	–	–	364,843
Additions	12,451	–	–	12,451
Arising from acquisition of subsidiary	–	7,969,861	5,300,000	13,269,861
Written off	(13,607)	–	–	(13,607)
Currency re-alignment	(6,774)	–	–	(6,774)
Balance at 31.12.2014	<u>356,913</u>	<u>7,969,861</u>	<u>5,300,000</u>	<u>13,626,774</u>
<b>Accumulated amortisation</b>				
Balance at 1.1.2014	267,961	–	–	267,961
Amortisation for the financial year	26,717	–	132,500	159,217
Written off	(13,607)	–	–	(13,607)
Currency re-alignment	(5,496)	–	–	(5,496)
Balance at 31.12.2014	<u>275,575</u>	<u>–</u>	<u>132,500</u>	<u>408,075</u>
<b>Carrying amount</b>				
Balance at 31.12.2014	<u>81,338</u>	<u>7,969,861</u>	<u>5,167,500</u>	<u>13,218,699</u>
Remaining useful life as at 31 December 2014 (years)	<u>2 to 4</u>	<u>–</u>	<u>9.75</u>	
			<b>2015</b>	<b>2014</b>
			<b>\$</b>	<b>\$</b>
<b>Company</b>				
<b>Computer software</b>				
<b>Cost</b>				
Balance at beginning of financial year			1,225	–
Additions			6,808	1,225
Balance at end of financial year			<u>8,033</u>	<u>1,225</u>
<b>Accumulated amortisation</b>				
Balance at beginning of financial year			126	–
Amortisation for the financial year			245	126
Balance at end of financial year			<u>371</u>	<u>126</u>
<b>Carrying amount</b>				
Balance at end of financial year			<u>7,662</u>	<u>1,099</u>

Amortisation of computer software and contractual relationships are included in “administrative expenses” and “other expenses” line items respectively in profit or loss.

Computer software written off during the financial year amounting to \$838 (2014: Nil) was recognised in “administrative expenses” line item in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 5. INTANGIBLE ASSETS (CONT'D)

### Goodwill

Goodwill on consolidation arises from the acquisition of subsidiaries. Goodwill arising from business combinations is allocated to the following cash-generating units ("CGUs") that are expected to benefit from the business combinations:

	\$
1) ISEC Eye Pte. Ltd. ("ISEC Eye")	7,969,861
2) Southern Specialist Eye Centre Sdn. Bhd. ("SSEC")	12,364,712
	<u>20,334,573</u>

The recoverable amounts of the CGU have been determined based on value in use calculations using cash flow projections from financial highlights approved by management covering a five-year period and projection to terminal year. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to upward prices revision and direct costs during the financial year as stated as follows:

	Revenue growth rate %	Terminal growth rate %	Discount rate %
ISEC Eye Pte. Ltd.	5 (2014: 5)	0 (2014: 0)	21 – 26 (2014: 21 – 26)
Southern Specialist Eye Centre Sdn. Bhd.	10 – 13 (2014: Nil)	0 (2014: Nil)	8 (2014: Nil)

Management estimates the discount rate using post-tax rates that reflect current market assessment of the time value of money and the risks specific to the CGUs. The growth rate is based on management's estimates and expectations from historical trends. Changes in upward prices revision and direct costs are based on past practices and expectation of future changes in the market.

### Sensitivity analysis

#### ISEC Eye

With regards to the assessment of value in use for ISEC Eye's goodwill, management believes that no reasonably possible changes in any key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

#### SSEC

The impairment assessment carried out at the end of the reporting period indicated that the recoverable amount for SSEC's goodwill exceeded its carrying amount by \$4,428,000. Actual outcomes could vary from these estimates. If the revised estimated revenue growth rate at the end of the reporting period had been 5 percent point less favourable than management's estimates at the end of the reporting period, there would be a need to reduce the recoverable amount of goodwill by \$5,801,000. If the revised estimated discount rate at the end of the reporting period had been 5 percent point less favourable than management's estimates at the end of the reporting period, there would be a need to reduce the recoverable amount of goodwill by \$11,270,000.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 5. INTANGIBLE ASSETS (CONT'D)

### Contractual relationships

Contractual relationships relate to an agreement between ISEC Eye Pte. Ltd. ("ISEC Eye") and Parkway Hospitals Singapore Pte. Ltd. ("PHS") where ISEC Eye has agreed to provide specialist ophthalmology services to the Lee Hung Ming Eye Centre ("Clinic") located at Gleneagles Hospital Singapore. The Clinic is operated by PHS which manages the daily operations, including purchasing, marketing and expenditures relating to equipment and supplies.

The recoverable amounts of the contractual relationships have been determined based on value in use calculations using cash flow projections from financial highlights covering a ten-year period. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to upward prices revision and direct costs during the financial year as stated as follows:

	Revenue growth rate %	Discount rate %
Year 1 to 5	5 (2014: 5)	21 (2014: 23)
Year 6 to 9	0 (2014: 0)	26 (2014: 28)

With regards to the assessment of value in use for the contractual relationships, management believes that no reasonably possible changes in any key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

Based on management's review, no impairment charge was recognised for the intangible assets of the Group and Company during the financial year.

## 6. INVESTMENT IN SUBSIDIARIES

	Company	
	2015 \$	2014 \$
Unquoted equity shares, at cost	20,090,101	20,090,100
Deemed capital contribution	17,965,940	–
	<u>38,056,041</u>	<u>20,090,100</u>
Accumulated impairment losses:		
– Balance at beginning of financial year	–	–
– Additions	(3,667,064)	–
– Balance at end of financial year	<u>(3,667,064)</u>	–
	<u>34,388,977</u>	<u>20,090,100</u>

### Deemed capital contribution

Deemed capital contribution to subsidiaries are unsecured, interest-free and repayable at the discretion of the subsidiaries.

### Impairment of subsidiaries

As at 31 December 2015, the Company carried out a review on the recoverable amount of its investment in subsidiaries. The review led to the recognition of an impairment loss of \$3,667,064 (2014: \$Nil) that have been recognised in the Company's profit or loss due to the cessation of operations of a subsidiary. The recoverable amount of the investment in the relevant subsidiary of \$1,263,641 has been determined on the basis of the subsidiary's fair value less costs to sell which consists of mainly cash and bank balances.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 6. INVESTMENT IN SUBSIDIARIES (CONT'D)

### Impairment of a subsidiary (cont'd)

The particulars of the subsidiaries are as follows:

