CHINA MEDICAL (INTERNATIONAL) GROUP LIMITED
中国医疗国际集团有限公司

Cultivating Flexibility and Resilience

ANNUAL REPORT 2017

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

This annual report has not been examined or approved by 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 Mr Lance Tan, Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).

Cultivating Flexibility and Resilience: Cover concept focuses on the theme of tenacity and resilience. The understated design makes use of multiple curved lines placed across the cover, to signify the idea of the Group remaining adaptive and flexible to the challenges. The dynamic shape of the lines also implies the Group's strategy of seeking opportunities for future growth.

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CHAIRMAN'S STATEMENT

Dear Shareholders,

It is with great pleasure that I present to you our Annual Report of China Medical (International) Group Limited ("the Group") for the financial year ended 2017 ("FY2017").

Following the demise of Mr Tai Kok Chuan, the Group Executive Chairman, I have been re-designated from the Non-Executive Director of the Company to Non-Executive Chairman of the Board with effect from 22 March 2018. On 11 December 2017, Dr He JuBin tendered his resignation as Chief Executive Officer. We are still continuing our search for a CEO and will update you in due course.

We also take this opportunity to welcome Mr Yap Siean Sin and Mr Chew Soo Lin who joined the Board as independent directors on 27 June 2017 and 28 April 2017 respectively. We also thank Mr Sunny Wong Fook Choy and Mr Yeo Chin Tuan, Daniel, who have stepped down from the Board at the last Annual General Meeting held on 28 April 2017.

The Group's current financial year performance was affected by the tough operating environment and changes in the political situation in the Republic of China ("Taiwan") and the People's Republic of China ("PRC"). Consequently, approximately S$7.192 million of goodwill arising from the acquisition of the aesthetics business and S$1.589 million of receivables from PRC were impaired in the current financial year.

Steel trading business

The Group's trading and distribution division saw a slight improvement in profits although the business remains challenging.

Medical aesthetics and Health care business and the Kidney Hospital

The Group's operations in the medical aesthetic and health care business in PRC and Taiwan remained weak due to the decline in medical tourism and increased competition. In this regard, the Group does not foresee improvement in the immediate future.

Accordingly, the Group has halted all funding to the clinics in Shenzhen and also halted the funding for the renovation of the kidney hospital in Qingdao. The Group has been actively looking for investors to takeover but there has been no positive outcome in this aspect as the commitments that would have been imposed on the Group were considered to be onerous. Furthermore, there was uncertainty in the implementation of policies, particularly the difficulty and expected long timeframe required to obtain accreditation from the local insurance bureau for patient fee reimbursements. In view of the above, the Group discontinued its venture into the management of the kidney hospital.

Based on the foregoing, CMIC Renal Hospital Management (Beijing) Co., Ltd. ("CMICRH"), a wholly-owned subsidiary corporation of CMIC Hemodialysis (Hong Kong) Limited ("CMIC HK"), has been deregistered in February 2018 to cut costs. CMICRH was incorporated in 2016 to explore opportunities in the management of a kidney hospital in Qingdao, PRC.

Fund raising

In April 2017, we completed a placement of 200 million new ordinary shares, raising a total of about S$1.441 million. Further to that, pursuant to the Rights cum Warrants Issue in October 2017, we raised approximately S$5.601 million from the renounceable non-underwritten rights cum warrants issue.

CHAIRMAN'S STATEMENT

As at the balance sheet date, the Group was in negative working capital of S$0.128 million and negative shareholders' fund of S$3.230 million (the Company has negative shareholders' fund of S$1.082 million).

The Group obtained a written undertaking from Dato Dr Choo Yeow Ming ("Dato Dr Choo") not to demand repayment of payables of S$3.500 million (being the balance of consideration owing by the Company for the acquisition of 51% of China iMyth Company Pte Ltd from China Medical Investments Co. Pte. Ltd. (the "Vendor"). Dato Dr Choo is a director and has 55% equity interests in the Vendor) until the date when the Group has the financial ability to make the repayment or the contractual maturity date on 6 November 2019.

There is a loan of HK$20 million extended by a third party to a subsidiary corporation of the Group to the Company which is due to expire on 27 June 2018. Dato Dr Choo had signed an agreement to make available till 1 May 2019 an advance of up to the amount outstanding pursuant to this third-party loan should the Group be unable to repay in full or in part.

Concurrently, the Company will continue to look for other fund-raising exercises to fund the working capital of the Group.

Moving forward

China iMyth (Shanghai) Co., Ltd. ("CISC") a wholly-owned subsidiary corporation of China iMyth (Hong Kong) Limited, which is 51% is owned by China iMyth Company Pte. Ltd. is currently undergoing deregistration. As CISC was not generating revenue and was used solely for administrative purposes, CISC was deregistered with a view to cut costs. This deregistration is currently being processed.

Due to the operating conditions mentioned above, the Group is re-evaluating its investment strategies to improve the operational results.

In the meantime, the Group will undertake a review of its existing operations and intensify the search for and pursue opportunities for growth and will update shareholders should there be any material developments.

Conclusion

At this juncture, allow me to sincerely thank, on behalf of the Board, our directors, management and staff for their support over the past year. Let us continue to work together to continue to explore new opportunities for the Group. Allow me to also thank our shareholders for keeping the faith. I look forward to meeting you, our shareholders, soon.

Hano Maeloa
Non-Executive Chairman

OPERATING AND FINANCIAL REVIEW

Revenue

The Group's (being the Company together with its subsidiary corporations) revenue from its continuing operations declined from approximately S$3.2 million for the financial year ended 31 December 2016 ("FY2016") to S$2.2 million for the financial year ended 31 December 2017 ("FY2017"). The Group's revenue from its trading and distribution division for FY2017 was approximately S$1.64 million, a decrease of approximately S$0.6 million as compared to the revenue of approximately S$2.2 million in FY2016. The 26% decline in revenue in its trading and distribution division was mainly due to weakness in steel production in the region i.e. Singapore and Malaysia for the first 3 quarters of FY2017. Medical aesthetic segment recorded S$0.525 million of revenue in FY2017 (FY2016: S$0.957 million). The performance in this segment continued to be affected by stiff competition in aesthetic business and decline in medical tourism in Taiwan.

Operating Result

The Group's gross profit from operations for FY2017 had decreased by 20% from approximately S$1.178 million in FY2016 to approximately S$0.946 million in FY2017.

FY2017 gross profit margin improved to 44% from 37% in FY2016 mainly due to selling of higher margin products and lower costs of sales in medical aesthetics segment due to a leaner service team in Taiwan.

Distribution costs decreased by 64% to approximately S$0.170 million in FY2017 from approximately S$0.467 million in FY2016 mainly due to lower marketing activities and employees cost.

Administrative expenses decreased by approximately S$7.910 million from approximately S$20.486 million in FY2016 to approximately S$12.576 million in FY2017 mainly due to lower allowance for impairment of goodwill of S$7.192 million compared to S$10.805 million in FY2016. In addition, the allowance for impairment of other receivables in FY2017 was S$1.589 million as compared to S$4.489 million in FY2016, a reduction of S$2.900 million.

The decrease of approximately S$0.255 million in other income in FY2017 is mainly due to a waiver of a payable of approximately S$0.312 million by a company related to a shareholder and deconsolidation loss of two dormant subsidiary corporations in PRC for which the Company has taken steps to deregister during the financial year.

Finance expenses increased by approximately S$0.402 million to S$0.668 million in FY2017 from S$0.266 million in FY2016. The increase in finance expenses is mainly due to interest expense for borrowings of S$0.507 million compared to FY2016 of S$0.227 million. This is mainly due to full year interest of the HK$20 million loan as compared to 5 months loan interest in FY2016 and 2% increase in interest for the HK$20 million loan from 27 June 2017 after the lender extended the repayment date of the loan on 27 June 2017.

In addition, the increase in finance expense in FY2017 is also due to full year unwinding of imputed interest of a long-term payable amounted for S$0.161 million as compared to S$0.02 million in FY2016.

Assets and Liabilities

Total assets of the Group decreased by approximately S$7.212 million from approximately S$11.729 million as at 31 December 2016 to approximately S$4.517 million as at 31 December 2017, of which S$7.192 million is attributable to impairment of goodwill, impairment of other receivables of S$1.589 million and impairment of intangible assets - customer relationships of S$0.104 million.

The cash and bank balance increased by S$1.322 million from S$2.525 million as at 31 December 2016 to S$3.847 million as at 31 December 2017 mainly attributable to S$5.601 million proceeds from the 2017 Right cum Warrants issue.

Total liabilities of the Group decreased by approximately S$1.366 million mainly due to repayment of S$1.000 million loan during 4Q2017 and waiver of loan interest by the lender due to the early repayment resulting in savings of approximately S$0.050 million.

OPERATING AND FINANCIAL REVIEW

As at the balance sheet date, the Group was in negative working capital of S$0.128 million and negative shareholders' fund of S$3.230 million and as at that date, the Company has negative shareholders' fund of S$1.082 million.

The Group has obtained a written undertaking from Dato Dr Choo not to demand repayment of payables of S$3.500 million (being the balance of consideration owing by the Company for the acquisition of 51% of China iMyth Company Pte Ltd from China Medical Investments Co. Pte Ltd. (the "Vendor"). Dato Dr Choo is a director and has 55% equity interests in the Vendor) until the date when the Group has the financial ability to make the repayment or the contractual maturity date on 6 November 2019.

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Concurrently, the Company will continue to look for other fund-raising exercises to fund the working capital of the Group.

Working Capital Management

Net cash used in operation for FY2017 is approximately S$3.074 million. The operating cash outflows before movement in working capital were approximately S$3.910 million.

The net cash outflow in investment activities for FY2017 of approximately S$0.010 million was for the renovation costs incurred for the relocation of office premises.

The net cash provided by financing activities amounted to approximately S$4.892 million. The net cash provided by financing activities consist of proceeds from the 2017 Rights cum Warrants issue of S$5.601 million, a placement of shares with proceeds of S$1.441 million, net repayment of borrowings of S$1 million, redemption of warrants of S$1.140 million and net fixed deposit placement with one licensed bank in Singapore of S$0.497 million.

Cash and cash equivalents were approximately S$3.847 million as at 31 December 2017 as compared to approximately S$2.525 million as at 31 December 2016.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr Hano Maeloa

Non-Executive Chairman

Mr Hano Maeloa was appointed Non-Executive Director of China Medical (International) Group Limited on 5 May 2011 and Chairman of the Board on 22 March 2018. He has business management experience in diverse industries spanning banking and securities, fund management, real estate, shipping and food and beverage. He has extensive business contacts throughout the Asia-Pacific region. Mr Maeloa is currently the chief executive officer of Top Global Limited. On the investment front, he has gained valuable experience at companies such as Harumdana Sekuritas, where he served as a Vice-President Director for five years. In the food and beverages industry, he earned his spurs at the likes of Wendy Foods in Hong Kong, where he was the managing director for six years. Currently, Mr Maeloa is a non-executive director of Asia-Pacific Strategic Investments Ltd, a company listed on Catalist of the Singapore Exchange. He graduated with a Bachelor of Science in Business Administration from the University of Southern California.

Mr Yap Siean Sin

Chairman, Audit Committee

Mr Yap Sien Sin was appointed was appointed as Chairman of the Audit Committee on 27 June 2017. Mr Yap holds post-graduate qualifications in architecture as well as in town planning. Mr Yap has extensive experience as a consultant architect, town planner and also business management of numerous construction and property development projects in Malaysia, Singapore and PRC. He is a corporate member of the Royal Institute of British Architects, Malaysian Institute of Town Planners, Malaysian Institute of Architects, British Institute of Interior Design, and an Associate Member of the British Institute of Building Engineers.

Mr Chew Soo Lin

Independent Director

Mr Chew Soo Lin, joined the Board as an Independent Director on 28 April 2017. He qualified as a Chartered Accountant in United Kingdom ("UK") in 1971 and worked for international audit firms in England and Singapore till 1978. Then he joined the Khong Guan group of companies and gained experience managing various food manufacturing and distribution companies located all over Asia. Mr Chew is currently the executive chairman of Khong Guan Limited and is also an independent director and audit committee member of Asia-Pacific Strategic Investments Limited, Duty Free International Limited and MTQ Corporation Limited.

Mr Albert Tan Tiong Heng

Chief Financial Officer

Mr Albert Tan Tiong Heng was appointed CFO in January 2017. He is responsible for the Group's financial management and reporting functions. Prior to joining the Company, Mr Tan was the CFO of Singapore eDevelopment Limited from April to June 2016. Before this, he was the Group Financial Controller cum Legal Counsel of HTL International Holdings Limited from February 2013 to April 2016, CFO of Max Lewis Holdings Pte Ltd from 2009 to 2013 and Group Financial Controller of Hor Kew Corporation Limited from 2007 to 2009.

Mr Tan has more than 20 years of experience in finance, accounting, tax and legal. He is a fellow member of ISCA, ACCA, CIMA and CPA Australia. In addition, he is also a Chartered Secretary and Chartered Tax Adviser. He holds a Masters of International Taxation, New South Wales University, MBA (Finance), Leicester University and Bachelor of Laws (Honours) from the University of London.

COMPANY INFORMATION

Board of Directors

Mr Hano Maeloa
Non-Executive Chairman

Mr Yap Siean Sin
Independent Director

Mr Chew Soo Lin
Independent Director

Audit Committee

Mr Yap Siean Sin
Chairman

Mr Hano Maeloa
Mr Chew Soo Lin

Remuneration Committee

Mr Yap Siean Sin
Chairman

Mr Hano Maeloa
Mr Chew Soo Lin

Nominating Committee

Mr Chew Soo Lin
Chairman

Mr Hano Maeloa
Mr Yap Siean Sin

Company Secretary

Ms Ong Beng Hong
Ms Tan Swee Gek

Registered Office

26 Boon Lay Way
#01-80 (2nd level)
Singapore 609970
T (65) 6262 6211
F (65) 6262 5011
E prdept@cmigmedical.com
W www.cmigmedical.com

Share Registrar

Boardroom Corporate &
Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Independent Auditor

NEXIA TS PUBLIC ACCOUNTING CORPORATION
Public Accountants and
Chartered Accountants
100 Beach Road
#30-00 Shaw Tower
Singapore 189702
Director-in-charge: Ms Loh Hui Nee
Year of appointment: FY 2015

REPORT ON CORPORATE GOVERNANCE AND FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

The board of directors (the "Board") of China Medical (International) Group Limited (the "Company") recognises that good corporate governance is an important objective of the Company and its subsidiary corporations (the "Group") and believes that it will in the long term enhance return on capital through increased accountability.

The Company adheres closely to the principles and guidelines of the Code of Corporate Governance 2012 (the "Code") and other applicable laws, rules and regulations, including the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "Catalist Rules").

This report describes the Company's corporate governance processes and structures that are currently in place for the financial year ended 31 December 2017 ("FY2017"), with specific reference made to the principles and guidelines of the Code and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "SGX-ST") in January 2015 (the "Guide"), and where applicable, deviations from the Code and the Guide are explained.

(A) BOARD MATTERS

BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: Every company should be headed by an effective Board to lead and control the Company. The Board is collectively responsible for the success of the Company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The Board comprises three Directors - one Non-Executive Chairman and two Independent Directors and collectively has the appropriate mix of core competencies and diversity of experience, as below:

Mr Hano Maeloa (Non-Executive Chairman)
Mr Yap Siean Sin (Independent Director)
Mr Chew Soo Lin (Independent Director)

The primary function of the Board is to protect and enhance long-term value and returns for the Company's shareholders. Besides carrying out its statutory responsibilities, the Board's role is also to:

- appoint Directors and other key personnel and review their performance;
- provide entrepreneurial leadership, set strategic objectives and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- oversee processes relating to the Group's internal controls, risk management, financial performance, compliance practices and resource allocation;
- provide oversight in the proper conduct of the Group's business and assume responsibility for corporate governance;
- establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interest and the Group's assets;
- identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;
- set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and
- consider sustainability issues, such as environmental and social factors, as part of its strategic formulation.

CORPORATE GOVERNANCE REPORT

The Board's approval is required for matters such as the Group's financial plans and annual budget, corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, acceptances of bank facilities, the release of the Group's quarterly and full year's financial results and interested person transactions of a material nature. In the course of deliberations, the Directors are obliged to act in good faith and consider at all times the interests of the Company.

A formal document setting out the following has been adopted by the Board:

(a) the matters reserved for the Board's decision; and

(b) clear directions to Management on matters that must be approved by the Board.

Apart from matters that specifically require the Board's approval, the Board approves transactions exceeding certain threshold limits and delegates authority for transactions below those limits to management so as to optimise operational efficiency.

The Board has formally met a total of four times in FY2017 and had convened several ad-hoc meetings.