Name of company (Principal place of business)	Proportion of ownership interest held		Proportion of ownership interest held by non-controlling interests		Principal activities
	2015	2014	2015	2014	
	%	%	%	%	
<b>Held by the Company</b>					
ISEC Sdn. Bhd. <sup>(2)</sup> (Malaysia)	100	100	–	–	Medical eye care services
ISEC Eye Pte. Ltd. <sup>(1)</sup> (Singapore)	100	100	–	–	Medical eye care services
International Specialist Eye Centre Pte. Ltd. <sup>(1)</sup> (Singapore)	100	100	–	–	Medical eye care services
ISEC Global Pte. Ltd. <sup>(1)</sup> (Singapore)	100	–	–	–	Investment holding
<b>Held by ISEC Sdn. Bhd.</b>					
ISEC (Penang) Sdn. Bhd. <sup>(2)</sup> (Malaysia)	66	66	34	34	Medical eye care services
ISEC (Sibu) Sdn. Bhd. <sup>(2)</sup> (Malaysia)	55	–	45	–	Medical eye care services
Southern Specialist Eye Centre Sdn. Bhd. <sup>(2)</sup> (Malaysia)	100	–	–	–	Medical eye care services

<sup>(1)</sup> Audited by BDO LLP, Singapore

<sup>(2)</sup> Audited by BDO, Malaysia, a member of BDO International Limited



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 6. INVESTMENT IN SUBSIDIARIES (CONT'D)

The summarised financial information before intra-group elimination of the subsidiary that has material non-controlling interests as at the end of each reporting period are as follows:

	2015 \$	2014 \$
<b>ISEC (Penang) Sdn. Bhd.</b>		
<b>Assets and liabilities</b>		
Non-current assets	1,151,356	1,418,704
Current assets	559,284	331,217
Non-current liabilities	(8,111)	(8,937)
Current liabilities	(1,898,969)	(2,350,368)
Net liabilities	<u>(196,440)</u>	<u>(609,384)</u>
Accumulated non-controlling interests	<u>(66,789)</u>	<u>(207,190)</u>
<b>Results</b>		
Revenue	2,284,230	1,257,699
Profit/(Loss) for the financial year	10,198	(202,930)
Profit/(Loss) allocated to non-controlling interests	<u>3,467</u>	<u>(69,191)</u>
Net cash used in operating activities	(39,680)	(32,279)
Net cash used in investing activities	(125,809)	(79,355)
Net cash from financing activities	291,319	1,086,987
Net change in cash and cash equivalents	<u>125,830</u>	<u>975,353</u>

### Restructuring Exercise

ISEC Healthcare Ltd. (the "Company") was incorporated in Singapore on 2 January 2014 under Singapore Companies Act, Chapter 50 (the "Act") as a private limited liability company in the name of ISEC Holdings Pte. Ltd.

Prior to the listing of the Company, a restructuring exercise (the "Restructuring Exercise") was carried out which resulted in the Company becoming the holding company of the Group. On 18 January 2014, the name of the Company was changed to ISEC Healthcare Pte. Ltd. Subsequently on 22 September 2014, the Company was converted to a public limited company and changed its name to ISEC Healthcare Ltd. The Company was listed on the Catalist Board of the Singapore Exchange Securities Trading Limited on 28 October 2014.

The following steps were taken in the Restructuring Exercise:

#### Transfer of International Specialist Eye Centre Pte. Ltd. to the Company

On 2 January 2014, International Specialist Eye Centre Pte. Ltd. ("ISEC Singapore") was incorporated in Singapore by individual shareholders, with an initial share capital of \$100. On 30 April 2014, the shares in ISEC Singapore were transferred from the individual shareholders to the Company for a consideration of \$100.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 6. INVESTMENT IN SUBSIDIARIES (CONT'D)

### Acquisition of ISEC Sdn. Bhd.

Pursuant to a sale and purchase agreement dated 26 September 2014 between the Company (as purchaser) and shareholders of ISEC Sdn. Bhd. (as vendors), the Company acquired the entire issued and fully paid-up share capital of ISEC Sdn. Bhd., a company incorporated in Malaysia for an aggregate consideration of \$3,990,000, which was satisfied by the allotment and issuance of 28,500,000 ordinary shares of the Company.

### Disposal of subsidiary

On 31 March 2014, ISEC (Ampang) Sdn. Bhd. was disposed of to a third party for a cash consideration of \$141,470. The disposal consideration was fully settled in cash.

The effects of the disposal of subsidiary in the consolidated statement of cash flows were as follows:

	<b>2014</b>
	<b>\$</b>
Trade and other receivables	201,943
Prepayments	544
Cash and cash equivalents	1,239
	<u>203,726</u>
Trade and other payables	(1,933)
Non-controlling interests	(60,538)
Carrying value of net assets	141,255
Foreign currency translation account	33,166
Loss on disposal	(32,951)
Proceeds from disposal of subsidiary	<u>141,470</u>

### Acquisition of ISEC Eye Pte. Ltd.

On 26 September 2014, the Company acquired the entire issued and fully paid-up share capital of ISEC Eye Pte. Ltd., a company incorporated in Singapore for an aggregate fair value consideration of \$16,100,000, which was satisfied by the allotment and issuance of 21,500,000 ordinary shares of the Company. Acquisition of the subsidiary is to develop its medical eye care services in Singapore.

The fair values of the identifiable assets and liabilities of ISEC Eye Pte. Ltd. as at the date of acquisition were:

	<b>Fair value recognised on date of acquisition</b>	<b>Carrying amount before combination</b>
	<b>\$</b>	<b>\$</b>
Contractual relationships	5,300,000	–
Trade and other receivables	997,412	997,412
Cash and cash equivalents	3,811,213	3,811,213
Deferred tax liabilities	(901,977)	(977)
Trade and other payables	(349,235)	(349,235)
Current income tax payable	(727,274)	(727,274)
Net identifiable assets acquired	<u>8,130,139</u>	<u>3,731,139</u>
Goodwill on acquisition	<u>7,969,861</u>	
Total purchase consideration	<u>16,100,000</u>	

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 6. INVESTMENT IN SUBSIDIARIES (CONT'D)

### Acquisition of ISEC Eye Pte. Ltd. (cont'd)

The fair valuation of the identifiable net assets of ISEC Eye Pte. Ltd. has been finalised in 2014. The acquisition of the 100% equity interest in ISEC Eye Pte. Ltd. on 26 September 2014 resulted in goodwill of \$7,969,861.

The effects of acquisition of ISEC Eye Pte. Ltd. on the consolidated statement of cash flows are as follows:

	<b>2014</b>
	<b>\$</b>
Total purchase consideration	16,100,000
Less: Non-cash consideration	(16,100,000)
Add: Cash and cash equivalents of subsidiary acquired	3,811,213
Net cash inflow on acquisition of subsidiary	<u>3,811,213</u>

### Incorporation of ISEC (Sibu) Sdn. Bhd.

On 30 January 2015, ISEC Sdn. Bhd. has entered into an agreement with two independent third parties, Dr Chua Chung Nen and Dr Ngo Chek Tung, to incorporate ISEC (Sibu) Sdn. Bhd. to operate an ophthalmology centre of excellence in the city of Sibul, state of Sarawak in Malaysia. The subsidiary was incorporated with initial share capital of RM10,000 (equivalent to \$3,690). The Group owns a 55% of equity interest with the third parties owning the remaining 45%.

### Incorporation of ISEC Global Pte. Ltd.

On 28 May 2015, the Company established a wholly-owned subsidiary in Singapore, namely, ISEC Global Pte. Ltd. with an initial issued and paid-up capital of \$1.

### Acquisition of Southern Specialist Eye Centre Sdn. Bhd.

On 8 December 2015, ISEC Sdn. Bhd., a wholly owned subsidiary of the Company, acquired the entire issued and fully paid-up share capital of in Southern Specialist Eye Centre Sdn. Bhd., a company incorporated in Malaysia, for an aggregate fair value consideration of \$13,200,351 (equivalent to RM39,997,064), which was satisfied by the cash consideration of \$5,368,812 (equivalent to RM16,267,500) and issuance of 30,711,919 ordinary shares of the Company with a value of \$7,831,539. Acquisition of the subsidiary is to expand the Group's medical eye care services in Malaysia.

The net fair value of identifiable assets and liabilities of Southern Specialist Eye Centre Sdn. Bhd. at the date of acquisition was \$811,878, thus, resulting in goodwill on acquisition of \$12,388,473.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 6. INVESTMENT IN SUBSIDIARIES (CONT'D)

### Acquisition of Southern Specialist Eye Centre Sdn. Bhd. (cont'd)

The fair values of the identifiable assets and liabilities of Southern Specialist Eye Centre Sdn. Bhd. as at the date of acquisition were:

	Fair value recognised on date of acquisition \$	Carrying amount before combination \$
Plant and equipment	449,280	449,280
Intangible assets	8,098	8,098
Inventories	221,688	221,688
Trade and other receivables	137,435	137,435
Cash and cash equivalents	716,883	716,883
Deferred tax liability	(5,611)	(5,611)
Trade and other payables	(413,915)	(413,915)
Current income tax payable	(301,980)	(301,980)
Net identifiable assets acquired	811,878	811,878
Goodwill on acquisition	12,388,473	
Total purchase consideration	13,200,351	

From the date of acquisition, Southern Specialist Eye Centre Sdn. Bhd. has contributed \$83,029 and \$248,796 to the Group's profit for the financial year and revenue respectively. If the combination has taken place at the beginning of the financial year, the Group's profit for the financial year would have been \$3,568,780 and revenue would have been \$30,456,431.

Trade and other receivables acquired comprise gross trade and other receivables amounting to \$137,435 which approximates fair value. It is expected that full contractual amount of the receivables can be collected.

Goodwill of \$12,388,473 arising from the acquisition is attributable to the expected synergies from combining the operations of the subsidiary with the Group in expanding the Group's footprint in Malacca, brand associated to SSEC and SSEC's workforce expertise. These intangibles identified are subsumed into goodwill as they do not meet the recognition criteria for identifiable intangible assets.

Transaction costs related to the acquisition of SSEC amounting to \$122,630 have been recognised in the "administrative expenses" line item in the profit or loss for the financial year ended 31 December 2015.

The effects of acquisition of subsidiary on the consolidated statement of cash flows are as follows:

	2015 \$
Total purchase consideration	13,200,351
Less: issuance of ordinary shares of the Company	(7,831,539)
Purchase consideration to be fulfilled by cash	5,368,812
Less: Amount included in other payables at end of financial year	(164,700)
Less: Cash and cash equivalents of subsidiary acquired	(716,883)
Net cash outflow on acquisition of subsidiary	4,487,229

Fair value of the ordinary shares of the Company that were issued for the acquisition had been determined based on the published price of the shares at the acquisition date.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 7. DEFERRED TAX

	Group	
	2015 \$'000	2014 \$'000
<b>Deferred tax assets</b>		
Balance at beginning of financial year	–	–
Credited to profit or loss	38,658	–
Currency translation adjustment	106	–
Balance at end of financial year	<u>38,764</u>	<u>–</u>

Deferred tax assets relates to other deductible temporary differences to the extent that realisation of the related tax benefits through future taxable profits is probable.

	Group	
	2015 \$	2014 \$
<b>Deferred tax liabilities</b>		
Balance at beginning of financial year	908,665	–
Fair value adjustment on net identifiable assets acquired (Credited)/charged to profit or loss	– (62,424)	901,000 7,665
Currency re-alignment	(3,812)	–
Balance at end of financial year	<u>842,429</u>	<u>908,665</u>

Deferred tax liabilities are attributable to the following temporary differences computed at the respective countries' statutory tax rate in which the Group operates:

	Group	
	2015 \$	2014 \$
Accelerated tax depreciation	54,054	30,190
Contractual relationships	788,375	878,475
	<u>842,429</u>	<u>908,665</u>

## 8. INVENTORIES

	Group	
	2015 \$	2014 \$
Medical and surgical supplies	<u>982,128</u>	<u>580,255</u>

Inventories of \$5,353,531 (2014: \$4,950,327) were recognised as an expense and included in "cost of sales" line item in profit or loss for the financial year ended 31 December 2015.

Inventories of \$75,744 (2014: Nil) were written off and included in "cost of sales" and "other expenses" line items respectively in profit or loss for the financial year ended 31 December 2015.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 \$	2014 \$	2015 \$	2014 \$
Trade receivables				
– third parties	1,395,504	1,461,163	–	–
Allowance for impairment loss on doubtful third parties trade receivables	(14,236)	–	–	–
	1,381,268	1,461,163	–	–
Non-trade receivables				
– third parties	33,153	521,599	–	223,717
– subsidiaries	–	–	2,527,481	7,495,448
Accrued revenue	227,065	144,361	18,309	–
Deposits	262,494	442,707	53,356	53,475
	<u>1,903,980</u>	<u>2,569,830</u>	<u>2,599,146</u>	<u>7,772,640</u>

Trade receivables are unsecured, non-interest bearing and generally on 60 to 90 days' (2014: 60 to 90 days') credit terms.

Non-trade receivables from subsidiaries are unsecured, non-interest bearing and repayable on demand.

Accrued revenue relates to professional fees for consultancy services provided by the Group and accrued interest income on fixed deposits of the Company.

Deposits mainly relate to the refundable rental deposits of premises.

Movement in allowance for impairment loss on doubtful third parties trade receivables was as follows:

	Group	
	2015 \$	2014 \$
Balance at beginning of financial year	–	–
Allowance made during the financial year	14,236	–
Balance at end of financial year	<u>14,236</u>	<u>–</u>

The currency profiles of trade and other receivables as at the end of the reporting period are as follows:

	Group		Company	
	2015 \$	2014 \$	2015 \$	2014 \$
Singapore dollar	626,533	1,648,966	2,599,146	6,789,840
Ringgit Malaysia	1,277,447	920,864	–	982,800
	<u>1,903,980</u>	<u>2,569,830</u>	<u>2,599,146</u>	<u>7,772,640</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 \$	2014 \$	2015 \$	2014 \$
Cash and bank balances	12,889,388	27,266,816	4,071,276	17,831,409
Fixed deposits with banks	12,035,044	-	12,002,104	-
	<u>24,924,432</u>	<u>27,266,816</u>	<u>16,073,380</u>	<u>17,831,409</u>

Fixed deposits mature on varying dates ranging from 3 to 12 (2014: Nil) months from the end of the reporting period. The effective interest rates on the fixed deposits range from 0.8% to 1.5% (2014: Nil) per annum.