All Directors are familiar with their duties and responsibilities as Directors. In addition, the Company has in place an induction program whereby newly appointed Directors will be given briefings and orientation training by the top management of the Company on the business activities of the Group and its strategic directions, as well as their duties and responsibilities as Directors. The Directors are briefed by professionals either during Board meetings or at separate meetings on accounting standards and regulatory changes which have an important bearing on the Company and the Directors' obligations to the Company. All the Audit Committee ("AC") members receive updates from the external auditor on updates to accounting issues which have a direct impact on financial statements. In addition, the Board encourages its members to participate in seminars and receive training at the Company's expense to improve themselves in the discharge of their duties as directors.

While the Directors have not attended any trainings for FY2017, briefings and updates for the Directors include:

- the external auditor ("EA") had briefed the AC on changes or amendments to accounting standards;
- the Company Secretary had briefed the Board on regulatory changes, such as changes to the Companies Act and/or the SGX-ST Listing Manual Section B: Rules of Catalist; and
- periodic site visits to the Group's operation facilities to familiarise the Board with the operations of the Company.

To assist the Board in its functions, the Board has established various Board Committees, namely the AC, Remuneration Committee ("RC") and Nominating Committee ("NC") which were constituted with clear written terms of reference. These committees are made up solely of Independent Directors and Non-Executive Directors and the effectiveness of each committee is constantly monitored by the Board.

CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD

AUDIT COMMITTEE

Following the resignation of Mr Wong Fook Choy Sunny and Mr Yeo Chin Tuan Daniel as directors of the Company on 28 April 2017 and the appointment of Mr Yap Sien Sin and Mr Chew Soo Lin as Independent Directors of the Company on 27 June 2017 and 28 April 2017 respectively, the AC was reconstituted on 27 June 2017 as follows:

Mr Yap Siean Sin (Chairman)
Mr Chew Soo Lin
Mr Hano Maeloa

The AC is guided by the Code when performing its functions.

Its duties include, inter alia, overseeing the quality and integrity of the accounting, auditing, internal controls and financial practices of the Group and its exposure to risks of a regulatory and legal nature. It also reviews the effectiveness of the Company's systems of accounting and internal controls.

In FY2017, the AC had formally met a total of six times.

Further details about the AC may be found on page 23 of this report.

NOMINATING COMMITTEE ("NC")

Following the resignation of Mr Wong Fook Choy Sunny and Mr Yeo Chin Tuan Daniel as directors of the Company on 28 April 2017 and the appointment of Mr Yap Siean Sin and Mr Chew Soo Lin as Independent Directors of the Company on 27 June 2017 and 28 April 2017 respectively, the NC was reconstituted on 27 June 2017 as follows:

Mr Chew Soo Lin (Chairman)
Mr Yap Siean Sin
Mr Hano Maeloa

Under its terms of reference, the principal functions of the NC are:

- to make recommendations to the Board on all Board's appointments and re-nominations;
- to propose objective performance criteria to evaluate the Board's performance;
- to assess and determine annually the independence of the Directors; and
- to assess whether any Director, who has multiple board representations, is able to and has been adequately carrying out his duties as a Director.

The NC had formally met once in FY2017. It has also implemented a process for assessing the effectiveness of the Board as a whole.

Further details about the NC may be found on page 15 of this report.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE ("RC")

Following the resignation of Mr Wong Fook Choy Sunny and Mr Yeo Chin Tuan Daniel as directors of the Company on 28 April 2017 and the appointment of Mr Yap Sien Sin and Mr Chew Soo Lin as Independent Directors of the Company on 27 June 2017 and 28 April 2017 respectively, the RC was reconstituted on 27 June 2017 as follows:

Mr Yap Siean Sin (Chairman)
Mr Chew Soo Lin
Mr Hano Maeloa

Under its terms of reference, the principal functions of the RC are, inter alia:

- to recommend the Non-Executive and Executive Directors' (if applicable) remuneration to the Board;
- to review and approve the Chief Executive Officer's and senior management's remuneration; and
- to review all benefits and long-term incentive schemes (including share option schemes) and compensation packages for the Directors and senior management.

In FY2017, the RC had formally met once.

Further details about the RC can be found on pages 19 of this report.

The number of formal meetings held by the Board and Board Committees and attendance thereat during FY2017 are as follows:

	BOARD		AC		RC		NC	
DIRECTORS	No. of meetings	Attended	No. of meetings	Attended	No. of meetings	Attended	No. of meetings	Attended
Tai Kok Chuan(1)	4	4	6	5	1	1	1	1
Wong Fook Choy Sunny(2)	4	1	6	3	1	1	1	1
Yeo Chin Tuan Daniel(3)	4	1	6	3	1	1	1	1
Hano Maeloa	4	4	6	5	1	1	1	1
Yap Siean Sin(4)	4	2	6	2	1	–	1	–
Chew Soo Lin(5)	4	3	6	3	1	–	1	–

Notes:

(1) Mr Tai Kok Chuan attended the Board committee meetings as an invitee. Mr Tai Kok Chuan ceased to be a Director of the Company upon his demise on 6 March 2018.

(2) Mr Wong Fook Choy Sunny resigned as a Director of the Company on 28 April 2017. Pursuant to his cessation, Mr Wong Fook Choy Sunny also ceased to be an Independent Director of the Company, the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee. The announcement relating to Mr Wong Fook Choy Sunny's cessation as a Director of the Company was released via SGXNET on 28 April 2017.

(3) Mr Yeo Chin Tuan Daniel resigned as a Director of the Company on 28 April 2017. Pursuant to his cessation, Mr Yeo Chin Tuan Daniel also ceased to be an Independent Director of the Company, the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee. The announcement relating to Mr Yeo Chin Tuan Daniel's cessation as a Director of the Company was released via SGXNET on 28 April 2017.

(4) Mr Yap Siean Sin was appointed as an Independent Director of the Company on 27 June 2017. The announcement relating to Mr Yap Siean Sin's appointment was released via SGXNET on 27 June 2017. Mr Yap Siean Sin was appointed as Chairman of both the Audit Committee and Remuneration Committee and a member of the Nominating Committee on 27 June 2017.

(5) Mr Chew Soo Lin was appointed as an Independent Director of the Company on 28 April 2017. The announcement relating to Mr Chew Soo Lin's appointment was released via SGXNET on 28 April 2017. Mr Chew Soo Lin was appointed as Chairman of both the Nominating Committee and a member of the Audit Committee and Remuneration Committee on 27 June 2017.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board, of which two out of three of the Directors are Independent Directors, is able to exercise its powers objectively and independently from the management. The Independent Directors are Mr Yap Siean Sin and Mr Chew Soo Lin. Mr Hano Maeloa is a Non-Executive Director. Given that the Non-Executive Chairman, Mr Hano Maeloa is not part of the management team, the requirement of the Code that Independent Directors should make up at least third of the Board, is therefore satisfied. The criterion of independence is based on the definition given in the Code. The Board considers an "independent" director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgment of the conduct of the Group's affairs with a view to the best interests of the Company. Mr Hano Maeloa was previously assessed by the Nominating Committee to be deemed not independent of the Company for FY2016 as he is the son of a then substantial shareholder of the Company. Notwithstanding that Mr Hano Maeloa's mother was no longer a substantial shareholder of the Company, it should be noted that Mr Hano Maeloa expressed that he would for good corporate governance remain as a Non-Executive Director of the Company and not be considered independent. It was noted that Mr Hano Maeloa's mother once again became a substantial shareholder of the Company in November 2017 and whilst the threshold set out in the Code is a relationship with 10% shareholder, as mentioned above, Mr Hano Maeloa has previously expressed he will for good corporate governance remain a Non-Executive Director.

With two Independent Directors, the Board is able to exercise independent judgment on corporate affairs and provide management with a diverse and objective perspective on issues. Board members also have separate and independent access to the Company's senior management on an ongoing basis. The Independent Directors have confirmed that they do not have any relationship with the Company or its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company.

The composition of the Board and Board Committee has been reviewed by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making. The NC is of the view that the current Board comprises persons who as a group provides capabilities required for the Board to be effective.

As of the date of this report, there are no Independent Directors of the Company who sit on the board of the Company's principal subsidiary corporations. To meet the changing challenges in the industry and countries which the Group operates in, the Board will constantly examine its size and, with a view to determine the impact of the number upon effectiveness and considering factors such as the expertise, skills and perspectives which the Board needs against the existing competencies, decide on what it considers an appropriate size for the Board, which facilitates effective decision making. The Board considers the present Board size appropriate for the current nature and scope of the Group's operations.

For FY2017, the Non-Executive Directors had met at least once in the absence of key management personnel.

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 Board currently comprises Directors who as a group provide core competencies such as accounting and finance, legal and corporate governance as well as business and management experience. To maintain or enhance the Board's balance and diversity, the Board, with the assistance of the NC, is looking into conducting an annual assessment of the existing attributes and core competencies of the Board to ensure that they are complementary and enhance the efficacy of the Board.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The position of Executive Chairman was held by the late Mr Tai Kok Chuan. During his tenure as the Executive Chairman, Mr Tai Kok Chuan played an instrumental role in developing the business of the Group and provided the Group with leadership and vision. Following the demise of the Group's late Executive Chairman, Mr Hano Maeloa, the Non-Executive Director of the Company had been appointed the Non-Executive Chairman on 22 March 2018. The Non-Executive Chairman monitors communications and relations between the Company and its shareholders, within the Board and between the Board and the Management, with a view to encouraging constructive relations and dialogue amongst them.

Dr He JuBin, the former CEO of the Group, resigned from the Company on 11 December 2017. The announcement relating to Dr He JuBin's cessation as CEO of the Company was released via SGXNET on 11 December 2017. After the cessation, the Board did not appoint any CEO and the key functions of a CEO were carried out by the late Executive Chairman. Following the demise of the Group's late Executive Chairman, the Company is looking for a suitable candidate to oversee the overall management of the Company.

In view of the key position to be undertaken by the new candidate, all major decisions made by the new candidate will be reviewed by the Board. His performance and appointment to the Board shall be reviewed annually by the NC and his remuneration package shall be reviewed annually the RC. As such, the Board believes that there will be adequate safeguards in place against an uneven concentration of power and authority in a single individual.

For FY2017, the Independent Directors had met at least once in the absence of key management personnel.

BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The Board has established the NC, chaired by Mr Chew Soo Lin. The NC comprises two Independent Directors and one Non-Executive Director. The Chairman of the NC is not associated in any way with any substantial shareholders of the Company.

One of the functions of the NC is to determine the criteria for the appointment of new Directors, set up a process for the selection of such appointment and to review nominations for the appointment and re-appointment of Directors to the Board and also to decide on how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval. The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience to enable management to benefit from a diverse perspective of issues that are brought before the Board. The NC is of the view that the Board comprises Directors capable of exercising objective judgment on the corporate affairs of the Company independently of management and that no individual or small group of individuals dominate the Board's decision-making process.

When a vacancy arises under any circumstance, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the NC, in consultation with the Board, will determine the selection criteria and select candidates with the appropriate expertise and experience for the position. The Company may appoint professional search firms and recruitment consultants to assist in the selection and evaluation process if the appointment requires a specific skill set or industry specialisation. The NC will then meet with the short-listed candidate, nominate and recommend the most suitable candidate to the Board for approval. The newly appointed Directors by the Board will be subject to re-election by Shareholders at the next annual general meeting and thereafter, they are subject to the one-third rotation rule pursuant to the Company's Constitution.

CORPORATE GOVERNANCE REPORT

In determining the independence of Directors annually, the NC has reviewed and is of the view that Mr Yap Siean Sin and Mr Chew Soo Lin are independent. The Independent Directors have also confirmed their independence in accordance with the Code during the NC meeting held on 27 February 2018 subsequent to FY2017 and all the Independent Directors have provided their independent declarations. In addition, the Independent Directors do not have any relationships as stated in the Code that would otherwise deem any of them not to be independent.

The NC has adopted internal guidelines addressing competing time commitments that are faced when Directors serve on multiple boards and have other principal commitments. However, the Board, with the concurrence of the NC, has agreed that the Company shall not impose a maximum number of listed board representations on the Directors as the Board is of the opinion that setting a fixed number would not adequately take into account the varied circumstances of each Director. The NC will instead focus on whether a Director has sufficient time to adequately discharge his duties to the Company. The NC would monitor and determine annually, on a case-by-case basis, whether the Directors have given sufficient time and attention to the affairs of the Company and adequately carry out his duties as a Director of the Company.

The NC has reviewed and is satisfied that in FY2017, the two Independent Directors and the Non-Executive Director who have multiple board representations, have been able to devote adequate time and attention to the affairs of the Company to fulfil their duties as Directors of the Company.

The year of initial appointment and last re-election date of each current Director and his current and past directorship(s) in other listed companies are listed below:

Director	Date of initial appointment	Date of last re-election	Current directorships in listed companies	Past directorships in listed companies (preceding three years)	Other principal commitments
Mr Hano Maeloa	5 May 2011	20 April 2016	- Top Global Limited - Asia-Pacific Strategic Investments Limited	N.A.	Chief Executive Officer and Executive Director of Top Global Limited
Mr Yap Siean Sin	27 June 2017	Not applicable	- Asia-Pacific Strategic Investments Limited	N.A.	Nil
Mr Chew Soo Lin	28 April 2017	Not applicable	- Khong Guan Limited - Asia-Pacific Strategic Investments Limited - Duty Free International Ltd - MTQ Corporation Limited	N.A.	Executive Director of Khong Guan Limited

The profile of the Directors can be found on page 7 of this report.

CORPORATE GOVERNANCE REPORT

Pursuant to Article 90 of the Company's Constitution, at least one-third of the Directors shall retire from office by rotation and be subject to re-election at the Company's annual general meeting, except that the Managing Director will not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire. All Directors are required to submit themselves for re-nomination and re-appointment at regular intervals and at least once every three years. In addition, a new Director appointed by the Board during the year shall hold office only until the next annual general meeting and shall then be eligible for re-election at the Company's annual general meeting, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. The shareholders approve the appointment or re-appointment of Board members at the annual general meeting.

The NC will assess and evaluate whether Directors retiring at each annual general meeting are properly qualified for re-appointment by virtue of their skills, experience and contributions. In accordance with the Company's Constitution, the NC recommended to the Board that Mr Hano Maeloa be nominated for re-election at the Company's forthcoming Annual General Meeting ("AGM"). In making the recommendation, the NC had considered Mr Hano Maeloa's overall contribution and performance.

In addition, Article 96 of the Company's constitution provides that new directors of the Company shall hold office until the next AGM and shall then be eligible for re-election. As such, the newly appointed Independent Directors Mr Yap Siean Sin and Mr Chew Soo Lin will be retiring at the forthcoming AGM pursuant to Article 96 of the Company's Constitution and are to be nominated for re-election.

As at the date of this report, all the Directors are interested in the shares and/or share options in the Company (whether directly or indirectly). The aforesaid Directors' interests in the Company shareholdings are set out on pages 30 and 31 of this annual report. None of the Directors holds shares in the subsidiary corporations of the Company. Details of each Director's interests in options issued by the Company are set out on page 31 of this report.

BOARD PERFORMANCE

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its committees and the contribution by each director to the effectiveness of the Board.

The effectiveness of the Board will ultimately affect the performance of the Group. The Board ensures compliance with the applicable laws and the Board members should act in good faith, with due diligence and care in the best interests of the Company and its shareholders.

The performance of the key executives will be reviewed annually by the NC and the Board.

The NC has established an appraisal process to assess the performance and effectiveness of the Board as a whole. For this purpose, the NC has developed a checklist to assist in its assessment of the Board's effectiveness at least once every year. Feedback and comments received from the Directors are reviewed by the NC. In its assessment, the NC takes into consideration the frequency of the Board meetings, Board independence, the rate at which issues raised are adequately dealt with, the effectiveness of the Board Committees, and reports from the various committees.

Given the relatively small size of the Board, there is no need at present to conduct a formal individual assessment of the Directors and the Board Committees.

The NC has assessed the current Board's performance to-date and is of the view that performance of the Board as a whole has been satisfactory.

Each member of the NC abstains from voting on any resolutions and making recommendations and/or participating in any deliberations in respect of the assessment of his performance or re-nomination as a Director.

CORPORATE GOVERNANCE REPORT

ACCESS TO INFORMATION

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities as directors.

All Directors are from time to time furnished with information concerning the Group to enable them to be fully cognisant of the decisions and actions of the Group's executive management. The Board has unrestricted access to the Company's records and information. In order to enable the Independent Directors to understand the Group's business, the business and financial environment as well as the risks faced by the Group, the Management provides, inter alia, the following information to the Independent Directors:

1) board papers (with background or explanatory information relating to the matters brought before the Board, where necessary);

2) updates to the Group's operations and the markets in which the Group operates in;

3) budgets and/or forecasts, management accounts and external auditors' report(s); and

4) reports on on-going or planned corporate actions.

The Constitution of the Company provides for Directors to convene meetings by teleconferencing or other similar means e.g. videoconferencing. When a physical Board meeting is not possible, timely communication with members of the Board can be achieved through electronic means.

The agenda for Board meetings is prepared in consultation with the Non-Executive Chairman. Agendas and board papers (where relevant) are prepared for each meeting and will normally be circulated at least two days in advance of each meeting.