The currency profiles of cash and cash equivalents as at the end of the reporting period are as follows:

	Group		Company	
	2015 \$	2014 \$	2015 \$	2014 \$
Singapore dollar	21,261,602	23,446,965	16,073,380	17,831,409
Ringgit Malaysia	3,662,830	3,819,851	-	-
	<u>24,924,432</u>	<u>27,266,816</u>	<u>16,073,380</u>	<u>17,831,409</u>

## 11. SHARE CAPITAL

	Group		2015 \$	2014 \$
	2015 Number of ordinary shares	2014		
<b>Issued and fully-paid:</b>				
At beginning of financial year	458,500,000	1,000,000	43,630,212	418,000
Issue of subscribers' share at incorporation of the Company	-	100	-	100
Issue of shares pursuant to the restructuring exercise	-	55,499,900	-	25,589,900
Adjustment pursuant to the restructuring exercise	-	(1,000,000)	-	(418,000)
	<u>458,500,000</u>	<u>55,500,000</u>	<u>43,630,212</u>	<u>25,590,000</u>
Sub-division of shares	-	333,000,000	-	-
Issue of shares pursuant to an initial public offering exercise	-	70,000,000	-	19,600,000
Share issue expenses	-	-	-	(1,559,788)
Issue of shares pursuant to payment for acquisition of 100% equity interest in SSEC (Note 6)	30,711,919	-	7,831,539	-
At end of financial year	<u>489,211,919</u>	<u>458,500,000</u>	<u>51,461,751</u>	<u>43,630,212</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 11. SHARE CAPITAL (CONT'D)

	Company		Company	
	2015 Number of ordinary shares	2014	2015 \$	2014 \$
<b>Issued and fully-paid:</b>				
Issue of subscribers' share at incorporation of the Company	458,500,000	100	43,630,212	100
Issue of shares pursuant to the restructuring exercise	–	55,499,900	–	25,589,900
	458,500,000	55,500,000	43,630,212	25,590,000
Sub-division of shares	–	333,000,000	–	–
Issue of shares pursuant to an initial public offering exercise	–	70,000,000	–	19,600,000
Share issue expenses <sup>+</sup>	–	–	–	(1,559,788)
Issue of shares pursuant to payment for acquisition of 100% equity interest in SSEC (Note 6)	30,711,919	–	7,831,539	–
At end of financial year	<u>489,211,919</u>	<u>458,500,000</u>	<u>51,461,751</u>	<u>43,630,212</u>

+ Included in these expenses is an allocation portion of professional fees paid to the independent auditors of the Company in respect of professional services rendered as independent reporting auditors in connection with the Company's initial public offering. The allocation portion of professional fees amounted to \$37,000.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares have no par value and carry one vote per share without restriction.

On 2 January 2014, the Company issued 100 subscriber's share for a cash consideration of \$100 at the date of its incorporation.

On 24 July 2014 and 8 September 2014, the Company issued 2,250,000 ordinary shares and 3,249,900 ordinary shares respectively for a total cash consideration of \$5,499,900.

On 26 September 2014, the Company issued 28,500,000 ordinary shares and 21,500,000 ordinary shares respectively to respective vendors of ISEC Sdn. Bhd. and ISEC Eye Pte. Ltd. amounting to \$20,090,000.

On 26 September 2014, the issued and fully paid-up capital of the Company of 55,500,000 ordinary shares were sub-divided into 388,500,000 ordinary shares.

On 28 October 2014, the Company issued 70,000,000 ordinary shares at \$0.28 per share pursuant to the Company's initial public offering exercise for a total cash consideration of \$19,600,000. The proceeds from the initial public offering will be used for business expansion in the Asia Pacific region and for general working capital purposes.

On 8 December 2015, the Company issued 30,711,919 ordinary shares to vendors of Southern Specialist Eye Centre Sdn. Bhd. amounting to \$7,831,539 (equivalent to RM23,729,564).



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 12. OTHER RESERVES

	Group	
	2015 \$	2014 \$
Foreign currency translation account	(1,252,905)	(296,248)
Merger reserve	(3,572,000)	(3,572,000)
	<u>(4,824,905)</u>	<u>(3,868,248)</u>

### Foreign currency translation account

The foreign currency translation account comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency and is non-distributable.

Movement in the foreign currency translation account is set out in the consolidated statement of changes in equity.

### Merger reserve

Merger reserve represents the difference between the consideration paid and the share capital of subsidiary acquired.

## 13. RETAINED EARNINGS

Retained earnings are distributable and the movement of retained earnings of the Company are as follows:

	Company	
	2015 \$	2014 \$
Balance at beginning of financial year/date of incorporation	2,078,097	-
Profit for the financial year/period, representing total comprehensive income for the financial year/period	841,064	2,078,097
Dividends	(1,513,050)	-
Balance at end of financial year	<u>1,406,111</u>	<u>2,078,097</u>

## 14. PROVISIONS

### Provision for restoration costs

Provision for dismantlement, removal or restoration are the estimated costs of dismantlement, removal or restoration of plant and equipment arising from the acquisition or use of assets, which are capitalised and included in the cost of plant and equipment.

Movements in provision for restoration costs during the financial year were as follows:

	Group		Company	
	2015 \$	2014 \$	2015 \$	2014 \$
Balance at beginning of financial year/date of incorporation	246,568	-	18,475	-
Provision made during the financial year	-	241,158	-	18,359
Provision reversed during the financial year	(125,323)	-	-	-
Amortisation of discount	6,284	7,786	352	116
Currency re-alignment	(13,757)	(2,376)	-	-
Balance at end of financial year	<u>113,772</u>	<u>246,568</u>	<u>18,827</u>	<u>18,475</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 15. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 \$	2014 \$	2015 \$	2014 \$
Trade payables – third parties	1,404,425	1,298,270	–	–
Non-trade payables				
– third parties	474,796	706,376	17,273	11,051
– subsidiaries	–	–	10,097	35,280
	474,796	706,376	27,370	46,331
Deferred interest income	17,877	–	17,877	–
Accrued expenses	1,512,610	493,001	297,533	118,968
	<u>3,409,708</u>	<u>2,497,647</u>	<u>342,780</u>	<u>165,299</u>

Trade payables are unsecured, non-interest bearing and are normally settled on 30 to 90 days' (2014: 30 to 90 days') terms.

Non-trade payables due to subsidiaries of the Company are unsecured, non-interest bearing and repayable on demand.

Deferred interest income relates to interest from fixed deposits in bank received in advance.

The currency profiles of trade and other payables as at the end of the reporting period are as follows:

	Group		Company	
	2015 \$	2014 \$	2015 \$	2014 \$
Singapore dollar	1,270,851	1,015,642	342,780	130,019
Ringgit Malaysia	2,138,857	1,482,005	–	35,280
	<u>3,409,708</u>	<u>2,497,647</u>	<u>342,780</u>	<u>165,299</u>

## 16. REVENUE

Revenue represents the fees charged on services rendered, net of discount and goods and services tax.

## 17. OTHER INCOME

	Group	
	2015 \$	2014 \$
Provision for restoration costs written back	125,323	–
Reversal of accrual for unutilised leave	24,210	–
Gain on disposal of plant and equipment	–	3,428
Interest income	192,226	56,194
Others	43,856	18,310
	<u>385,615</u>	<u>77,932</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 18. FINANCE COSTS

	Group	
	2015	2014
	\$	\$
Interest expense:		
– bank borrowings	–	36,151
– amortisation of discount on provision	6,284	7,786
	<u>6,284</u>	<u>43,937</u>

## 19. PROFIT BEFORE INCOME TAX

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above includes the following charges:

	Group	
	2015	2014
	\$	\$
<i>Cost of sales</i>		
Cost of inventories	5,353,531	4,950,327
Inventories written off	687	–
Depreciation of plant and equipment	450,270	396,509
Doctors' consultancy fees	903,520	5,516,646
Employee benefits expense		
– salaries, bonus and other benefits	7,373,609	1,417,437
– defined contribution plans	639,795	49,762
<i>Selling and distribution expenses</i>		
Advertisements	56,645	88,280
Marketing campaign expenses	161,971	85,239

	Group	
	2015	2014
	\$	\$
<i>Administrative expenses</i>		
Audit fees		
– auditors of the Company	56,000	43,000
– other auditors	19,884	15,520
Non-audit fees		
– auditors of the Company	41,660	44,800
– other auditors	57,054	–
Depreciation of plant and equipment	349,007	228,203
Amortisation of intangible assets	52,612	26,717
Directors of the Company		
– Directors' fees	210,000	53,667
– salaries, bonus and other benefits	490,000	59,333
– defined contribution plans	9,600	2,427
Directors of the subsidiaries		
– Directors' fees	8,213	–
– salaries, bonus and other benefits	18,734	26,852
– defined contribution plans	2,555	3,493

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 19. PROFIT BEFORE INCOME TAX (CONT'D)

	Group	
	2015	2014
	\$	\$
Employee benefits expense		
– salaries, bonus and other benefits	2,437,964	1,979,487
– defined contribution plans	285,617	233,410
Foreign exchange loss, net	108,792	–
Plant and equipment written off	24,222	–
Share issue expenses*	–	1,443,046
Operating lease expenses		
– rental of equipment	13,202	11,188
– rental of premises	1,031,697	781,880
<i>Other expenses</i>		
Allowance for impairment loss on doubtful third parties trade receivables	14,236	–
Amortisation of intangible assets	530,000	132,500
Bad third parties trade receivable written off	22,461	–
Intangible assets written off	838	–
Inventories written off	75,057	–
Loss on disposal of plant and equipment	738	–
Loss on disposal of a subsidiary	–	32,951
Plant and equipment written off	613,307	9,565

\* Included in these expenses for the financial year ended 31 December 2014 were professional fees paid to the independent external auditors of the Company amounting to approximately \$203,000 in respect of an allocated portion of professional services rendered as independent reporting auditors in connection with the Company's initial public offering. The other portion of the professional fees rendered as independent reporting auditors, amounting to \$37,000 was charged to share issue expenses under share capital in Note 11 to the financial statements.

## 20. INCOME TAX EXPENSE

	Group	
	2015	2014
	\$	\$
Current income tax		
– current financial year	1,426,608	1,333,575
– over provision in prior financial years	(87,822)	(97,555)
	1,338,786	1,236,020
Deferred tax		
– current financial year	101,082	29,726
– under/(over) provision in prior financial years	3,473	(22,306)
	(97,609)	7,420
Total income tax expense recognised in profit or loss	1,241,177	1,243,440

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 20. INCOME TAX EXPENSE (CONT'D)

### Reconciliation of effective income tax rate

	Group	
	2015 \$	2014 \$
Profit before income tax	3,984,878	3,141,466
Income tax calculated at Singapore's statutory income tax rate of 17% (2014: 17%)	677,429	534,049
Effect of different tax rate in other countries	376,565	403,586
Tax effect of income not subject to income tax	(74,146)	(32,150)
Tax effect of non-deductible expenses for income tax purposes	259,911	31,610
Deferred tax assets not recognised	123,441	452,131
Utilisation of deferred tax assets not previously recognised	(20,784)	-
Tax effect of tax exemption	(16,890)	(25,925)
Over-provision of current income tax in prior financial years	(87,822)	(97,555)
Under/(Over) provision of deferred tax liabilities	3,473	(22,306)
	<u>1,241,177</u>	<u>1,243,440</u>

### Unrecognised deferred tax assets

	Group	
	2015 \$	2014 \$
Balance at beginning of financial year	569,415	118,023
Amount not recognised during financial year	123,441	452,131
Utilisation of deferred tax assets not previously recognised	(20,784)	-
Currency re-alignment	(16,648)	(739)
Balance at end of financial year	<u>655,424</u>	<u>569,415</u>

Unrecognised deferred tax assets are attributable to the following temporary differences:

	Group	
	2015 \$	2014 \$
Unutilised tax losses	624,574	519,082
Unabsorbed capital allowances	66,670	105,617
Others	(35,820)	(46,284)
	<u>655,424</u>	<u>569,415</u>

As at 31 December 2015, the Group has unutilised tax losses and unabsorbed capital allowances of approximately \$3,522,000 (2014: \$2,832,000) and \$267,000 (2014: \$422,000) respectively available for offset against future taxable profits subject to the agreement by the tax authorities and provisions of the tax legislations of the respective countries in which the Group operates.

These deferred tax assets have not been recognised as it is not certain whether future taxable profits will be available against which the Group can utilise these benefits. Accordingly, these deferred tax assets have not been recognised in the financial statements in accordance with the accounting policy in Note 2.18 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 21. EARNINGS PER SHARE

The calculation of earnings per share is based on:

	2015 \$	Group 2014 \$ (Restated)	2013 \$ (Restated)
Profit attributable to owners of the parent	<u>2,759,868</u>	<u>1,967,217</u>	<u>2,683,591</u>
Weighted average number of ordinary shares in issue during the financial year applicable to basic earnings per share	<u>460,519,414</u>	<u>266,077,192</u>	<u>199,500,000</u>
Earnings per share (in cents) – basic and diluted	<u>0.60</u>	<u>0.74</u>	<u>1.35</u>

Basic earnings per share is calculated by dividing the net profit for the financial year attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year. As the Group has no dilutive potential ordinary shares, the diluted earnings per share is equivalent to basic earnings per share for the financial year.

The weighted average number of ordinary shares in issue of financial year ended 31 December 2014 was restated (previously reported: 363,298,012) to include the ordinary shares issued as part of a common control combination in the computation of weighted average number of ordinary shares as if the combined entity has always existed. The common control combination was effected with the acquisition of ISEC Sdn. Bhd. On 26 September 2014 (Note 6).

The weighted average number of ordinary shares in issue for financial year ended 31 December 2013 (previously reported: 350,832,258) was also restated for the same reasons.