Senior members of management staff are available to provide explanatory information in the form of briefings to the Directors or formal presentations in attendance at Board meetings, or by external consultants engaged on specific projects.

The Board has separate and independent access to the Company Secretary and to other senior management of the Group at all times in carrying out their duties.

The Company Secretary and/or a representative of the Company Secretary attends all meetings of the Board and Board Committees of the Company and ensures that Board procedures are followed and that applicable rules and regulations are complied with. The minutes of Board and Board Committees' meetings are circulated to the Board.

Each Director has the right to seek independent legal and other professional advice as and when necessary to enable him to discharge his responsibilities effectively, the cost of such professional advice will be borne by the Company.

(B) REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his/her own remuneration.

The Board has established the RC, chaired by Mr Yap Siean Sin. The RC comprises two Independent Directors and the Non-Executive Director.

It is within the terms of reference of the RC to review and recommend to the Board, a general framework of remuneration for the Board and key executives and to review and recommend the specific remuneration packages and terms of employment for each Director and the key executives. Each member of the RC abstains from voting on any resolutions and making any recommendations in respect of his remuneration package.

The RC recommends and reviews remuneration packages of the key executives on a regular basis, with the aim of building a capable and committed management team. The Directors are not involved in deciding their own remuneration.

If necessary, the RC may seek expert advice outside the Company on remuneration of the Directors and key executives. The RC ensures that in the event of such advice being sought, existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The Company has not appointed any remuneration consultants for FY2017.

LEVEL AND MIX OF REMUNERATION

Principle 8: The level of and structure of remuneration should be aligned with the long-term interest and risk policies of the Company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the Company and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

In setting remuneration packages, the Company takes into consideration the remuneration and employment conditions within the same industry, as well as the Group's performance.

The remuneration for the key executives comprise a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and individual performance.

The Non-Executive Chairman and Independent Directors receive directors' fees, in accordance with their contributions, taking into account factors such as effort and time spent, responsibilities of the Directors and the need to pay competitive fees to attract, motivate and retain the Directors. Directors' fees are recommended by the Board for approval at the Company's annual general meeting.

The annual review of the remuneration of the key executives are carried out by the RC to ensure that their remuneration are commensurate with their performance, giving due regard to the profitability of the Group, its financial performance as well as general economic conditions under which the Group operates. As the Group is in a loss position in FY2017, the profitability criteria has not been met.

In reviewing and determining the remuneration packages of the Directors and key executives, the RC considers, amongst other things, their responsibilities, skills, expertise and contribution to the Company's performance and whether such remuneration packages are competitive and sufficient to ensure that the Company is able to attract and retain the best available executive talent.

CORPORATE GOVERNANCE REPORT

The RC also administers the Albedo Share Performance Plan (the "SPP"). The criteria to determine the grant of SPP include the employee's rank and responsibilities within the Group, his/her performance, years of service, potential for future development of the employee and the performance of the Group. No grants were awarded under the SPP for FY2017. Further details about the SPP are set out on page 35 of this report.

DISCLOSURE ON REMUNERATION

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

After reviewing the industry practice and analysing the advantages and disadvantages in relation to the disclosure of remuneration of each Director and key management personnel, the Company is of the view that disclosing the exact amount of remuneration would be prejudicial to its business interest given the highly competitive environment. The breakdown of remuneration (in percentage terms) of the Directors and CEO of the Company paid for FY2017 is set out below:

Name of Director/CEO	Base Salary	Allowance	Fees	Other Benefits[1]	Total
Between S$250,000 to S$500,000					
Tai Kok Chuan[2]	94%	4%	–	2%	100%
Below S$250,000					
Wong Fook Choy Sunny[3]	–	–	100%	–	100%
Hano Maeloa	–	–	100%	–	100%
Yeo Chin Tuan Daniel[4]	–	–	100%	–	100%
Mr Yap Siean Sin[5]	–	–	100%	–	100%
Mr Chew Soo Lin[6]	–	–	100%	–	100%
Dr He JuBin[7]	100%	–	–	–	100%

Notes:

(1) Other benefits include employer's contribution to Central Provident Fund, bonus and out-of pocket allowances.

(2) Mr Tai Kok Chuan ceased to be a Director of the Company upon his demise on 6 March 2018.

(3) Mr Wong Fook Choy Sunny resigned as an Independent Director of the Company with effect from 28 April 2017.

(4) Mr Yeo Chin Tuan Daniel resigned as an Independent Director of the Company with effect from 28 April 2017.

(5) Mr Yap Siean Sin was appointed as an Independent Director of the Company on 27 June 2017.

(6) Mr Chew Soo Lin was appointed as an Independent Director of the Company on 28 April 2017.

(7) Dr He JuBin resigned as a Chief Executive Officer of the Company with effect from 11 December 2017.

The Directors' fees, as a lump sum, will be subject to the approval by shareholders at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

The remuneration paid to the key executives (who are not Directors or the CEO) for services rendered to the Group on an individual basis were all below S$250,000 during FY2017 and are set out below:

Name of Key Executive	Base Salary	Allowance	Fees	Other Benefits[1]	Total
Below S$250,000					
Dr Wang YongPing	100%	–	–	–	100%
Dr Zhang XiaoGuang	100%	–	–	–	100%
Mr Albert Tan Tiong Heng[2]	88%	6%	–	6%	100%
Mr Tan Kai Teck[3]	90%	5%	–	5%	100%

Notes:

(1) Other benefits include employer's contribution to Central Provident Fund.

(2) Mr Albert Tan Tiong Heng was appointed as the Chief Financial Officer of the Company on 31 January 2017.

(3) Mr Tan Kai Teck ceased to be the Company's Chief Financial Officer with effect from 31 January 2017.

The total remuneration paid to the top three key executives (excluding the late Executive Chairman and Directors) for FY2017 was S$386,260.

Ms Yap Mee Lee, spouse of the late Executive Chairman for FY2017, is employed as the administrative manager of one of the Company's subsidiary corporations. The remuneration paid to her for services rendered to the subsidiary corporation was less than S$50,000 as part of cost rationalisation during FY2017 and it is set out below:

Name of Relative	Base Salary	Allowance	Fees	Other Benefits[1]	Total
Less than S$50,000					
Yap Mee Lee	91%	–	–	9%	100%

Note:

(1) Other benefits include employer's contribution to Central Provident Fund.

There are no termination or retirement benefits, as well as post-employment benefits that are granted to the Directors, CEO and key executives.

(C) ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

In presenting interim and full year financial result announcements and the annual financial statements to shareholders promptly, it is the aim of the Board to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects.

The Board has unrestricted access to relevant information on a timely basis in order that it may effectively discharge its duties. The Board members will be provided with up-to-date financial reports and other information on the Group's performance for effective monitoring and decision making.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the Company's assets and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board reviews annually the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls. The Board is of the opinion that the internal controls, including financial, operational, compliance and information technology controls, and risk management systems are adequate and effective.

The AC, on behalf of the Board, reviews the Group's system of internal controls, including financial, operational, compliance and information technology, and risk management policies and systems established by management. This ensures that such system is sound and adequate to provide reasonable assurance of the adequacy and effectiveness of the internal controls, addressing financial, operational, compliance and information technology risks and risk management systems. While no cost-effective internal control system can provide absolute assurance against loss or misstatement, the Group's internal controls and systems have been designed to provide reasonable assurance that assets are safeguarded, operational controls are in place, business risks are suitably protected, proper accounting records are maintained and financial information used within the business and for publication, are reasonable and accurate. The Company has in place an Enterprise Risk Management framework during FY2017.

At present, the Board relies on the assurances provided by Management, the external audit reports and management letter prepared by the external auditors on any material non-compliance or internal control weaknesses.

The effectiveness of the internal control systems and procedures are monitored by Management and also by the internal audit function. The effectiveness of the internal control systems and procedures are monitored by Management and the AC has also appointed an outsourced internal auditor to commence review of the internal controls of the key operations of the Group. During FY2017, the Chief Financial Officer prepared the applicable risk pillars in view of the Group's operations and had in place an Enterprise Risk Management framework, which was reviewed by the late Executive Chairman and the AC. The AC is satisfied that the internal audit function is adequately resourced and has appropriate standing in the Group.

Based on the internal controls established and maintained by the Group, work performed by the internal auditors and review performed by Management, while noting the ongoing efforts by the management to address the external auditors' concerns, the Board with the concurrence of the AC, is of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology risks, and risk management systems were adequate and effective as at 31 December 2017.

The Board has also received assurance from the Chief Financial Officer:

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) regarding the effectiveness of the Company's risk management and internal controls system.

AUDIT COMMITTEE

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The Board has established the AC, chaired by Mr Yap Siean Sin. The members comprise the two Independent Directors and the Non-Executive Director of the Company, who collectively bring with them invaluable managerial and professional expertise in the financial and business management spheres. None of the AC members were previous partners or directors of the Company's external audit firm within the last twelve months and none of the AC members hold any financial interest in the external audit firm.

The AC has met with the Group's external auditor and its management to review accounting, auditing and financial reporting matters for FY2017.

Specifically, the AC has the following functions:

- reviewing the audit plans and scope of audit of the external auditor, including appraising the quality of their work and the assistance provided to them by the Management;
- recommending to the Board the appointment, re-appointment and removal of external auditors and their fees for shareholders' approval, after evaluating their cost effectiveness, independence and objectivity and the nature and extent of non-audit services provided by them;
- reviewing the effectiveness of the internal audit function;
- reviewing and reporting to Board at least annually the adequacy of the internal control systems of the Group, including financial, operational, compliance and information technology controls, by reviewing written reports from the internal auditors, and Management's responses and actions to correct any deficiencies;
- reviewing the annual financial statements and financial result announcements to shareholders before submission to the Board for adoption;
- reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance; and
- reviewing interested person transactions to ensure that they are on normal commercial terms and not prejudicial to the interests of the Company or its shareholders.

The AC has authority to investigate any matter within its terms of reference, and has full access to, and the co-operation of, the Management and resources which are necessary to enable it to discharge its functions properly. It also has full discretion to invite any executive Director or executive officer to attend its meetings.

In addition to the activities undertaken to fulfil its responsibilities, the AC is kept abreast of the changes to accounting standards and issues which have a direct impact on financial statements via briefing by its external auditors during the AC meetings.

In FY2017 and at its most recent meeting in February 2018, the AC had met the external auditor separately, without the presence of the Management, to discuss the reasonableness of the financial reporting process, as well as to review the adequacy of audit arrangements with particular emphasis on the observations and recommendations of the external auditor, the scope and quality of their audits and the independence and objectivity of the external auditor.

CORPORATE GOVERNANCE REPORT

The AC has reasonable resources to enable it to discharge its functions properly.

The Group's existing auditor, Nexia TS Public Accounting Corporation, have been the auditor of the Group since 6 November 2015.

Having regard to the adequacy of the resources and experience of the auditing firm and the engagement director assigned to the audit, the firm's other audit engagements, the size and complexity of the Group being audited, and the number and experience of supervisory and professional staff assigned to the particular audit, the Board and the AC are of the opinion that a suitable auditing firm has been appointed to meet the Company's auditing obligations.

The Company has appointed suitable audit firms for its subsidiary corporations in Malaysia, Hong Kong SAR and the People's Republic of China. In this regard, the Board, with the concurrence of the AC, is of the view that the Company complies with Rule 712 and Rule 715 of the Catalist Rules.

The AC is pleased to recommend to the Board that Nexia TS Public Accounting Corporation be nominated for re-appointment as external auditor of the Company at the forthcoming AGM. The amount of audit fees paid to Nexia TS Public Accounting Corporation in FY2017 was S$99,000. No non-audit fees were paid to Nexia TS Public Accounting Corporation in FY2017. Having reviewed, amongst others, the scope and quality of their audits and their independence, the AC is satisfied that the independence and objectivity of the external auditor is not affected.

INTERNAL AUDIT

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Group has appointed Messrs BDO LLP as its outsourced internal auditor. BDO LLP assists the Group in reviewing the adequacy and effectiveness of the Group's internal controls based on an annual internal audit plan that covers applicable financial, operational, compliance and information technology controls. As part of the internal audits, they also provide recommendations to the AC and the Board to address any weaknesses in its internal controls.

BDO LLP performs annual internal audit planning in consultation with, but independent of the Management. The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. In addition, the internal auditor may be involved in ad hoc projects initiated by the Management which require the assurance of the internal auditor in specific areas of concerns. BDO LLP is provided with access to the Group's properties, information and records and performs their reviews in accordance with the BDO Global IA methodology which is consistent with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. As the Group's outsourced internal auditors, BDO LLP is required to provide staff of adequate expertise and experience to conduct the internal audits. In this regard, the AC is satisfied that the internal audit function is adequately resourced and has the appropriate standing within the Group.

BDO LLP reports to the AC on audit matters and reports administratively to the CFO. The AC also reviews and approves the annual internal audit plans and resources to ensure that BDO LLP has the necessary resources to adequately perform its functions.

However, for FY2017, the CFO has been assigned to perform reviews of the operating activities and to report any internal control weaknesses to the Board. The Group was also focused on investment activities in FY2017 and the investment process and decisions were fully overseen and discussed with the Board and the Audit Committee. The Audit Committee had decided to postpone the internal audits to FY2018 subject to changes in operating activities as the current level of independent oversight of internal controls is deemed sufficient based the current operations of the Group.

(D) COMMUNICATION WITH SHAREHOLDERS

SHAREHOLDERS' RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company takes a serious view of ensuring full and adequate disclosure, in a timely manner, of material events and matters concerning its businesses through SGXNET, public announcements, press releases, analyst briefing, circulars to shareholders and annual reports.

The Company also ensures that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. Shareholders are informed of the rules, including voting procedures that govern general meetings of shareholders.

The Company's Constitution allows a shareholder to appoint up to two proxies to attend and vote in the shareholder's place at the general meetings of shareholders. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold the Company's shares through a nominee company or custodian bank or through a Central Provident Fund agent bank may appoint more than two proxies to attend and vote at general meetings.

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company has adopted quarterly reporting of its financial results since 1 January 2015. It does not practise selective disclosure. In line with the continuous disclosure obligations of the Company pursuant to the Catalist Rules and the Act, the Board's policy is that all shareholders should be informed regularly and on a timely basis of all major developments that impact the Group.

The Company will communicate pertinent information to its shareholders on a regular and timely basis through:

- the Company's annual reports that are prepared and issued to all shareholders. The Board makes every effort to ensure that the annual report includes all relevant information about the Group, including future developments and other disclosures required by the Act and the Singapore Financial Reporting Standards;
- quarterly financial statements containing a summary of the financial information and affairs of the Group for the financial period. These are announced via the SGXNET;
- notices of annual general meeting and extraordinary general meeting;
- announcements via SGXNET on major developments of the Group; and
- the Group's website at www.cmigmedical.com from which shareholders can access information on the Group. The website provides, inter alia, all publicly disclosed financial information, links to corporate announcements, annual reports, and profiles of the Group.

The Company held an annual general meeting in April 2017 which is the principal forum of dialogue and interaction with its shareholders. An extraordinary general meeting was also held in 22 August 2017 to seek shareholders' approval in relation to a proposed corporate action.

CORPORATE GOVERNANCE REPORT

The Company currently does not have an investor relations policy but considers advice from its corporate lawyers and professionals on appropriate disclosure requirements before announcing material information to shareholders. The Company will consider the appointment of a professional investor relations officer to manage the function should the need arises.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. The Board is not recommending any dividends for FY2017 due to the losses incurred and financial position of the Company.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Shareholders are entitled to attend the annual general meeting to ensure a greater level of shareholders' participation and for them to be kept up to date as to the Group's strategies and goals. The notice of the annual general meeting is despatched to shareholders, together with explanatory notes at least 14 days before the meeting.

The Board views the annual general meeting as the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues and ask the Directors or the Management questions regarding the Company and its operations, as well as for the Company to understand the views from the shareholders.

The Board supports the Code's principle to encourage shareholders' participation. The Constitution of the Company allows a shareholder of the Company to appoint a proxy to attend the annual general meeting and vote in place of the shareholder. The Board takes note that there should be a separate resolution at general meetings on each substantially separate issue and supports the Code's principle with regards to the "bundling" of resolutions. The Board will provide reasons and material implications where resolutions are interlinked.

The Chairpersons of the AC, RC and NC are in attendance at the Company's annual general meeting to address shareholders' questions relating to the work of the Board committees. The Company's external auditors, Nexia TS Public Accounting Corporation, will also be present at the annual general meeting and are available to assist the Directors in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of their auditors' report.

In line with the Catalist Rules, resolutions tabled at general meetings of the Company will be passed through a process of voting by poll which procedures will be clearly explained by the scrutineers at the Company's general meetings.

DEALING IN SECURITIES & WHISTLE-BLOWING

In line with Rule 1204(19) of the Catalist Rules and in implementing the directives issued by the AC in 2006, the Group has continued to adopt an internal code in relation to the dealing of shares of the Company, insider trading and whistle-blowing. The Company has issued memoranda relating to dealing in the securities of the Company to its Directors and employees, setting out the implications of insider trading and guidance on such dealings. Directors and key executives are expected to observe insider trading laws at all times. In FY2017, directives were also issued notices relating to black-out periods within which the Company and Directors and employees of the Company should not deal in the securities of the Company during the period commencing two weeks before the announcement of the Company's interim financial results and one month before the announcement of the Company's full year financial results and ending on the date of the announcement of the results.

CORPORATE GOVERNANCE REPORT

Directors and employees are also discouraged from dealing in the Company's shares on short-term considerations. The Company has also issued written policies and procedures regarding whistle-blowing to its Directors and employees, identifying and illustrating actions or observations which may constitute matters which should be raised, and the various avenues through which they may be raised. The Company has also set up a dedicated email address (report@cmigmedical.com) for reporting purposes to which access is restricted to the Chairman of the AC and his designate. In the pursuit of good corporate governance, the Company encourages its officers, employees, and/or any other parties with whom the Group has a relationship to provide information that evidences unlawful, unethical and fraudulent practices.

INTERESTED PERSONS TRANSACTIONS

As a listed company on the Catalist of the SGX-ST, the Company is required to comply with Chapter 9 of the Catalist Rules on interested person transactions. All interested person transactions are subject to review by the AC to ensure they were carried out on normal commercial terms. In addition, to ensure compliance with Chapter 9, the AC and the Board have met and will meet regularly at each scheduled quarterly AC and Board meeting to review if the Company will be entering into an interested person transaction and if so, to ensure that the relevant rules under Chapter 9 are complied with. In the event that a member of the AC is involved in any interested person transaction, he will abstain from reviewing that particular transaction.

The Group does not have a general mandate for interested person transactions for the current financial year pursuant to Rule 920. There were no interested person transactions of S$100,000 or more in value per transaction entered into during FY2017.

MATERIAL CONTRACTS

Save as disclosed in the Report of the Directors and Financial Statements and below, there were no material contracts, not being contracts entered into in the ordinary course of business of the Company or its subsidiary corporations, involving the interests of the CEO or any Director or controlling shareholders subsisted at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

The Company's wholly own subsidiary, CMIC Hemodialysis (Hong Kong) Limited had entered into a loan agreement with Concorde Global Limited. In relation to this loan agreement, a corporate guarantee was granted by the Company. A deed of guarantee was also granted by a shareholder of the Company, Dato Dr Choo. The loan initially bore interest at a rate of 12% per annum and was repayable within 6 months from 20 June 2016. The repayment date was extended to 28 March 2017 and then to 27 June 2017. The loan repayment date was further extended to 27 December 2017 and then to 27 June 2018 and it was a term of the repayment that the outstanding amount would bear an interest rate of 14.0% per annum (instead of 12% per annum) until repaid in full. On 27 February 2018, Dato Dr Choo signed an agreement to make available till 1 May 2019 an advance of up to the amount pursuant to this loan from Concorde Global Limited to repay on behalf of the subsidiary of the Group should it be unable to repay in full or in part.

On 16 September 2016, the Company obtained an unsecured shareholder loan amounting to S$1,000,000 from Dato Dr. Choo which bears interest at a rate of 6% per annum and is due for repayment on 5 March 2020. However, the loan was repaid in full on 2 November 2017.

On 10 January 2017, the Company entered into a loan agreement with Dato Dr Choo, pursuant to which Dato Dr. Choo had agreed to grant an unsecured interest-free loan of S$6,500,000 to the Company. Repayment of the loan is to take place twelve months after the date the loan is disbursed. As at the date of this report, the loan remains to be disbursed.

On 27 February 2018, the Group obtained a written undertaking from Dato Dr Choo not to demand repayment of payables of S$3,500,000 (being the balance of consideration owing by the Company for the acquisition of 51% of China iMyth Company Pte Ltd from China Medical Investments Co. Pte. Ltd. (the "Vendor") Dato Dr. Choo is a director and has 55% equity interests in the Vendor) until the date when the Group has the financial ability to make the repayment or the contractual maturity date on 6 November 2019.

CORPORATE GOVERNANCE REPORT

USE OF PROCEEDS

As at 3 April 2018, the amount raised from the renounceable non-underwritten rights cum warrants issue had been utilised as follows:

Use of proceeds		Amount allocated	Amount utilised	Amount Unutilised
		(S$)	**(S$)**	**(S$)**
Proceeds from Rights cum Warrants Issue[1]				
(i)	Working Capital	2,801,000	1,529,000	1,272,000
(ii)	Loan Repayment	2,800,000	2,640,000	160,000
Total		**5,601,000**	**4,169,000**	**1,432,000**

The above use of proceeds is in accordance with the intended use as stated in the announcement dated 10 November 2017.

Note:

1. The rights cum warrants issue of 5,601,440,009 rights shares and 5,601,440,009 warrants in the issued and paid up capital of the Company as announced on 30 October 2017. An aggregate of S$1,529,000 from the working capital portion of the proceeds was utilised for expenses relating to the operation of the Group which mainly related to the payment of administrative expenses and operating expenses. An aggregate of S$2,640,000 from the loan repayment portion of the proceeds was utilised for loan repayments.

NON-SPONSOR FEES

No non-sponsor fees were paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. for FY2017.

STATUS UPDATE ON SUSTAINABILITY REPORTING

In respect of Sustainability Reporting, the Company is working towards finalising its inaugural report by 31 December 2018.

DIRECTORS' STATEMENT

For the Financial Year Ended 31 December 2017

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2017 and the balance sheet of the Company as at 31 December 2017.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 43 to 108 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, based on the assumptions and measures undertaken as described in Note 4 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Hano Maeloa	
Chew Soo Lin	Appointed on 28 April 2017
Yap Siean Sin	Appointed on 27 June 2017

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was 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, other than as disclosed under "Warrants", "Share options" and "Performance share plan" in this statement.

Directors' interests in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director		Holdings in which director is deemed to have an interest	
	At 31.12.2017	At 01.01.2017	**At 31.12.2017**	At 01.01.2017
China Medical (International) Group Limited				
(No. of ordinary shares)				
Tai Kok Chuan [(1)]	**440,000,000**	110,000,000	**80,000,000**	20,000,000
Chew Soo Lin	**6,332,000**	–	**-**	–

(1) Tai Kok Chuan ceased to be a Director of the Company upon his demise on 6 March 2018.

The deemed interest of Tai Kok Chuan arises from the shares held by his nominee, DBS Nominees (Private) Limited.

Directors' interests in shares or debentures (cont'd)

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows: (cont'd)

	Holdings registered in name of director		Holdings in which director is deemed to have an interest	
	At 31.12.2017	At 01.01.2017	**At 31.12.2017**	At 01.01.2017
China Medical (International) Group Limited				
(No. of warrants)				
Tai Kok Chuan [(1)]	**390,000,000**	–	**60,000,000**	–
Chew Soo Lin	**5,499,000**	–	**-**	–

(1) Tai Kok Chuan ceased to be a Director of the Company upon his demise on 6 March 2018.

The deemed interest of Tai Kok Chuan arises from the warrants held by his nominee, DBS Nominees (Private) Limited.

(b) According to the register of directors' shareholdings, certain directors holding office at the end of the financial year had interests in options to subscribe for ordinary shares of the Company granted pursuant to the Albedo Limited Employee Share Option Scheme (the "ESOS") and Albedo Share Performance Plan (the "Albedo SPP") as set out below and under "Share options" and "Performance share plan" in this statement.

Options to subscribe for ordinary shares pursuant to the ESOS are as follows:-

	Number of options to subscribe for ordinary shares of the Company		
	At 31.12.2017	At 01.01.2017	Exercise price per share option
China Medical (International) Group Limited			
(No. of share options)			
Tai Kok Chuan [(1)]	**75,714,000**	30,000,000	S$0.010
Hano Maeloa	**75,714,000**	30,000,000	S$0.010

(1) Tai Kok Chuan ceased to be a Director of the Company upon his demise on 6 March 2018.

Pursuant to the 2017 rights cum warrants issued on 11 October 2017, the exercise prices of share options granted on 2 May 2008, 20 June 2008 and 2 October 2014 respectively were adjusted to S$0.010 and an additional 158,393,000 share options were granted based on the adjustment ratio of 2.5238. Accordingly, the Company has 262,343,000 outstanding employee share options after the 2017 Rights cum Warrants Issue.

(c) The directors' interests in the ordinary shares and convertible securities of the Company as at 21 January 2018 were the same as those as at 31 December 2017.

DIRECTORS' STATEMENT

For the Financial Year Ended 31 December 2017

Share options

Albedo Limited Employee Share Option Scheme (the "ESOS")

The Albedo's Employee Share Options Scheme ("ESOS"), approved on 24 February 2006 and 5 May 2010, is administered by a committee ("Committee"). The ESOS shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten (10) years, commencing on the date on which the ESOS is adopted by Shareholders in the General Meeting. Subject to compliance with applicable laws and regulations in Singapore, the ESOS may be continued beyond the stipulated period with the approval of the Shareholders and relevant authorities. The members of the Committee are:

Yap Siean Lin (Chairman)
Chew Soo Lin
Hano Maeloa

The ESOS provides an opportunity for selected Directors and/or Employees of the Group who have contributed significantly to the growth and performance of the Group (including non-executive Directors), who satisfy the eligibility criteria as set out in the rules of the ESOS, to participate in the equity of the Company and can be summarised as follows:

- Subject to the rules of the ESOS, the aggregate number of shares in respect of which options may be offered to selected Director and/or Employees (a "Grantee") for subscription in accordance with the ESOS shall be determined at the discretion of the Committee which shall take into account (where applicable) criteria such as the rank and responsibilities within the Group, performance, years of service and potential for future development and the performance of the Group (provided always that the total number of shares in respect of which options may be granted to any one Grantee shall not exceed 10% of the total number of shares available under the ESOS).

- The Committee shall monitor the grant of options carefully to ensure that the number of the shares which may be issued pursuant to the options will comply with the relevant Catalist Rules of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST").

- The aggregate number of shares over which the Committee may grant options on any date, when added to the total number of shares issued and issuable in respect of all options granted under the ESOS, shall not exceed 10% of the total issued shares of the Company on the day preceding that offer date of the options.

- Under the ESOS, options granted to the Directors and employees may, except in certain special circumstances, be exercised at any time after the first anniversary but not later than the tenth anniversary from the date of grant. The ordinary shares of the Company ("Shares") under options may be exercised in full or in respect of 1,000 Shares or a multiple thereof, on the payment of the exercise price. The exercise price is based on the average of last dealt prices of the Shares on the SGX-ST for the three market days immediately preceding the date of grant rounded to the nearest whole cent. The Committee may at its discretion fix the exercise price at a discount not exceeding 20% to the above price. No options have been granted at a discount.

On 23 December 2014, the Company made an announcement on the SGX-ST relating to adjustments made to the exercise prices of outstanding share options which were granted in April 2007, May 2008 and June 2008 ("Adjustments"). The Adjustments had been made in accordance to Rule 10 of the ESOS and does not result in a change in the number of outstanding share options issued by the Company.

DIRECTORS' STATEMENT

For the Financial Year Ended 31 December 2017

Share options (cont'd)

Albedo Limited Employee Share Option Scheme (the "ESOS") (cont'd)

On 11 October 2017, the Company made an announcement on SGX-ST relating to adjustments made to the exercise prices of outstanding share options which were granted in May 2008, June 2008 and October 2014 ("Adjustments"). Based on the recommendation of the Committee, the exercise prices of the share options are adjusted to S$0.01 from S$0.0130, S$0.0150 and $0.0130 respectively. On the basis of an indicative ratio of approximately 1.5238 additional share options to be issued for every one existing share option, the Company issued up to 158,393,000 additional share option pursuant to the options Adjustments. There are aggregate 262,343,000 share options after the option Adjustments.

As Hano Maeloa is a member of the Committee and has held options which were the subject of the adjustments, he has abstained from recommending and voting on all matters relating to the adjustments.

Pursuant to the announcement made on 23 December 2014, the exercise prices of the following share options have been adjusted as follows:

Grant date of share options	Number of outstanding share options as at 2 July 2014 (date of adjustment exercise)	Exercise price before adjustments	Exercise price after adjustments
9.4.2007	7,000,000	S$0.100	S$0.010
2.5.2008	250,000	S$0.130	S$0.013
20.6.2008	1,800,000	S$0.140	S$0.015

Details of the options to subscribe for ordinary shares of the Company pursuant to the ESOS described above pursuant to announcement made on 23 December 2014 are as follows:

Date of grant	**Balance as at 1.1.2017**	**Options granted**	**Options cancelled or lapsed**	**Balance as at 11.10.2017**	**Exercise price per share option**	**Exercisable period**
9.4.2007	700,000	–	(700,000)	–	S$0.010	10.4.2008–9.4.2017
2.5.2008	250,000	–	–	250,000	S$0.013	2.5.2009–1.5.2018
20.6.2008	1,600,000	–	(200,000)	1,400,000	S$0.015	20.6.2009–19.6.2018
2.10.2014	103,300,000	–	(1,000,000)	102,300,000	S$0.013	2.10.2014–1.10.2024
	105,850,000	–	(1,900,000)	**103,950,000**		

Pursuant to the announcement made on 11 October 2017, the exercise prices of the following share options have been adjusted as follows:

Grant date of share options	Number of outstanding share options as at 11 October 2017 (date of adjustment exercise)	Exercise price before adjustments	Exercise price after adjustments
2.5.2008	250,000	S$0.013	S$0.010
20.6.2008	1,400,000	S$0.015	S$0.010
2.10.2014	102,300,000	S$0.013	S$0.010

DIRECTORS' STATEMENT

For the Financial Year Ended 31 December 2017

Share options (cont'd)

Albedo Limited Employee Share Option Scheme (the "ESOS") (cont'd)

Details of the options to subscribe for ordinary shares of the Company pursuant to the ESOS described above pursuant to the announcement made on 11 October 2017 are as follows:

Date of grant	Balance as at 11.10.2017	Options granted/ adjustment	Options cancelled or lapsed	Balance as at 31.12.2017	Exercise price per share option	Exercisable period
2.5.2008	250,000	380,000	–	630,000	S$0.010	2.5.2009–1.5.2018
20.6.2008	1,400,000	2,131,000	–	3,531,000	S$0.010	20.6.2009–19.6.2018
2.10.2014	102,300,000	155,882,000	–	258,182,000	S$0.010	2.10.2014–1.10.2024
	103,950,000	**158,393,000**	–	262,343,000		

Details of the options to subscribe for ordinary shares of the Company granted to directors of the Company pursuant to the ESOS were as follows:

	Number of unissued ordinary shares of the Company under option					
Name of director	Options granted during the financial year	Aggregate options granted since commencement of ESOS to 31.12.2017	Aggregate options exercised since commencement of ESOS to 31.12.2017	Aggregate options adjustment since commencement of ESOS to 31.12.2017	Aggregate options cancelled or lapsed since commencement of ESOS to 31.12.2017	Aggregate options outstanding as at 31.12.2017
Tai Kok Chuan [(1)(2)]	–	31,500,000	(1,500,000)	45,714,000	–	75,714,000
Hano Maeloa [(2)]	–	30,000,000	–	45,714,000	–	75,714,000
Total	–	61,500,000	(1,500,000)	91,428,000	–	151,428,000

(1) Tai Kok Chuan ceased to be a Director of the Company upon his demise on 6 March 2018.

(2) The options granted to these directors are exercisable from 2.10.2014 to 1.10.2024 at the exercise price of S$0.010 following the adjustments arising from the 2017 Rights cum Warrants issue.

Since the commencement of the ESOS till the end of the financial year:

- No options have been granted to the controlling shareholders of the Company or their associates (as defined in the Listing Manual of SGX-ST);
- No participants other than the directors of the Company have received 5% or more of the total options available under the Scheme;
- No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted; and
- No options have been granted at a discount.

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiary corporations.

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.

DIRECTORS' STATEMENT

For the Financial Year Ended 31 December 2017

Performance share plan

Albedo Share Performance Plan ("Albedo SPP")

The Albedo SPP is intended to incentivise selected Directors and/or employees of the Group to excel in their performance and encourage greater dedication and loyalty to the Company. Through the Albedo SPP, the Company aims to recognise and reward past contributions and services and motivate the selected Directors and/or employees (the "Participants") to continue to strive for the Group's long-term prosperity and can be summarised as follows:

- The Albedo SPP uses methods fairly common among successful multinational companies to incentivise and motivate employees to achieve pre-determined targets which create and enhance economic values for shareholders. Unlike the ESOS, the award of fully-paid shares, free of charge, to the Participants is intended to be a more attractive form of bonus by the Company to the Participants as it gives them a stake in the ownership of the Company whilst at the same time allowing the Company to offer incentives and remuneration packages compatible with other multinational companies. The Albedo SPP is intended to complement the ESOS and serve as an additional and flexible incentive tool.