The restatement of earnings per share for the financial years ended 31 December 2014 and 2013 have no material effects on the financial statements of the Group and Company for the respective years.

## 22. DIVIDENDS

	2015 \$	Group 2014 \$
First and final tax-exempt dividend of \$0.0011 per ordinary share in respect of the previous financial year	504,350	–
Interim tax-exempt dividend of \$0.0022 per ordinary share in respect of the current financial year	<u>1,008,700</u>	<u>–</u>
	<u>1,513,050</u>	<u>–</u>

The Directors of the Company recommend a final tax-exempt dividend of \$0.0022 per ordinary share amounting to \$1,076,266 be paid in respect of the current financial year. This final dividend has not been recognised as a liability as at the end of reporting period as it is subject to approval by shareholders at the Annual General Meeting of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 23. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purpose of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In addition to the related party information disclosed elsewhere in the financial statements, the following were significant related party transactions at rates and terms agreed between the Group and the Company with their related parties during the financial year:

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>With director of the Company</b>				
Consultancy fees paid	-	799,338	-	-
<b>With directors of the subsidiaries</b>				
Consultancy fees paid	294,586	2,002,904	-	-
<b>With subsidiaries</b>				
Deemed capital contribution to	-	-	7,831,539	-
Assignment of receivables from	-	-	1,243,494	-
Dividend income from	-	-	5,149,750	3,982,000
Management fee income from	-	-	966,996	-

Key management personnel are Directors of the Company and those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company, directly, or indirectly.

The remuneration of Directors of the Company and subsidiaries and key management personnel of the Group during the financial year was as follows:

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Directors of the Company				
- Directors' fee	210,000	53,667	210,000	53,667
- short-term employee benefits	2,223,452	503,220	315,000	52,000
- post employment benefits	129,630	40,189	9,600	2,427
Directors of subsidiaries				
- short-term employee benefits	1,632,680	26,852	-	-
- post employment benefits	202,990	3,493	-	-
Other key management personnel				
- consultancy fees paid	92,919	-	-	-
- short-term employee benefits	1,401,529	384,773	286,923	90,500
- post employment benefits	67,897	6,273	5,100	1,400
	<u>5,961,097</u>	<u>1,018,467</u>	<u>826,623</u>	<u>199,994</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 24. CAPITAL COMMITMENT

As at the end of the reporting period, capital expenditures approved and contracted for but not recognised in the financial statements were as follows:

	Group	
	2015 \$	2014 \$
Software under development	86,813	–

## 25. OPERATING LEASE COMMITMENTS

### The Group as lessee

The Group lease office spaces and clinic premises under non-cancellable operating leases. The operating lease commitments are based on existing rental rates. The leases have lease terms ranging from 2 to 15 years and rentals are fixed during the lease term.

As at the end of the reporting period, the future minimum lease payable under non-cancellable operating leases contracted for but not recognised as liabilities were as follows:

	Group		Company	
	2015 \$	2014 \$	2015 \$	2014 \$
Within one financial year	446,574	1,014,151	108,761	108,761
After one financial year but within five financial years	684,170	1,317,050	76,182	184,943
After five financial years	616,316	363,027	–	–
	<u>1,747,060</u>	<u>2,694,228</u>	<u>184,943</u>	<u>293,704</u>

## 26. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker. A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Management monitors the operating results of the segment separately for the purposes of making decisions about resources to be allocated and assessing performance. Segment performance is evaluated based on operating profit or loss which is similar to the accounting profit or loss.

The Group has only one operating business segment, which is that of providing medical care, consultancy, treatment and surgery in the field of ophthalmology. Accordingly, no business segment information is presented.

### Geographical information

Revenue is based on the country in which the services are provided and country where the customers are located. Non-current assets comprise plant and equipment and intangible assets as presented in the statement of financial position of the Group. Non-current assets are shown by the geographical area in which the assets are located.

	Singapore \$	Malaysia \$	Total \$
<b>Group</b>			
<b>2015</b>			
Total revenue from external customers	5,753,342	20,936,996	26,690,338
Non-current assets	12,840,089	15,960,869	28,800,958



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 26. SEGMENT INFORMATION (CONT'D)

### Geographical information (cont'd)

	Singapore \$	Malaysia \$	Total \$
<b>Group 2014</b>			
Total revenue from external customers	1,731,136	20,266,188	21,997,324
Non-current assets	15,250,572	2,253,625	17,504,197

### Major customers

Revenue are mainly derived from the walk-in patients which are general public. Due to the diverse base of customers to which the Group renders services in each of the reporting periods, the Group is not reliant on any customer for its sales and no one single customer accounted for 5% or more of the Group's total revenue for financial years ended 31 December 2015 and 31 December 2014.

## 27. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

The Group's and the Company's activities have exposure to credit risks, market risks (including foreign currency risks and interest rates risks) and liquidity risks arising in the ordinary course of business. The Group's and the Company's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's and the Company's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group and the Company. The Group's and the Company's management then establishes the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which the risks are managed and measured.

The Group and the Company do not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange rates.

### 27.1 Credit risks

Credit risks refer to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group and the Company. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group and the Company perform ongoing credit evaluation of its counterparties' financial condition and generally do not require collaterals.

The Group does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except trade receivables from 2 (2014: 2) customers which represent 38% (2014: 25%) of total trade receivables balance at year end.

As at 31 December 2015, the Company has significant credit exposure arising from the non-trade amounts due from subsidiaries amounting to \$2,527,481 (2014: \$7,495,448).

The carrying amounts of financial assets recorded in the financial statements, grossed up for any allowances for impairment losses, represents the Group's and the Company's maximum exposure to credit risks.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 27. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### 27.1 Credit risks (cont'd)

The Group's and the Company's major classes of financial assets are trade and other receivables and cash and cash equivalents.

Trade receivables that are neither past due nor impaired are substantially from companies with good credit track record with the Group and the Company.

Bank deposits are mainly deposits with reputable banks with minimum risk of default.

As at the end of the reporting period, the aging analysis of trade receivables past due but not impaired is as follows:

	Group	
	2015	2014
	\$	\$
Past due 1 month	129,857	68,965
Past due 2 months	262,851	338,730

### 27.2 Market risks

#### *Foreign currency risks*

The Group does not have significant exposure to foreign currency risk at the end of the reporting period as the Group mainly operates in Singapore and Malaysia respectively, and deals with local customers and suppliers which transact in Singapore dollar and Ringgit Malaysia respectively.

The Company has investments in foreign subsidiaries, whose net assets are exposed to foreign exchange translation risk.

#### *Interest rate risks*

The Group and the Company is not exposed to significant interest rate risk as there are no bank borrowings as at the end of the reporting period.

### 27.3 Liquidity risks

Liquidity risks refer to the risks in which the Group and the Company encounter difficulties in meeting their short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The Group and the Company actively manage operating cash flows so as to ensure that all payment obligations are met. As part of its overall prudent liquidity management, the Group and the Company minimise liquidity risk by ensuring the availability of funding through an adequate amount of credit facilities and maintain sufficient levels of cash to meet working capital requirements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 27. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### 27.3 Liquidity risks (cont'd)

#### *Contractual maturity analysis*

The following tables detail the Group's and the Company's remaining contractual maturity for their non-derivative financial instruments. The tables have been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company are expected to receive or pay.