- The awards granted under the Albedo SPP will be determined at the discretion of the Remuneration Committee (comprising of Yap Siean Sin, Chew Soo Lin and Hano Maeloa) which shall take into account (where applicable) criteria such as the rank and responsibilities within the Group, performance, years of service and potential for future development of the selected Participant.

- The total number of shares which may be granted under the Albedo SPP when added to the number of shares issued and issuable under all awards granted thereunder and all the options under the ESOS shall not exceed 15% of the issued ordinary shares of the Company on the day preceding the relevant date of award.

- The total number of new shares over which the Albedo SPP Committee may grant awards on any date pursuant to the proposed Albedo SPP, when added to the number of new shares issued and issuable in respect of all awards granted under the Albedo SPP, available to (a) all controlling shareholders and their associates must not exceed 25% of the shares available under the Albedo SPP and (b) each controlling shareholder and his associates must not exceed 10% of the shares available under the Albedo SPP.

There has been no grant of any awards under the Albedo SPP since its implementation by the Company till 31 December 2017.

Audit committee

The members of the Audit Committee (the "AC") at the end of the financial year were as follows:

Yap Siean Sin (Chairman)
Chew Soo Lin
Hano Maeloa

All members of the AC were non-executive and independent directors.

The AC met 4 times in the financial year and carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50. In performing those functions, the AC reviews:

- The scope and the results of internal audit procedures;

- The audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit and the assistance given by the Company's management to the independent auditor;

DIRECTORS' STATEMENT

For the Financial Year Ended 31 December 2017

Audit committee (cont'd)

The AC met 4 times in the financial year and carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50. In performing those functions, the AC reviews: (cont'd)

- The half yearly and annual financial results and the independent auditor's report on the annual financial statements of the Company before their submission to the Board of Directors;
- The effectiveness of the Company's material internal controls, including financial, operational and compliance and information technology controls via reviews carried out;
- The quality of work performed by the independent auditor;
- The legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- The cost effectiveness, the independence and objectivity of the independent auditor;
- The nature and extent of non-audit services provided by the independent auditor;
- The reports of actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate; and
- The interested person transactions in accordance with the requirements of the Listing Manual of SGX – ST.

The AC has met with the independent auditor without the presence of the Company's management at least once a year.

The AC has recommended to the Board that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the directors

Hano Maeloa

Yap Siean Sin

3 April 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of China Medical (International) Group Limited

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of China Medical (International) Group Limited (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2017, and 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 43 to 108.

We do not express an opinion on the accompanying financial statements of the Group and the balance sheet of the Company. Because of the significance of the matters described in the Bases for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Bases for Disclaimer of Opinion

Going Concern

The following circumstances give rise to material uncertainties as to the appropriateness of the use of the going concern assumption in the preparation of the accompanying financial statements of the Group and the balance sheet of the Company for the current financial year:

a) As disclosed in Note 4 to the financial statements, the Group and the Company incurred a net loss of S$12,130,000 (2016: S$19,436,000) and S$11,729,000 (2016: S$15,652,000) respectively and the Group also incurred net operating cash outflows of S$3,071,000 (2016: S$12,266,000) for the financial year ended 31 December 2017. As at 31 December 2017, the Group's current liabilities exceeded its current assets by S$128,000 (2016: S$919,000).

b) As at 31 December 2017, the Group had a borrowing owing to a non-related party amounting to S$3,421,000 (2016: S$3,730,000) of which the maturity date of repayment due on 28 March 2017 has been extended to 27 June 2017, 27 December 2017 and subsequently to 27 June 2018. As at 31 December 2017, the Group's cash and cash equivalents (excluding bank deposits pledged) were S$3,344,000 (2016: S$1,525,000).

The above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's and the Company's abilities to continue as going concerns. Nevertheless, the Board of Directors of the Company believes that the use of the going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2017 is appropriate after taking into consideration the following assumptions and measures:

i) As at the balance sheet date, the Group was in negative working capital of S$128,000 and negative shareholders' fund of S$3,230,000 and as at that date, the Company has negative shareholders' fund of S$1,082,000.

   The shareholder, Dato Dr Choo Yeow Ming ("Dato Dr Choo"), has provided a letter of financial support expressing his willingness to provide continuing financial support to the Group and the Company upon terms and conditions agreeable to both parties to enable the Group to continue to operate and meet its financial obligations and commitments as and when they fall due in the next 12 months.

ii) The Group has obtained a written undertaking from Dato Dr Choo not to demand repayment of payables of S$3,500,000 (being the balance of consideration owing by the Company for the acquisition of 51% of China iMyth Company Pte Ltd from China Medical Investments Co Pte. Ltd. (the Vendor"), Dato Dr Choo is a director and has 55% equity interests in the Vendor) until the date when the Group has the financial ability to make the repayment or the contractual maturity date on 6 November 2019.

INDEPENDENT AUDITOR'S REPORT

To the Members of China Medical (International) Group Limited

Bases for Disclaimer of Opinion (cont'd)

Going Concern (cont'd)

The above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's and the Company's abilities to continue as going concerns. Nevertheless, the Board of Directors of the Company believes that the use of the going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2017 is appropriate after taking into consideration the following assumptions and measures: (cont'd)

iii) There is a loan of S$3,421,000 (equivalent to HK$20 million) extended by a third party to a subsidiary corporation of the Group which is due for repayment on 27 June 2018. Dato Dr Choo had signed an agreement to make available till 1 May 2019 an advance of up to the amount pursuant to this third party loan to repay on behalf of the subsidiary corporation of the Group should it be unable to repay in full or in part.

iv) Concurrently, the Company will continue to look for other fund raising exercises to fund the working capital and growth of the Group going forward and the Company will also seek for growth opportunities and all other possibilities to complement the existing businesses of the Group.

If the Group and the Company are unable to continue in operational existence in the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify non-current assets and liabilities to current assets and liabilities respectively. The financial statements do not include any adjustment which may arise from these uncertainties.

The ability of the Group and of the Company to continue in operational existence in the foreseeable future and to meet their financial obligations as and when they fall due are dependent upon the outcome of the assumptions and measures undertaken as disclosed above. At the date of this report, we are unable to obtain sufficient audit evidence regarding the likely outcome of these assumptions and measures including the financial capability of Dato Dr Choo. It is also uncertain whether the Group and the Company will receive additional financing from its directors and/or other shareholders.

The conditions above indicate the existence of material uncertainties which may cast significant doubt on the Group's and the Company's abilities to continue as going concerns and therefore, the Group and the Company may not be able to discharge their liabilities in the normal course of business. Therefore, we are not able to form an opinion as to whether the going concern basis of presentation of the accompanying financial statements of the Group and the Company is appropriate.

Impairment of goodwill

As at 31 December 2017, goodwill was carried at S$Nil (net of accumulated impairment loss on goodwill of S$17,997,000) (2016: S$7,192,000 (net of accumulated impairment loss on goodwill of S$10,805,000). The goodwill arose from the acquisition of 51% paid up capital of China iMyth Company Pte. Ltd., which was completed on 6 November 2015 and is allocated to the Group's Aesthetic cash-generating unit ("CGU") in the Republic of China, Taiwan and the People's Republic of China. Refer to Note 17(a) to the financial statements.

During the current financial year, management has reviewed the recoverable amount of the Aesthetics CGU and has provided an additional allowance for impairment for its goodwill of S$7,192,000 (2016: S$10,805,000) in view that its Taiwan clinic had recorded a loss of S$307,000 (2016: S$826,000). Furthermore, management has decided not to proceed with their expansion plans by setting up clinics in Shenzhen as the progress of setting up the respective Wholly Foreign-Owned Enterprise ("WFOE") and the achievability of revenue and operational targets is either slower than expected or cannot be materialised as per their agreed plans. These factors had resulted in a zero recoverable amount for its goodwill.

INDEPENDENT AUDITOR'S REPORT

To the Members of China Medical (International) Group Limited

Bases for Disclaimer of Opinion (cont'd)

Impairment of goodwill (cont'd)

As at the date of this report, we are unable to determine whether the impairment loss provided on the goodwill is appropriate as we are unable to obtain sufficient appropriate audit evidence with respect to the cash flow projections used in the value-in-use calculations based on financial budgets approved by management. Accordingly, we are unable to satisfy ourselves whether, if any, the underlying key estimates and assumptions used in the cash flow projections to determine the recoverable amount, including the operational performance, operational targets, prevailing and future market conditions or business outlook, regulatory guidelines and framework governing the medical industry, especially on aesthetic practices and foreign medical practitioners would reasonably reflect future events and the set of macroeconomics conditions that will exist and the resultant impairment loss that has been recognised during the financial year.

Recoverability of advances and/or loans

During the financial year ended 31 December 2017, the Group had made advances amounting to $548,000 (2016: $5,575,000) to a few business partners for the setting up of clinics through joint venture arrangement and/or WFOE.

As at 31 December 2017, the advances and/or loans before any impairment allowance extended to business partners amounting to S$6,078,000 (2016: S$5,575,000). An impairment loss and a write-off on advances and/or loans of S$1,589,000 (2016: S$2,323,000) and S$Nil (2016: S$2,166,000) respectively were recognised during the financial year ended 31 December 2017.

Management assessed, at the end of the financial year, whether there is any evidence that the advances and/or loans to business partners for the purpose of setting up new aesthetics businesses or acquisition of an equity interest in an existing business are impaired.

As at the date of this report, we are unable to obtain sufficient appropriate audit evidence concerning the existence and accuracy of the advances and/or loans provided to business partners which amounting to S$6,078,000 (2016: S$5,575,000). We are unable to perform any other alternative audit procedures to satisfy ourselves with respect to the carrying amount of S$Nil (2016: $1,086,000) and the resultant impairment loss, if any, on the advances and/or loans at the balance sheet date. As a result of the above, we are unable to determine the adjustments, if any, to be made to these financial statements.

Valuation of warrants and share options

As disclosed in Note 21 to the financial statements, on 11 October 2017, the Company made an announcement in relation to the proposed renounceable and non-underwritten rights issue of up to 10,107,788,721 new ordinary shares of the Company (the "Rights Shares") with up to 10,107,788,721 free detachable warrants (the "Warrants"), on the basis of three Rights Shares for every one existing ordinary share (the "Shares") of the Company held by entitled shareholders, and one Warrant for every one Rights Shares subscribed, fractional entitlements to be disregarded (the "2017 Rights cum Warrants Issue"). Following the 2017 Rights cum Warrants Issue, there are adjustments to the number of warrants and exercise prices of outstanding share options granted in May 2008, June 2008 and October 2014 respectively. Based on the recommendation of the Committee, comprising of the Directors of the Company, Yap Siean Sin, Chew Soo Lin and Hano Maeloa, the adjustments are as follow:-

- Additional warrants of 80,309,351 are issued and the number of warrants has increased from 66,179,592 to 146,488,943. The exercise price of the Warrants remains at S$0.005.

- Additional share options of 158,393,000 are issued and the number of share options has increased from 103,950,000 to 262,343,000. The exercise price of the share options also has been adjusted from S$0.0130 or S$0.0150 to S$0.01.

INDEPENDENT AUDITOR'S REPORT

To the Members of China Medical (International) Group Limited

Bases for Disclaimer of Opinion (cont'd)

Valuation of warrants and share options (cont'd)

In relation to the 2017 Rights cum Warrants Issue, the fair value of the Rights Shares is required to be allocated separately between the value of the share capital and the value of the warrants. Whilst the additional share options granted to selected Directors and/ or Employees are to be recognised at fair value in accordance with FRS 102 – Share-based Payment.

Based on management's assessment, the financial impact arising from the adjustments of the 2017 Rights cum Warrants is minimal. The management did not make any adjustments for the above matters to the financial statements for the financial year ended 31 December 2017.

As at the date of this report, the fair value of the Rights Shares arising from the 2017 Rights cum Warrants Issue is not allocated separately between the value of the share capital and the value of the warrants. In addition, we are unable to obtain sufficient appropriate audit evidence to ascertain whether the management's assessment on the fair value of the additional share options granted to selected Directors and/ or Employees is in accordance with FRS 102 – Share-based payment.

As a result of the above, we are unable to determine the adjustments, if any, to be made to these financial statements for the financial year ended 31 December 2017.

Existence and completeness of cash and bank balances

We are not able to obtain bank confirmation for one of the subsidiary corporation, CMIG Medical Services (Hong Kong) Limited. ("CMIG Medical Services") for cash at bank amounting to S$31,000 as at 31 December 2017, which is included in cash and cash equivalents of Note 12 to the financial statements.

As at the date of this report, we are unable to ascertain the existence and completeness of this bank balance of CMIG Medical Services and whether there are any other facilities or similar with the financial institution which could have an impact on the financial statements, or related information that require disclosure.

Consolidation of financial statement – iMyth Taiwan Limited

As disclosed in Note 15 to the financial statements, the Group had a 51% equity interest iMyth Taiwan Limited ("iMyth Taiwan") as at 31 December 2017.

We were unable to obtain sufficient audit evidence on all information and explanations which we considered necessary in order to provide us with reasonable assurance on the completeness, existence and accuracy of the financial statements of iMyth Taiwan, included in the financial statements of the Group, nor are they appropriately and properly consolidated. There were no other practicable audit procedures that we could perform to satisfy ourselves on the completeness, existence and accuracy of the financial statements of iMyth Taiwan and whether they have been properly reflected in the consolidated financial statements of the Group.

Deconsolidation of subsidiary corporation, China iMyth Shanghai Co., Ltd.

As disclosed in Note 12 to the financial statements, as at 2 June 2017, the Group lost control over its subsidiary corporation, China iMyth (Shanghai) Co., Ltd. ("China iMyth"), as a liquidator was appointed to voluntarily liquidate China iMyth.

The Group has consolidated the financial results of China iMyth up to the date that the respective control ceased. Consequently, management has derecognised the assets and liabilities associated with China iMyth and recognised a total loss on deconsolidation amounting to S$245,000 for the financial year ended 31 December 2017.

INDEPENDENT AUDITOR'S REPORT

To the Members of China Medical (International) Group Limited

Bases for Disclaimer of Opinion (cont'd)

Deconsolidation of subsidiary corporation, China iMyth Shanghai Co., Ltd. (cont'd)

In carrying out our audit of China iMyth, we were unable to obtain sufficient appropriate audit evidence to determine the:-

(a) Carrying values of the assets and liabilities associated with China iMyth,

(b) Veracity of the respective components in the financial results of China iMyth; and

(c) Resultant loss on deconsolidation of China iMyth

for the current financial year ended 31 December 2017 because the accounting and other records supporting the transactions during the financial year, and the resultant balances, were not available.

We were unable to perform other alternative audit procedures to satisfy ourselves with respect to these said transactions and balances. As a result of the above, we were unable to determine the adjustments, if any, to be made to these financial statements.

Opening balances

Our independent auditor's report on the consolidated financial statements of the Group and the balance sheet of the Company for the financial year ended 31 December 2016 dated 7 April 2017 included a disclaimer of opinion on the appropriateness of going concern assumptions of the Group and of the Company as there were existence of material uncertainties which may cast significant doubt about the ability of the Group and of the Company to continue as going concerns, and the inability to obtain sufficient appropriate audit evidence on the impairment of goodwill and the appropriateness and impairment of the carrying amount of the advances and/or loans.

As the matters mentioned above have not been resolved in the financial year ended 31 December 2017, we have considered the impact as below.

In view of the significance of the matters described in the bases for disclaimer of opinion paragraphs on the financial statements for the financial year ended 31 December 2016, we were unable to determine:-

(a) Whether the opening balances of the Group and of the Company as at 1 January 2017 were fairly presented; and

(b) The impact on the current financial year's financial position of the Company and of the Group and the financial performance, changes in equity and cash flows of the Group.

Our opinion on the current financial year's consolidated financial statements of the Group and the balance sheet of the Company is a disclaimer of opinion because of the significance of these matters on the comparability of the current financial year's figures and the corresponding figures.

Responsibilities of Management and Directors for the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

To the Members of China Medical (International) Group Limited

Responsibilities of Management and Directors for the Financial Statements (cont'd)

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Group's financial statements in accordance with Singapore Standards of Auditing and to issue an auditor's report. However, because of the matters described in the *Bases for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the *Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to the *Bases for Disclaimer of Opinion* section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement director on the audit resulting in this independent auditor's report is Loh Hui Nee.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore

3 April 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2017

	Note	Group 2017 S$'000	2016 S$'000
Revenue	5	**2,167**	3,170
Cost of sales		**(1,221)**	(1,992)
Gross profit		**946**	1,178
Other income – net	6	**348**	603
Expenses			
- Distribution		**(170)**	(467)
- Administrative		**(12,576)**	(20,486)
- Finance	9	**(668)**	(266)
Loss before income tax		**(12,120)**	(19,438)
Income tax (expense)/credit	10	**(10)**	2
Net loss		**(12,130)**	(19,436)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
- Gains	22(b)(ii)	**115**	14
- Reclassification	22(b)(ii)	**(6)**	–
Other comprehensive income, net of tax		**109**	14
Total comprehensive loss		**(12,021)**	(19,422)
Loss attributable to:			
Equity holders of the Company		**(12,027)**	(18,756)
Non-controlling interests		**(103)**	(680)
		(12,130)	(19,436)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(11,904)**	(18,742)
Non-controlling interests		**(117)**	(680)
		(12,021)	(19,422)
Loss per share attributable to equity holders of the Company (cents per share)			
- Basic and diluted loss per share	11	**(0.29)**	(0.65)

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

BALANCE SHEETS

As at 31 December 2017

		Group		Company	
	Note	**2017**	2016	**2017**	2016
		S$'000	S$'000	**S$'000**	S$'000
ASSETS					
Current assets					
Cash and cash equivalents	12	**3,847**	2,525	**2,919**	1,404
Trade and other receivables	13	**550**	1,570	**92**	893
Inventories	14	**44**	64	**–**	–
		4,441	4,159	**3,011**	2,297
Non-current assets					
Investments in subsidiary corporations	15	**–**	–	**352**	7,302
Property, plant and equipment	16	**76**	274	**9**	27
Intangible assets	17	**–**	7,296	**–**	–
		76	7,570	**361**	7,329
Total assets		**4,517**	11,729	**3,372**	9,626
LIABILITIES					
Current liabilities					
Trade and other payables	18	**1,123**	1,348	**975**	864
Current income tax liabilities		**25**	–	**3**	–
Borrowings	19	**3,421**	3,730	**298**	–
		4,569	5,078	**1,276**	864
Non-current liabilities					
Trade and other payables	18	**3,178**	3,017	**3,178**	3,017
Borrowings	19	**–**	1,000	**–**	1,000
Deferred income tax liabilities	20	**–**	18	**–**	–
		3,178	4,035	**3,178**	4,017
Total liabilities		**7,747**	9,113	**4,454**	4,881
NET (LIABILITIES)/ ASSETS		**(3,230)**	2,616	**(1,082)**	4,745
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	21	**57,152**	50,000	**57,152**	50,000
Other reserves	22	**1,352**	2,479	**1,203**	2,453
Accumulated losses		**(61,826)**	(49,799)	**(59,437)**	(47,708)
		(3,322)	2,680	**(1,082)**	4,745
Non-controlling interests	15	**92**	(64)	**–**	–
Total equity		**(3,230)**	2,616	**(1,082)**	4,745

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2017

	Note	Share capital	Share options reserve	Currency translation reserve	Warrant reserve	Accumulated losses	Total	Non-controlling interests	Total
		← Attributable to equity holders of the Company					→		
		S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
2017									
Beginning of financial year		**50,000**	**1,038**	**26**	**1,415**	**(49,799)**	**2,680**	**(64)**	**2,616**
Net loss for the financial year		**-**	**-**	**-**	**-**	**(12,027)**	**(12,027)**	**(103)**	**(12,130)**
Other comprehensive income/ (loss) for the financial year		**-**	**-**	**123**	**-**	**-**	**123**	**(14)**	**109**
Total comprehensive income/ (loss) for the financial year		**-**	**-**	**123**	**-**	**(12,027)**	**(11,904)**	**(117)**	**(12,021)**
Share issue pursuant to:									
Share placement	21	**1,441**	**-**	**-**	**-**	**-**	**1,441**	**-**	**1,441**
Rights issue	21	**5,601**	**-**	**-**	**-**	**-**	**5,601**	**-**	**5,601**
Expiry of warrants	21, 22(b)(iii)	**110**	**-**	**-**	**(110)**	**-**	**-**	**-**	**-**
Redemption of warrants	22(b)(iii)	**-**	**-**	**-**	**(1,140)**	**-**	**(1,140)**	**-**	**(1,140)**
Total transactions with owners, recognised directly in equity		**7,152**	**-**	**-**	**(1,250)**	**-**	**5,902**	**-**	**5,902**
Deconsolidation of a subsidiary corporation	12	**-**	**-**	**-**	**-**	**-**	**-**	**273**	**273**
End of financial year		**57,152**	**1,038**	**149**	**165**	**(61,826)**	**(3,322)**	**92**	**(3,230)**
2016									
Beginning of financial year		**46,485**	**1,038**	**12**	**1,115**	**(31,043)**	**17,607**	**616**	**18,223**
Net loss for the financial year		**-**	**-**	**-**	**-**	**(18,756)**	**(18,756)**	**(680)**	**(19,436)**
Other comprehensive income for the financial year		**-**	**-**	**14**	**-**	**-**	**14**	**-**	**14**
Total comprehensive income/ (loss) for the financial year		**-**	**-**	**14**	**-**	**(18,756)**	**(18,742)**	**(680)**	**19,422**
Share issue pursuant to:									
Share placement	21	**3,515**	**-**	**-**	**-**	**-**	**3,515**	**-**	**3,515**
Issue of warrants	22(b)(iii)	**-**	**-**	**-**	**300**	**-**	**300**	**-**	**300**
Total transactions with owners, recognised directly in equity		**3,515**	**-**	**-**	**300**	**-**	**3,815**	**-**	**3,815**
End of financial year		**50,000**	**1,038**	**26**	**1,415**	**(49,799)**	**2,680**	**(64)**	**2,616**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2017

	Note	Group 2017 S$'000	Group 2016 S$'000
Cash flows from operating activities			
Net loss		**(12,130)**	(19,436)
Adjustments for:			
- Income tax expense/(credit)	10	**10**	(2)
- Depreciation of property, plant and equipment	7	**141**	173
- Write-off of property, plant and equipment	7	**68**	26
- Allowance for impairment of goodwill	7	**7,192**	10,805
- Allowance for impairment of customer relationships	7	**104**	–
- Loss on deconsolidation of subsidiary corporations	6	**247**	–
- Amortisation of customer relationships	7	**-**	51
- Accretion of imputed interest	6	**-**	(503)
- Interest income	6	**(6)**	(15)
- Finance expenses	9	**507**	246
- Unwinding of imputed interest	9	**161**	20
- Unrealised currency translation gains		**(204)**	(42)
		(3,910)	(8,677)
Change in working capital, net of effects from deconsolidation of subsidiary corporations:			
Inventories		**20**	370
Trade and other receivables		**1,018**	(772)
Trade and other payables		**(202)**	(3,196)
Cash used in operations		**(3,074)**	(12,275)
Interest received		**6**	15
Income tax paid		**(3)**	(6)
Net cash used in operating activities		**(3,071)**	(12,266)
Cash flows from investing activities			
Additions to property, plant and equipment	16	**(9)**	(86)
Deconsolidation of subsidiary corporations, net of cash deconsolidation	12	**(1)**	–
Net cash used in investing activities		**(10)**	(86)
Cash flows from financing activities			
Bank deposit discharged		**497**	500
Redemption of warrants	22(b)(iii)	**(1,140)**	–
Proceeds from issuance of ordinary shares	21	**1,441**	3,515
Proceeds from right issue	21	**5,601**	–
Proceeds from issuance of warrants	22(b)(iii)	**-**	300
Proceeds from borrowings		**-**	4,730
Repayment of borrowings		**(1,000)**	–
Advances provided by former shareholder of a subsidiary corporation		**-**	3,017
Interest paid		**(507)**	(246)
Net cash provided by financing activities		**4,892**	11,816

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2017

	Note	Group 2017 S$'000	2016 S$'000
Net increase/(decrease) in cash and cash equivalents		1,811	(536)
Cash and cash equivalents			
Beginning of financial year		1,525	2,019
Effects of currency translation on cash and cash equivalents		8	42
End of financial year	12	3,344	1,525

Reconciliation of liabilities arising from financing activities

	1 January 2017	Principal and interest payments	Non-cash changes: Interest expense	Non-cash changes: Currency exchange gain	31 December 2017
	S$'000	S$'000	S$'000	S$'000	S$'000
Borrowings	4,730	(1,507)	507	(309)	3,421

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

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

1. General information

China Medical (International) Group Limited (the "Company") is listed on the Catalist, the sponsor-supervised listing platform of Singapore Exchange Securities Trading Limited ("SGX-ST") and incorporated and domiciled in Singapore.

The principal place of business and the registration office are at 26 Boon Lay Way, #01-80 (2nd Level), Tradehub 21, Singapore 609970.

The principal activities of the Company are those of investment holding and provision of management services.

The principal activities of its subsidiary corporations are disclosed in Note 15 to the financial statements.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

These financial statements are presented in Singapore Dollar ("SGD or S$") and all values in the tables are rounded to the nearest thousand (S$'000) as indicated.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Notes 3 and 4 to the financial statements respectively.

Interpretations and amendments to published standards effective in 2017

On 1 January 2017, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:

FRS 7 Statement of cash flows

The amendments to FRS 7 Statement of cash flows (Disclosure initiative) sets out required disclosures that 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 has included the additional required disclosures in the consolidated statement of cash flows to the financial statement.

2. Significant accounting policies (cont'd)

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) *Sale of goods – Steel raw materials*

Revenue from sale of goods is recognised when the Group has delivered the goods to locations specified by its customers and the customers have accepted the goods in accordance with the sales contract. The Group recognises revenue when the amount of revenue and related cost can be reliably measured, and it is probable that the collectability of the related receivables is reasonably assured.

(b) *Rendering of services – aesthetic services*

Revenue from rendering of services that are of short duration is recognised when the services are completed. Revenue from rendering of packaged services is recognised by reference to the usage of packaged sales of the transaction at the balance sheet date determined by services performed to date as a percentage of total packaged sales. Free services represent promised services under the main packaged services and a portion of the transaction price from the main service contracts are allocated to these free services. Revenue of free services is recognised upon the completion of aesthetic procedures rendered to the customers.

Revenue billed in advance of the rendering of services is recognised as deferred revenue and included in "Trade and other payables" at the balance sheet date.

(c) *Commission and service income*

Revenue from commission and service income is recognised when the services are rendered.

(d) *Interest income*

Interest income is recognised using the effective interest method.

(e) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(f) *Rental income*

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

2. Significant accounting policies (cont'd)

2.3 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other gains.

Government grants relating to assets are deducted against the carrying amount of the assets.

2.4 Group accounting

(a) Subsidiary corporations

(i) Consolidation

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements, intercompany transactions and balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

2. Significant accounting policies (cont'd)

2.4 Group accounting (cont'd)

(a) Subsidiary corporations (cont'd)

(ii) Acquisitions (cont'd)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations" for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary corporation that do not result in a loss of control over the subsidiary corporation are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

2.5 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

2. Significant accounting policies (cont'd)

2.5 Property, plant and equipment (cont'd)

(a) Measurement (cont'd)

(ii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purpose other than to produce inventories.

(b) Depreciation

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

	Useful lives
Office equipment and fixtures	2 to 5 years
Renovation	5 years
Medical and laboratory equipment	3 to 7 years
Clinic equipment	7 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other income - net".

2. Significant accounting policies (cont'd)

2.6 Intangible assets

(a) *Goodwill on acquisitions*

Goodwill on acquisitions of subsidiary corporations and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiary corporations is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiary corporations include the carrying amount of goodwill relating to the entity sold.

(b) *Customer relationships*

The customer relationships acquired in business combination are initially recognised at cost, which represents the fair value at the date of acquisition and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses.

These costs are amortised to profit or loss using the straight-line method over 3 years.

The amortisation period and amortisation method are reviewed at least at each balance sheet date. The effects of any revision are recognised to profit or loss when the changes arise.

2.7 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2.8 Investments in subsidiary corporations

Investments in subsidiary corporations are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.9 Impairment of non-financial assets

(a) *Goodwill*

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is higher of the CGU's fair value less cost to sell and value-in-use.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

2. Significant accounting policies (cont'd)

2.9 Impairment of non-financial assets (cont'd)

(a) Goodwill (cont'd)

The total impairment of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) Intangible assets
Property, plant and equipment
Investments in subsidiary corporations

Intangible assets, property, plant and equipment and investments in subsidiary corporations are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

2. Significant accounting policies (cont'd)

2.10 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each balance sheet date.

The Group does not hold any of the financial assets except for loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "Trade and other receivables" (Note 13) and "Cash and cash equivalents" (Note 12) on the balance sheet.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits 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 has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs.

(d) *Subsequent measurement*

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(e) *Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

2. Significant accounting policies (cont'd)

2.10 Financial assets (cont'd)

(e) Impairment (cont'd)

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2.11 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Financial guarantees

The Company issues corporate guarantees to banks for bank borrowings of its subsidiary corporations. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiary corporations fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiary corporations' borrowings, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

2.13 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

2. Significant accounting policies (cont'd)

2.13 Borrowings (cont'd)

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit and loss over the period of the borrowings using the effective interest method.

2.14 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.15 Fair value estimation of financial assets and liabilities

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.16 Leases

(a) *When the Group is the lessee:*

The Group and Company leases office spaces and warehouses from non-related parties and clinic spaces from a related party under operating leases.

Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

(b) *When the Group is the lessor:*

The Group leases office space under operating leases to a non-related party.

Lessor – Operating leases

Leases of office space where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

2. Significant accounting policies (cont'd)

2.17 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.18 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither goodwill or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2. Significant accounting policies (cont'd)

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as "Finance expense".

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in the profit or loss when the changes arise.

2.20 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on grant date. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balances previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued to the employees.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

2. Significant accounting policies (cont'd)

2.20 Employee compensation (cont'd)

(c) Performance shares

Benefits to employees including the directors are provided in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). The fair value of the employee services rendered is determined by reference to the fair value of the shares awarded or rights granted, excluding the impact of any non-market vesting conditions. These are fair valued based on the market price of the entity's share on grant date. This fair value is charged to profit or loss over the vesting period of the share-based payment scheme, with the corresponding increase in equity. The value of the charge is adjusted in profit or loss over the remainder of the vesting period to reflect expected and actual quantities vested, with the corresponding adjustment made in equity.

Cancellation of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted for as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

(d) Short-term compensated balances

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.21 Currency translation

(a) Functional and presentation currency

Items included in the 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"). The financial statements are presented in Singapore Dollar, which is the functional currency of the Company.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "Finance expense". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "Other income - net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2. Significant accounting policies (cont'd)

2.21 Currency translation (cont'd)

(c) *Translation of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) income and expenses are translated at the average exchange rates (unless the 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); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the balance sheet date.

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors whose members are responsible for allocating resources and assessing performance of the operating segments.

2.23 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.24 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.25 Warrant reserves

Proceeds from the rights cum warrants issue are allocated separately between the value of the share capital and the value of the warrants. The fair value of the warrants is recorded in warrant reserves until transferred to the share capital account when the warrants are exercised or on expiry of the warrants which is net of transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

(a) *Estimated impairment for goodwill*

The Group has recognised an impairment charge on its goodwill of S$7,192,000 (2016: S$10,805,000) during the current financial year which resulted in the carrying amount of goodwill as at 31 December 2017 to be S$Nil (2016: S$7,192,000). In performing the impairment assessment of the carrying amount of goodwill, as disclosed in Note 17 to the financial statements, the recoverable amount of the CGU in which goodwill has been attributable to, is determined using value-in-use ("VIU") calculation.

Significant judgements are used to estimate the gross margin, weighted average growth rates and the pre-tax discount rates applied in computing the recoverable amount of the CGU. In making these estimates, management has relied on past performance, its expectations of market developments in the Republic of China ("Taiwan") and the People's Republic of China ("PRC") and the industry trends for aesthetics medical.

For its goodwill attributable to aesthetics medical in Taiwan and China CGU, the Group determines whether goodwill is impaired at least on an annual basis and whether there is indication that the goodwill will be impaired. This requires an estimate of the VIU of the CGU to which the goodwill is allocated. Estimating the VIU requires the Group to make an estimate of the expected cash flows from the CGU and apply an appropriate discount rate in order to calculate the present value of those cash. The carrying amount of the Group's goodwill at 31 December 2017 was S$Nil (2016: S$7,192,000).

(b) *Impairment of loans and receivables*

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management has made judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded as an expense. In determining this, management has used estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

During the current financial year, the Group and the Company has recognised allowance for impairment of trade and other receivables, as disclosed in Note 25(b)(ii), amounting to S$1,589,000 and S$2,117,000 (2016: S$4,545,000 and S$2,432,000) respectively. Management believed that the allowance for impairment of trade and other receivables recognised is adequate for the current and previous financial years based on their best estimates and assumptions of the difference between the recoverable amount and carrying amount of trade and other receivables individually determined to be impaired.

3. Critical accounting estimates, assumptions and judgements (cont'd)

3.1 Critical accounting estimates and assumptions (cont'd)

(b) Impairment of loans and receivables (cont'd)

The carrying amount of the Group's and the Company's trade and other receivables at 31 December 2017 was S$458,000 and S$25,000 (2016: S$1,478,000 and S$836,000) respectively.

If the net present values of estimated cash flows had been lower by 10% from management's estimates for trade and other receivables, the allowance for impairment of the Group and the Company would have been higher by S$46,000 and S$3,000 (2016: S$148,000 and S$84,000) respectively.