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>Within one financial year</b>				
<b>Financial assets</b>				
Trade and other receivables (excluding accrued revenue)	1,676,915	2,425,469	2,580,837	7,772,640
Cash and cash equivalents	<u>24,924,432</u>	<u>27,266,816</u>	<u>16,073,380</u>	<u>17,831,409</u>
Total undiscounted financial assets	<u>26,601,347</u>	<u>29,692,285</u>	<u>18,654,217</u>	<u>25,604,049</u>
<b>Financial liabilities</b>				
Trade and other payables (excluding deferred interest income), representing total undiscounted financial liabilities	<u>3,391,831</u>	<u>2,497,647</u>	<u>324,903</u>	<u>165,299</u>

### 27.4 Capital management policies and objectives

The Group and the Company manage capital to ensure that the Group and the Company are able to continue as a going concern and maintain an optimal capital structure so as to maximise shareholders' value.

The Group and the Company are not subject to any externally imposed capital requirements for the financial years ended 31 December 2015 and 31 December 2014.

The management reviews the capital structure to ensure that the Group and the Company are able to service any debt obligations (including principal repayment and interest) based on operating cash flows. Upon review, the Group and the Company will balance the overall capital structure through new share issues and the issue of new debt or the redemption of existing debt, if necessary. The Group's overall strategy remains unchanged from 2014.

At the end of reporting period, the capital of the Group mainly consists of equity attributable to the equity holders of the Company comprising share capital, retained earnings and other reserves.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 27. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### 27.5 Fair values of financial assets and financial liabilities

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

#### *Fair value hierarchy*

The Group and the Company classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

#### *Fair values of financial instruments that are not carried at fair value*

The carrying amounts of the current financial assets and current financial liabilities that are not carried at fair value approximate their respective fair values as at the end of the reporting period due to the relatively short-term maturity of these financial instruments.

### 27.6 Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>				
Loans and receivables	<u>26,601,347</u>	<u>29,692,285</u>	<u>18,654,217</u>	<u>25,604,049</u>
<b>Financial liabilities</b>				
Other financial liabilities, at amortised cost	<u>3,391,831</u>	<u>2,497,647</u>	<u>324,903</u>	<u>165,299</u>

# STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2016

Number of Ordinary Shares in Issue (excluding treasury shares)	:	489,211,919
Number of Treasury Shares held	:	Nil
Class of Shares	:	Ordinary
Voting Rights	:	One vote for each ordinary share held

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	0	0.00	0	0.00
100 – 1,000	21	4.32	15,400	0.00
1,001 – 10,000	167	34.36	1,290,000	0.27
10,001 – 1,000,000	272	55.97	27,591,713	5.64
1,000,001 AND ABOVE	26	5.35	460,314,806	94.09
<b>TOTAL</b>	<b>486</b>	<b>100.00</b>	<b>489,211,919</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	LEE HUNG MING	83,609,200	17.09
2	HSBC (SINGAPORE) NOMINEES PTE LTD	68,046,800	13.91
3	RAFFLES NOMINEES (PTE) LIMITED	57,575,390	11.77
4	MAYBANK KIM ENG SECURITIES PTE LTD	54,534,195	11.15
5	CITIBANK NOMINEES SINGAPORE PTE LTD	31,716,358	6.48
6	WONG JUN SHYAN	27,585,705	5.64
7	ANNE MARIE LOH FOONG HAN	18,234,895	3.73
8	CHOONG YEE FONG OR HERA LUKMAN	17,436,699	3.56
9	MICHAEL LAW SIE HAU OR CHRISTINE AGNES CHEAH HOR KWAN	16,444,339	3.36
10	FANG SENG KHEONG OR CAROLINE HO MEI LI	16,023,245	3.28
11	CIMB SECURITIES (SINGAPORE) PTE LTD	15,803,345	3.23
12	DBS NOMINEES (PRIVATE) LIMITED	9,991,400	2.04
13	LIM CHEOK PENG	6,850,000	1.40
14	CHAN MEI LAN CORDELIA	5,600,000	1.14
15	DBSN SERVICES PTE LTD	5,000,000	1.02
16	PHILLIP SECURITIES PTE LTD	4,351,000	0.89
17	KOK HOWE SEN	3,679,578	0.75
18	DB NOMINEES (SINGAPORE) PTE LTD	3,436,000	0.70
19	UOB KAY HIAN PRIVATE LIMITED	3,373,300	0.69
20	CHOY SAI CHAK	2,088,000	0.43
<b>TOTAL</b>		<b>451,379,449</b>	<b>92.26</b>

# STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2016

## PUBLIC FLOAT

Based on the information available to the Company as at 18 March 2016, approximately 41.01% of the issued ordinary shares of the Company are held by the public. Accordingly the Company has complied with Rule 723 of the Listing Manual Section B: Rules of Catalist issued by the Singapore Exchange Securities Trading Limited.

## SUBSTANTIAL SHAREHOLDERS

### As recorded in the Register of Substantial Shareholders

No.	Name of Substantial Shareholder	Direct Interest		Deemed Interest	
		No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>
1	Dr Lee Hung Ming <sup>2</sup>	83,609,200	17.09	78,390,800	16.02
2	Dr Wong Jun Shyan <sup>3</sup>	27,585,705	5.64	15,000,000	3.07
3	Oh Chin Beng <sup>4</sup>	—	—	26,615,680	5.44

*Note:*

1. Based on the total issued share capital of 489,211,919 ordinary shares of the Company as at 18 March 2016.
2. Dr Lee Hung Ming is deemed to have an interest in the 18,390,800 ordinary shares and 60,000,000 ordinary shares held through his nominees, Raffles Nominee (Pte) Limited and HSBC (Singapore) Nominees Pte Ltd respectively.
3. Dr Wong Jun Shyan is deemed to have an interest in the 15,000,000 ordinary shares held through his nominee, CIMSEC Nominees (Tempatan) Sdn Bhd.
4. Mr Oh Chin Beng is interested in 26,615,680 ordinary shares of the Company held through Citibank Nominees Singapore Pte Ltd.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of **ISEC HEALTHCARE LTD.** will be held at Alumni Association, The Alumni Medical Centre, 2 College Road, Singapore 169850 on Thursday, 28 April 2016 at 10.00 a.m. to transact the following business:-

## ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2015 together with the Independent Auditors' Report thereon. **(Resolution 1)**
2. To declare a first and final dividend of 0.22 Singapore cents (S\$0.0022) per ordinary share tax exempt (one-tier) for the financial year ended 31 December 2015 (FY2014: S\$0.0011 per ordinary share). **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to Article 114 of the Constitution of the Company, and who have, being eligible, offered themselves for re-election as Directors:  
  