4. Going concern

The following circumstances give rise to material uncertainties as to the appropriateness of the use of the going concern assumption in the preparation of the accompanying financial statements of the Group and the balance sheet of the Company for the current financial year:

a) The Group and the Company incurred a net loss of S$12,130,000 (2016: S$19,436,000) and S$11,729,000 (2016: S$15,652,000) respectively and the Group also incurred net operating cash outflows of S$3,071,000 (2016: S$12,266,000) for the financial year ended 31 December 2017. As at 31 December 2017, the Group's current liabilities exceeded its current assets by S$128,000 (2016: S$919,000).

b) As at 31 December 2017, the Group had a borrowing owing to a non-related party amounting to S$3,421,000 (2016: S$3,730,000) of which the maturity date of repayment due on 28 March 2017 has been extended to 27 June 2017, 27 December 2017 and subsequently to 27 June 2018. As at 31 December 2017, the Group's cash and cash equivalents (excluding bank deposits pledged) were S$3,344,000 (2016: S$1,525,000).

The above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's and the Company's abilities to continue as going concerns. Nevertheless, the Board of Directors of the Company believes that the use of the going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2017 is appropriate after taking into consideration the following assumptions and measures:

i) As at the balance sheet date, the Group was in negative working capital of S$128,000 and negative shareholders' fund of S$3,230,000 and as at that date, the Company has negative shareholders' fund of S$1,082,000.

The shareholder, Dato Dr Choo Yeow Ming ("Dato Dr Choo"), has provided a letter of financial support expressing his willingness to provide continuing financial support to the Group and the Company upon terms and conditions agreeable to both parties to enable the Group to continue to operate and meet its financial obligations and commitments as and when they fall due in the next 12 months.

ii) The Group has obtained a written undertaking from Dato Dr Choo not to demand repayment of payables of S$3,500,000 (being the balance of consideration owing by the Company for the acquisition of 51% of China iMyth Company Pte. Ltd. from China Medical Investments Co Pte. Ltd. (the Vendor"), Dato Dr Choo is a director and has 55% equity interests in the Vendor) until the date when the Group has the financial ability to make the repayment or the contractual maturity date on 6 November 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

4. Going concern (cont'd)

The above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's and the Company's abilities to continue as going concerns. Nevertheless, the Board of Directors of the Company believes that the use of the going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2017 is appropriate after taking into consideration the following assumptions and measures: (cont'd)

iii) There is a loan of S$3,421,000 (equivalent to HK$20 million) extended by a third party to a subsidiary corporation of the Group which is due for repayment on 27 June 2018. Dato Dr Choo had signed an agreement to make available till 1 May 2019 an advance of up to the amount pursuant to this third party loan to repay on behalf of the subsidiary corporation of the Group should it be unable to repay in full or in part.

iv) Concurrently, the Company will continue to look for other fund raising exercises to fund the working capital and growth of the Group going forward and the Company will also seek for growth opportunities and all other possibilities to complement the existing businesses of the Group.

If the Group and the Company are unable to continue in operational existence in the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify non-current assets and liabilities to current assets and liabilities respectively. The financial statements do not include any adjustment which may arise from these uncertainties.

5. Revenue

	Group	
	2017	2016
	S$'000	S$'000
Sales of goods	**1,642**	2,196
Aesthetic services	**525**	957
Service income	**-**	17
	2,167	3,170

6. Other income – net

	Group	
	2017	2016
	S$'000	S$'000
Accretion of imputed interest – non-current other payables (Note 18)	**-**	503
Currency exchange gain/(loss) – net	**30**	(30)
Forfeiture of deposits for shares placement	**-**	100
Loss on deconsolidation of subsidiary corporations (Note 12)	**(247)**	–
Interest income from bank deposits	**6**	15
Rental income on operating lease	**168**	–
Waiver of amount owing to a shareholder of the Company	**312**	–
Waiver of interest expense on loan from a shareholder of the Company	**19**	–
Other	**60**	15
	348	603

7. Expenses by nature

	Group	
	2017	2016
	S$'000	S$'000
Advertisement	**6**	65
Allowance for impairment		
- Goodwill (Note 17(a))	**7,192**	10,805
- Customer relationships (Note 17(b))	**104**	–
- Trade receivables – non-related parties (Note 25(b)(ii))	**–**	56
- Other receivables – (Note 25(b)(ii))	**1,589**	4,489
Changes in inventories	**2**	417
Annual report printing	**77**	36
Amortisation of intangible assets (Note 17(b))	**–**	51
Depreciation of property, plant and equipment (Note 16)	**141**	173
Directors' fees	**145**	150
Employee compensation (Note 8)	**1,761**	2,241
Write-off of property, plant and equipment	**68**	26
Introducer fees	**–**	75
Insurance	**43**	55
Fees on audit services paid/payable to:		
- auditor of the Company	**99**	97
- other auditors	**3**	11
Purchase of inventories	**1,065**	1,153
Professional fees	**775**	842
Freight charges	**47**	16
Travelling and accommodation	**101**	610
Write-down of inventories (Note 14)	**15**	35
Rental expense on operating leases	**346**	642
Other	**388**	900
Total cost of sales, distribution and administrative expenses	**13,967**	22,945

8. Employee compensation

	Group	
	2017	2016
	S$'000	S$'000
Wages, salaries and short-term employee benefits	**1,688**	2,126
Employer's contribution to defined contribution plans	**57**	115
Other short-term benefits	**16**	–
	1,761	2,241

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

9. Finance expenses

	Group	
	2017	2016
	S$'000	S$'000
Interest expense – borrowings		
- Non-related party	**507**	227
- Shareholder	**-**	19
	507	246
Unwinding of imputed interest - non-current other payables (Note 18)	**161**	20
	668	266

10. Income tax expense/ (credit)

	Group	
	2017	2016
	S$'000	S$'000
Tax credit attributable to loss is made up of:		
- Loss for the financial year:		
Current income tax - Singapore	**28**	6
- Deferred income tax (Note 20)	**(18)**	(8)
	10	(2)

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2017	2016
	S$'000	S$'000
Loss before income tax	**(12,120)**	(19,438)
Tax calculated at tax rate of 17% (2016: 17%)	**(2,060)**	(3,304)
Effects of:		
- Different tax rates in other countries	**(3)**	(36)
- Tax incentives	**(6)**	–
- Expenses not deductible for tax purposes	**2,177**	3,314
- Income not subject to tax	**(53)**	–
- Singapore statutory stepped income exemption	**(29)**	(4)
- Deferred tax assets not recognised	**-**	18
- Utilisation of previously unrecognised tax losses	**(18)**	–
- Other	**2**	10
Tax expense/(credit)	**10**	(2)

11. Loss per share

(a) Basic loss per share

Basic loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	2017	2016
Net loss attributable to equity holders of the Company (S$'000)	(12,027)	(18,756)
Weighted average number of ordinary shares outstanding for basic loss per share ('000)	4,114,450	2,903,232
Basic loss per share (cents per share)	(0.29)	(0.65)

(b) Diluted loss per share

For the purpose of calculating diluted loss per share, loss attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has dilutive potential ordinary shares in respect of share options and warrants.

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options and warrants were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options and warrants less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net loss.

Diluted loss per share attributable to equity holders of the Company are calculated as follows:

	2017	2016
Net loss attributable to equity holders of the Company (S$'000)	(12,027)	(18,756)
Weighted average number of ordinary shares outstanding for basic loss per share ('000)	4,114,450	2,903,232
Adjustments for ('000)		
Share options	262,343	105,850
Warrants	5,747,929	1,616,180
	10,124,722	4,625,262
Diluted loss per share (cents per share)	(0.29)*	(0.65)*

* As loss was recorded, the dilutive potential shares from share options and warrants are anti- dilutive and no change is made to the diluted loss per share.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

12. Cash and cash equivalents

	Group		Company	
	2017	2016	**2017**	2016
	S$'000	S$'000	**S$'000**	S$'000
Cash at bank and on hand	**1,344**	1,522	**416**	401
Short-term bank deposits	**2,503**	1,003	**2,503**	1,003
	3,847	2,525	**2,919**	1,404

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2017	2016
	S$'000	S$'000
Cash and bank balances (as above)	**3,847**	2,525
Less: Bank deposits pledged	**(503)**	(1,000)
Cash and cash equivalents per consolidated statement of cash flows	**3,344**	1,525

Bank deposits are pledged in relation to banking facilities granted to subsidiary corporations of the Company.

Deconsolidation of subsidiary corporations

As at 16 May 2017 and 2 June 2017, the Company lost its control over its subsidiary corporations, namely CMIC Renal Hospital Management (Beijing) Co., Ltd. ("CMIC Renal") and China iMyth (Shanghai) Co., Ltd. ("China iMyth") respectively, as a liquidator was appointed to de-register CMIC Renal and voluntary liquidate China iMyth on these date.

The effect of the deconsolidation of the above subsidiary corporations on the cash flows of the Group were:

	Group		
	CMIC Renal	**China iMyth**	**Total**
	2017	**2017**	**2017**
	S$'000	**S$'000**	**S$'000**
Carrying amounts of assets and liabilities deconsolidated of			
Cash and bank balances	**-**	**1**	**1**
Other receivables	**2**	**-**	**2**
	2	**1**	**3**
Other payables	**-**	**(23)**	**(23)**
Net (liabilities)/ assets deconsolidated	**2**	**(22)**	**(20)**
Less: Non-controlling interests	**-**	**273**	**273**
Net assets deconsolidated	**2**	**251**	**253**

12. Cash and cash equivalents (cont'd)

The aggregate cash outflows arising from the deconsolidation of CMIC Renal and China iMyth were:

	Group		
	CMIC Renal 2017 S$'000	**China iMyth 2017 S$'000**	**Total 2017 S$'000**
Net assets deconsolidated (as above)	**2**	**251**	**253**
Reclassification of currency translation reserve (Note 22(b)(ii))	*	**(6)**	**(6)**
	2	**245**	**247**
Loss on deconsolidation (Note 6)	**(2)**	**(245)**	**(247)**
Cash proceeds from deconsolidation	**-**	**-**	**-**
Less: Cash and bank balances in subsidiary corporations deconsolidated	**-**	**(1)**	**(1)**
Net cash outflow on deconsolidation	**-**	**(1)**	**(1)**

* Less than S$1,000

13. Trade and other receivables

	Group		Company	
	2017 S$'000	2016 S$'000	**2017 S$'000**	2016 S$'000
Trade receivables				
- Non-related parties	**289**	180	**-**	–
Less: Allowance for impairment of trade receivables – non-related parties (Note 25(b)(ii))	**-**	(56)	**-**	–
Trade receivables - net	**289**	124	**-**	–
Other receivables				
- Subsidiary corporation	**-**	–	**2,941**	1,640
- Related parties	**2,323**	2,447	**1,109**	1,109
- Non-related parties	**3,924**	3,396	**524**	519
	6,247	5,843	**4,574**	3,268
Less: Allowance for impairment of non-trade receivables (Note 25(b)(ii))	**(6,078)**	(4,489)	**(4,549)**	(2,432)
Other receivables - net	**169**	1,354	**25**	836
Deposits	**77**	57	**52**	44
Prepayments	**15**	35	**15**	13
	550	1,570	**92**	893

The other receivables due from a subsidiary corporation and related parties are non-trade, unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

13. Trade and other receivables (cont'd)

During the prior financial year ended 31 December 2016, the Group entered into collaboration agreements with a few business partners. The Group is obliged to finance the initial expenditures ("advances and/or loans"), such as marketing costs, rental costs and staff costs in setting up new businesses relating to aesthetic medical clinics, management of renal hospital, rendering of platelet-rich plasma and hemodialysis services in the People's Republic of China ("PRC"). To safeguard its interests, the Group had entered into loan agreements with all these business partners to enable the Group to have the right to recover these advances and/or loans from the business partners on demand.

Of the total advances and/or loans provided of S$5,575,000 to its business partners:

(a) the Group made an allowance of impairment for the advances and/or loans to its business partners of approximately S$2,323,000 as the Board of Directors has assessed their recoverability and is of the opinion that the desired return on investments would take much longer than envisaged and are now evaluating the Group's funding and financing options with various stakeholders;

(b) the Group decided to write off the advances and/or loans of approximately S$2,166,000 as the Board of Directors is concerned with the current progress and business outlook as proposed by its business partners. Thus, the Board of Directors believes these previously spent and capitalised advances and/or loans to its business partners have to be written off; and

(c) for the remaining advances and/or loans of S$1,086,000 provided to a business partner, the Board of Directors has determined that an impairment allowance in the carrying amount of this advance and/or loan is not required as a personal guarantee from the business partner has been obtained and the Group has entered into a consultancy agreement with the business partner's investment entity pursuant to which the Group will be entitled to be paid a fixed annual consultancy fees. The Group is contemplating and negotiating in taking a minority equity stake in this investment vehicle.

During the financial year ended 31 December 2017:

(a) the Board of Directors has decided to made an allowance impairment for the advances and/or loans of S$1,041,000 to the business partners of the Group and the Company as they decided not to proceed with the initial plan in 2016 to convert the advances and/or loan by taking up a minority equity stake in the business partner's investment entity and also recoverability of the amount is not foreseeable; and

(b) an additional advance and/or loan of S$548,000 was made to a clinic managed by two medical practitioner in Shen Zhen city in PRC to invest and grow the aesthetic medical services which the collaboration did not proceed as planned, hence the Board of Directors decided to write-off this amount.

14. Inventories

	Group	
	2017	2016
	S$'000	S$'000
Finished/trading goods	**44**	64

The cost of inventories recognised as an expense and included in "Cost of sales" amounted to S$1,067,000 (2016: S$1,570,000).

The Group has recognised a write-down of its slow-moving inventories amounting to S$15,000 (2016: S$35,000) (Note 7).

15. Investments in subsidiary corporations

	Company	
	2017	2016
	S$'000	S$'000
Equity investments at cost		
Beginning of financial year	**22,136**	22,136
Additions	**–**	–*
End of financial year	**22,136**	22,136
Allowance for impairment loss		
Beginning of financial year	**14,834**	3,734
Impairment loss [1]	**6,950**	11,100
End of financial year	**21,784**	14,834
Carrying amount	**352**	7,302

* During the prior financial year ended 31 December 2016, the Group incorporated seven subsidiary corporations and the Group has equity interests ranging between 50%-51% over the four subsidiary corporations and 100% over the three subsidiary corporations.

Although the Group only owns 50% equity interests for the three 2016 incorporated entities, they are regarded as the Group's subsidiary corporations on the basis that the Group has control over all these subsidiary corporations as the Group is exposed to, or has rights to, variable returns from its involvement with the entities and has the ability to affect those returns through its powers over the entities. Please refer to details in Note 15 footnotes (6) to (12) on page 74.