Dr Wong Jun Shyan **(Resolution 3)**  
Mr Lim Wee Hann **(Resolution 4)**  
  
*The profiles of the above mentioned directors can be found under the sections entitled "Board of Directors" and the "Report on Corporate Governance" in the Annual Report 2015.  
[See Explanatory Note (i)]*
4. To approve the payment of Directors' fees of S\$210,000 for the financial year ending 31 December 2016, payable quarterly in arrears. (FY2015: S\$210,000) **(Resolution 5)**  
*[See Explanatory Note (ii)]*
5. To re-appoint BDO LLP as the Independent Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## AS SPECIAL BUSINESS

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

### 7. Authority to allot and issue shares

That pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore (the "Act") and Rule 806 of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst (the "Catalist Rules"), the Directors of the Company be authorised and empowered to:

- (a) (i) allot and issue shares in the capital of the Company ("Shares") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) 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 of the Company may in their absolute discretion deem fit; and

# NOTICE OF ANNUAL GENERAL MEETING

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- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) to be issued other than on a pro rata basis to shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares) in the capital of the Company shall be based on the total number of issued Shares (excluding treasury Shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
- (a) new Shares arising from the conversion or exercise of any convertible securities;
  - (b) new Shares arising from the exercising of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
  - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) 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), the Act and the Constitution, for the time being, of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority 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 earlier.

[See Explanatory Note (iii)]

**(Resolution 7)**



# NOTICE OF ANNUAL GENERAL MEETING

## 8. Authority to issue Shares under the ISEC Healthcare Share Option Scheme (the "Share Option Scheme")

That pursuant to Section 161 of the Act, the Directors of the Company be authorised to offer and grant options in accordance with the provisions of the Share Option Scheme and to allot and issue from time to time such number of Shares in the capital of the Company as may be required to be allotted and issued pursuant to the exercise of options under the Share Option Scheme, provided always that the aggregate number of new Shares to be allotted and issued pursuant to the Share Option Scheme, when added to the aggregate number of Shares issued and issuable in respect of all options granted under the Share Option Scheme and any other share option, share incentive, performance share or restricted share plan implemented by the Company, shall not exceed 15% of the total number of issued Shares (excluding treasury shares) in the capital of the Company on the day preceding the date of grant of the option, as determined in accordance with the provisions of the Share Option Scheme. **(Resolution 8)**

*[See Explanatory Note (iv)]*

By Order of the Board

### Leong Chee Meng Kenneth

Company Secretary  
Singapore,  
13 April 2016

#### Explanatory Notes:

- (i) Dr Wong Jun Shyan, upon re-election as a Director of the Company, will remain as the Executive Director and Chief Executive Officer.

Mr Lim Wee Hann, upon re-election as a Director of the Company, will remain as an Independent Director, the Chairman of the Remuneration Committee, and a member of the Nominating and Audit Committees, and the Board of Directors (save for Mr Lim Wee Hann) considers him independent for the purposes of Rule 704(7) of the Catalist Rules.

- (ii) Ordinary Resolution 5, if passed, will facilitate the payment of Directors' fees during the financial year ending 31 December 2016 in which the fees incurred are payable quarterly in arrears.

- (iii) The Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors of the Company, effective 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 or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which up to fifty per centum (50%) may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of Shares that may be issued, the percentage of issued Shares (excluding treasury shares) will be calculated based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time Ordinary Resolution 7 is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when Ordinary Resolution 7 is passed and any subsequent bonus issue, consolidation or subdivision of shares.

- (iv) The Ordinary Resolution 8 in item 8 above, if passed, will empower the Directors of the Company to issue Shares up to an amount in aggregate not exceeding fifteen per centum (15%) of the issued share capital (excluding treasury shares) of the Company pursuant to the Share Option Scheme (which was approved at the Extraordinary General Meeting of the Company on 26 September 2014), and such other share-based incentive scheme or share plan, on the date preceding the date of the relevant grant. This authority is in addition to the general authority to issue Shares sought under Ordinary Resolution 7.

# NOTICE OF ANNUAL GENERAL MEETING

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## **Notes:**

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the annual general meeting ("Meeting") of the Company.
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the annual general meeting of the Company, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 101 Thomson Road, #09-04 United Square, Singapore 307591 not less than forty-eight (48) hours before the time appointed for holding the AGM of the Company.

## **Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 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 Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 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.

# ISEC HEALTHCARE LTD.

(Company Registration No: 201400185H)  
(Incorporated in Singapore)

## PROXY FORM

(Please see notes overleaf before completing this Form)

### IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

## PROXY FORM

\*I/We \_\_\_\_\_ (Name)

of \_\_\_\_\_ (Address)

being \*a Member/Members of the abovenamed Company, hereby appoint

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of shares	%
Address			

or the Chairman of the meeting as \*my/our \*proxy/proxies to vote for \*me/us on \*my/our behalf at the annual general meeting of the Company (the "Meeting"), to be held at Alumni Association, The Alumni Medical Centre, 2 College Road, Singapore 169850 on Thursday, 28 April 2016 at 10.00 a.m. and at any adjournment thereof. \*I/we direct \*my/our \*proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specified direction as to voting is given, the \*proxy/proxies will vote or abstain from voting at \*his/her/their discretion, as \*he/her/they will on any other matters arising at the Meeting.

**(If you wish to exercise all your votes "For" or "Against", please indicate with a tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate.)**

No.	Resolutions relating to:	For	Against
1	Receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2015.		
2	Declaration of a first and final dividend (one tier tax exempt) of 0.22 Singapore cents per ordinary share for the financial year ended 31 December 2015		
3	Re-election of Dr Wong Jun Shyan as a Director of the Company.		
4	Re-election of Mr Lim Wee Hann as a Director of the Company.		
5	Approval of Directors' fees amounting to S\$210,000 for the financial year ending 31 December 2016, payable quarterly in arrears.		
6	Re-appointment of BDO LLP as Independent Auditors of the Company.		
7	Authority to allot and issue new shares.		
8	Authority to allot and issue shares under the ISEC Healthcare Share Option Scheme.		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2016

Total Number of Shares Held	
CDP Register	
Register of Members	

\_\_\_\_\_  
Signature of Shareholder(s)  
or, Common Seal of Corporate Shareholder

\* Delete accordingly

**IMPORTANT: PLEASE READ NOTES ON THE REVERSE**

**Notes:-**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.  
"Relevant intermediary" means:
  - (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 101 Thomson Road, #09-04 United Square, Singapore 307591 not less than 48 hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a member of the Company 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 its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.

**PERSONAL DATA PRIVACY**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2016.

**General:**

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

AFFIX  
STAMP

The Company Secretary  
**ISEC HEALTHCARE LTD.**  
101 Thomson Road,  
#09-04 United Square,  
Singapore 307591

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**ISEC HEALTHCARE LTD.**

(Company Registration No.: 201400185H)  
(Incorporated in the Republic of Singapore on 2 January 2014)

101 Thomson Road  
#09-04 United Square  
Singapore 307591  
[www.isechealthcare.com](http://www.isechealthcare.com)