(1) Management assessed for impairment whenever there is any objective evidence or indication that investments in subsidiary corporations may be impaired. An allowance for impairment loss of S$6,950,000 (2016: S$11,100,000) was made in respect of the Company's investment in certain subsidiary corporations to reduce the carrying amount of the investments to their recoverable amounts. The recoverable amount was determined using the net tangible asset value in 2017 and in 2016, value-in-use method based on cash flow projections discounted at rates based on the market interest rates adjusted for specific risk to the industry. The calculation requires the use of estimates and key assumptions that are disclosed in Note 17(a) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

15. Investments in subsidiary corporations (cont'd)

The Group had the following subsidiary corporations as at 31 December 2017 and 2016:

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by the Company		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interest	
			2017	2016	**2017**	2016	**2017**	2016
			%	%	**%**	%	**%**	%
Held by the Company								
Albedo Corporation Pte. Ltd. ("ACPL")(1)	To carry on the business of general merchants, importers, exporters, commission agents and dealers in raw materials, consumables, instruments and semi-finished products for steel mills, iron and steel foundries and aluminium smelters in the Asia- Pacific region	Singapore	**100**	100	**100**	100	**-**	–
Albedo Sdn. Bhd. (2)(3)	Provision of marketing, distribution and related services and trading in raw materials, consumables, instruments and semi-finished products for steel mills, iron and steel foundries and aluminium smelters	Malaysia	**100**	100	**100**	100	**-**	–
China iMyth Company Pte. Ltd.(1)	Investment holding and provision of management services	Singapore	**51**	51	**51**	51	**49**	49
CMIC Hemodialysis Pte. Ltd.(1)	Investment holding	Singapore	**100**	100	**100**	100	**-**	–
CMIG Medical Services (Hong Kong) Limited. (3)(6)	Investment holding and provision of management services	Hong Kong	**100**	100	**100**	100	**-**	–
CMIG Medical Clinics (Hong Kong) Limited(3)(7)	Investment holding and provision of management services	Hong Kong	**100**	100	**100**	100	**-**	–

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For the Financial Year Ended 31 December 2017

15. Investments in subsidiary corporations (cont'd)

The Group had the following subsidiary corporations as at 31 December 2017 and 2016: (cont'd)

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by the Company 2017	2016	Proportion of ordinary shares held by the Group 2017	2016	Proportion of ordinary shares held by non-controlling interest 2017	2016
			%	%	%	%	%	%
Held by the CMIC Hemodialysis Pte. Ltd.								
CMIC Hemodialysis (Hong Kong) Limited(3)(4)	Investment holding and provision of management services	Hong Kong	**-**	–	**100**	100	**-**	–
CMIC Renal Hospital Management (Beijing) Co., Ltd.(3)(12)(13)	Engagement in hospital management (excluding clinical services), enterprise management, marketing plan, economic trade consultation	People's Republic of China	**-**	–	**-**	100	**-**	–
Held by the China iMyth Company Pte. Ltd.								
iMyth Taiwan Limited(3)(5)	Provision of management services required for operation of clinics, including office, facilities, equipment, medical materials and pharmaceuticals	Republic of China, Taiwan	**-**	–	**51**	51	**49**	49
China iMyth (Hong Kong) Limited(3)(4)	Investment holding and provision of management services	Hong Kong	**-**	–	**51**	51	**49**	49
China iMyth (Shanghai) Co., Ltd.(3)(13)	Engagement in research and development, technical support, market development and management consultancy in the field of aesthetics medicine and plastic surgery	People's Republic of China	**-**	–	**51**	51	**49**	49
Held by the China Medical Services (Hong Kong) Limited								
CMIG Ren Feng Med-Biotechnology Limited(3)(8)	Investment holding and provision of management services	Hong Kong	**-**	–	**50**	50	**50**	50
CMIG Ren Feng Medical (Futian) Limited(3)(9)	Investment holding and provision of management services	Hong Kong	**-**	–	**50**	50	**50**	50

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For the Financial Year Ended 31 December 2017

15. Investments in subsidiary corporations (cont'd)

The Group had the following subsidiary corporations as at 31 December 2017 and 2016: (cont'd)

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by the Company 2017	2016	Proportion of ordinary shares held by the Group 2017	2016	Proportion of ordinary shares held by non-controlling interest 2017	2016
			%	%	%	%	%	%
Held by the China Medical Services (Hong Kong) Limited (cont'd)								
CMIG Ren Feng Medical (Nanshan) Limited(3)(10)	Investment holding and provision of management services	Hong Kong	**–**	–	**50**	50	**50**	50
CMIG GY Sales Limited(3)(11)	Investment holding and provision of management services	Hong Kong	**–**	–	**50**	50	**50**	50

(1) Audited by Nexia TS Public Accounting Corporation, Singapore.

(2) Audited by Ng & Partners, Chartered Accountants, Malaysia.

(3) For the purpose of the consolidated financial statements, these financial statements are reviewed and/or audited by Nexia TS Public Accounting Corporation, Singapore.

(4) Audited by Fan Chan & Co., Hong Kong, a member firm of Nexia International.

(5) Not required to be audited under the laws of the country of incorporation.

(6) 100 ordinary shares totalling S$18 (equivalent to HKD 100) were allotted and issued to the Company at the date of incorporation on 10 May 2016. CMIG Medical Services (Hong Kong) Limited has not called for the issued shares to be paid up as at 31 December 2017 and 2016.

(7) 100 ordinary shares totalling S$18 (equivalent to HKD 100) were allotted and issued to the Company at the date of incorporation on 10 May 2016. CMIG Medical Clinics (Hong Kong) Limited has not called for the issued shares to be paid up as at 31 December 2017 and 2016.

(8) 5,000 ordinary shares totalling S$900 (equivalent to HKD 5,000) were allotted and issued to CMIG Medical Services (Hong Kong) Limited at the date of incorporation on 30 August 2016. CMIG Ren Feng Med-Biotechnology Limited has not called for the issued shares to be paid up as at 31 December 2017 and 2016.

(9) 5,000 ordinary shares totalling S$305,000 (equivalent to HKD 1,731,400) were allotted and issued to CMIG Medical Services (Hong Kong) Limited at the date of incorporation on 30 August 2016. CMIG Ren Feng Medical (Futian) Limited has not called for the issued shares to be paid up as at 31 December 2017 and 2016.

(10) 5,000 ordinary shares totalling S$900 (equivalent to HKD 5,000) were allotted and issued to CMIG Medical Services (Hong Kong) Limited at the date of incorporation on 30 August 2016. CMIG Ren Feng Medical (Nanshan) Limited has not called for the issued shares to be paid up as at 31 December 2017 and 2016.

(11) 51 ordinary shares totalling S$18 (equivalent to HKD 100) were allotted and issued to CMIG Medical Services (Hong Kong) Limited at the date of incorporation on 30 August 2016. CMIG GY Sales Limited has not called for the issued shares to be paid up as at 31 December 2017 and 2016.

(12) Share capital totalling S$2,078,000 (equivalent to RMB 10,000,000) were registered by CMIC Hemodialysis (Hong Kong) Limited on 19 September 2016. CMIC Renal Hospital Management (Beijing) Co., Ltd. has not called for the registered share capital to be paid up as at 31 December 2016.

(13) As at 16 May 2017 and 2 June 2017, the Company lost its control over its subsidiary corporations, namely CMIC Renal Hospital Management (Beijing) Co., Ltd. ("CMIC Renal") and China iMyth (Shanghai) Co., Ltd. ("China iMyth") respectively, as a liquidator was appointed to de-register CMIC Renal and voluntary liquidate China iMyth.

Subsequently on 2 February 2018, CMIC Renal has completed the de-registration.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

15. Investments in subsidiary corporations (cont'd)

Carrying value of non-controlling interests

	Group	
	2017	2016
	S$'000	S$'000
China iMyth Company Pte. Ltd.	**770**	633
iMyth Taiwan Limited	**(48)**	68
Other subsidiary corporations with immaterial non-controlling interests	**(630)**	(765)
	92	(64)

Summarised financial information of subsidiary corporations with material non-controlling interests

Set out below are the summarised financial information of China iMyth Company Pte. Ltd. and iMyth Taiwan Limited that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations and after being modified for fair value adjustments arising from business combination.

There were no transactions with non-controlling interests for the financial years ended 31 December 2017 and 2016.

Summarised balance sheet

	China iMyth Company Pte. Ltd.		iMyth Taiwan Limited	
	As at 31 December 2017	As at 31 December 2016	**As at 31 December 2017**	As at 31 December 2016
	S$'000	S$'000	**S$'000**	S$'000
Current				
Assets	**597**	598	**593**	779
Liabilities	**(102)**	(383)	**(797)**	(860)
Total current net assets/(liabilities)	**495**	215	**(204)**	(81)
Non-current				
Assets	**1,078**	1,078	**106**	221
Total non-current net assets	**1,078**	1,078	**106**	221
Net assets/(liabilities)	**1,573**	1,293	**(98)**	140

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

15. Investments in subsidiary corporations (cont'd)

Summarised statement of comprehensive income

	China iMyth Company Pte. Ltd.		iMyth Taiwan Limited	
	For the financial year ended 31 December 2017	For the financial year ended 31 December 2016	**For the financial year ended 31 December 2017**	For the financial year ended 31 December 2016
	S$'000	S$'000	**S$'000**	S$'000
Revenue	**-**	–	**128**	717
Profit/(loss) before income tax	**280**	(51)	**(241)**	(822)
Income tax expense	**-**	–	**-**	–
Net profit/(loss)	**280**	(51)	**(241)**	(822)
Other comprehensive income	**-**	–	**3**	–
Total comprehensive income/(loss)	**280**	(51)	**(238)**	(822)
Total comprehensive income/(loss) allocated to non-controlling interests	**138**	(25)	**(116)**	(403)

Summarised cashflows

	China iMyth Company Pte. Ltd.	**iMyth Taiwan Limited**
	For the financial year ended 31 December 2017	**For the financial year ended 31 December 2017**
	S$'000	**S$'000**
Net cash used in operating activities	*	(204)
Net decrease in cash and cash equivalents	*	(204)
Cash and cash equivalents	8	205
Beginning of financial year		
Effect of currency translation on cash and cash equivalent	-	*
End of financial year	8	1

* Less than S$1,000

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For the Financial Year Ended 31 December 2017

16. Property, plant and equipment

	Office equipment and fixtures	Renovation	Medical and laboratory equipment	Clinic equipment	Total
	S$'000	S$'000	S$'000	S$'000	S$'000
Group					
2017					
Cost					
Beginning of financial year	**267**	**45**	**198**	**35**	**545**
Currency translation differences	**2**	*	**4**	**1**	**7**
Additions	**9**	**-**	**-**	**-**	**9**
Write-off	**(143)**	**(45)**	**(117)**	**(29)**	**(334)**
End of financial year	**135**	**-**	**85**	**7**	**227**
Accumulated depreciation					
Beginning of financial year	**201**	**9**	**46**	**15**	**271**
Currency translation differences	**1**	*	**3**	**1**	**5**
Depreciation charge (Note 7)	**58**	**13**	**61**	**9**	**141**
Write-off	**(137)**	**(22)**	**(88)**	**(19)**	**(266)**
End of financial year	**123**	**-**	**22**	**6**	**151**
Net book value					
End of financial year	**12**	**-**	**63**	**1**	**76**
2016					
Cost					
Beginning of financial year	263	23	232	40	558
Currency translation differences	4	–	10	2	16
Additions	40	46	–	–	86
Write-off	(40)	(24)	(44)	(7)	(115)
End of financial year	267	45	198	35	545
Accumulated depreciation					
Beginning of financial year	155	17	3	10	185
Currency translation differences	1	1	–	–	2
Depreciation charge (Note 7)	85	12	67	9	173
Write-off	(40)	(21)	(24)	(4)	(89)
End of financial year	201	9	46	15	271
Net book value					
End of financial year	66	36	152	20	274

* Less than S$1,000

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

16. Property, plant and equipment (cont'd)

	Office equipment and fixtures	Renovation	Total
	S$'000	S$'000	S$'000
Company			
2017			
Cost			
Beginning of financial year	**16**	**28**	**44**
Additions	**8**	**–**	**8**
Write-off	**(1)**	**(28)**	**(29)**
End of financial year	**23**	**–**	**23**
Accumulated depreciation			
Beginning of financial year	**9**	**8**	**17**
Depreciation charge	**6**	**13**	**19**
Write-off	**(1)**	**(21)**	**(22)**
End of financial year	**14**	**–**	**14**
Net book value			
End of financial year	**9**	**–**	**9**
2016			
Cost			
Beginning of financial year	7	–	7
Additions	9	28	37
End of financial year	16	28	44
Accumulated depreciation			
Beginning of financial year	5	–	5
Depreciation charge	4	8	12
End of financial year	9	8	17
Net book value			
End of financial year	7	20	27

17. Intangible assets

	Group	
	2017	2016
	S$'000	S$'000
Composition:		
Goodwill arising on consolidation (Note (a))	**-**	7,192
Customer relationship (Note (b))	**-**	104
	-	7,296

(a) Goodwill arising on consolidation

	Group	
	2017	2016
	S$'000	S$'000
Cost		
Beginning and end of financial year	**17,997**	17,997
Accumulated impairment		
Beginning of financial year	**10,805**	–
Impairment loss	**7,192**	10,805
End of financial year	**17,997**	10,805
Net book value	**-**	7,192

Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating unit ("CGU") identified according to countries of operation and business segment.

	Aesthetic medical	
	2017	2016
	S$'000	S$'000
Republic of China, Taiwan and People's Republic of China	**-**	7,192

The recoverable amount of the CGU was determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate for the business in which the CGU operates.

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For the Financial Year Ended 31 December 2017

17. Intangible assets (cont'd)

(a) Goodwill arising on consolidation (cont'd)

Key assumptions used for value-in-use calculations:

	Aesthetic medical	
	2017	2016
	S$'000	S$'000
Gross margin [1]	**-**	61.2
Growth rate [2]	**-**	63.4
Discount rate [3]	**-**	22.0

[1] Budgeted gross margin

[2] Compound average growth rate

[3] Pre-tax discount rate applied to the pre-tax cash flow projections

Management determined budgeted gross margin based on expectations of market developments. The weighted average growth rates used were consistent with forecasts based on current market and economic conditions and past performance. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments. The market penetration rate in those locations of the CGU's operations is expected to decrease significantly in 2016 following the economic and political conditions and their regulatory frameworks.

During the financial year ended 31 December 2016, an impairment charge S$10,805,000 was recognised as a result of the carrying amount of the goodwill exceeding the recoverable amount of the CGU which was affected by the economic and political conditions and more stringent regulatory frameworks in the locations of the CGU's operations.

During the financial year ended 31 December 2017, the management has reviewed the recoverable amount of the goodwill and has decided to provide allowance for impairment for its goodwill of S$7,192,000 in view that its Taiwan clinic had recorded a loss of S$307,000. Furthermore, management has decided not to proceed with their expansion plans by setting up clinics in Shenzhen as the progress of setting up the respective WFOE and the achievability of revenue and operational targets is either slower than expected or cannot be materialised as per their agreed plans. The management is of the opinion that all these factors had resulted in a zero recoverable amount for its goodwill.

The goodwill recognised on the balance sheet is attributable to the CGU in the Republic of China, Taiwan and the People's Republic of China. Based on the impairment assessment of the CGU as at 31 December 2017, the estimated recoverable amount of the CGU is S$Nil (2016: S$7,192,000).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

17. Intangible assets (cont'd)

(b) Customer relationships

	Group	
	2017	2016
	S$'000	S$'000
Cost		
Beginning and end of financial year	**155**	155
Accumulated amortisation and impairment		
Beginning of financial year	**51**	–
Amortisation charge (Note 7)	**-**	51
Impairment loss (Note 7)	**104**	–
End of financial year	**155**	51
Net book value	**-**	104

During the financial year ended 31 December 2017, an impairment charge of S$104,000 was recognised as a result of the carrying amount of the customer relationship exceeding the recoverable amount as the Taiwan clinic is generating a loss of S$307,000 and the achievability of revenue and operational targets are slower than expected as per agreed plans (Note 17(a)).

18. Trade and other payables

	Group		Company	
	2017	2016	**2017**	2016
	S$'000	S$'000	**S$'000**	S$'000
Current				
Trade payables				
- Non-related parties	**267**	139	**-**	–
Other payables				
- Non-related parties	**410**	768	**311**	167
- Subsidiary corporations	**-**	–	**467**	465
Advances received	**19**	–	**-**	–
Deferred revenue	**148**	169	**-**	–
Accrual operating expenses	**279**	272	**197**	232
	1,123	1,348	**975**	864
Non-current				
Other payables				
- Non-related parties	**3,178**	3,017	**3,178**	3,017
	4,301	4,365	**4,153**	3,881

The other payables due to subsidiary corporations are non-trade, unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

18. Trade and other payables (cont'd)

The non-current other payables relate to an amount ("outstanding amount") owing to the former shareholder of a subsidiary corporation which was initially due on 6 May 2016. On 17 May 2016, the Group had entered into a second supplemental agreement to extend the due date of the outstanding amount to 6 November 2016. On 15 November 2016, the Group had entered into a third supplemental agreement to further extend the due date of the outstanding amount to 6 November 2019. Accordingly, the Group and the Company had reclassified the current liabilities as non-current liabilities. The outstanding amounts due to the non-related party are unsecured and interest-free.

Fair value of non-current other payables

	Group and Company	
	2017	2016
	S$'000	S$'000
Other payables		
- Non-related parties	**3,178**	3,017

The fair value above was determined from the cash flow analysis, discounted at market borrowing rate of an equivalent instrument at the balance sheet date which the Board of Directors expect to be available to the Group as follows:

	Group and Company	
	2017	2016
Other payables		
- Non-related parties	**5.35%**	5.35%

The non-current other payables are recognised at fair value and subsequently carried at amortised cost using the effective interest method. The difference between the fair value and the nominal principal sum is recorded as accretion of imputed interest which is included in "Other income – net" (Note 6) in the consolidated statement of comprehensive income for the financial year ended 31 December 2016. Subsequently, an unwinding of imputed interest is included in "Finance expense" (Note 9) in the consolidated statement of comprehensive income till the maturity date of the other payables.

The fair values are within Level 2 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

19. Borrowings

	Group		Company	
	2017	2016	**2017**	2016
	S$'000	S$'000	**S$'000**	S$'000
Current				
Borrowings				
Loan 1	**3,421**	3,730	**-**	–
Loan 3	**-**	–	**298**	–
	3,421	3,730	**298**	–
Non-current				
Borrowings				
Loan 2	**-**	1,000	**-**	1,000
Total borrowings	**3,421**	4,730	**298**	1,000

The Group and the Company are not exposed to significant changes in interest rates as the borrowings are at fixed interest rates.

Fair value of non-current borrowings

	Group and Company	
	2017	2016
	S$'000	S$'000
Borrowings	**-**	1,000

The fair value above was determined from the cash flow analysis, discounted at market borrowing rate of an equivalent instrument at the balance sheet date which the Board of directors expect to be available to the Group as follows:

	Group and Company	
	2017	2016
Borrowings	**-**	5.35%

The carrying amount of the non-current borrowings carried at amortised cost approximate their fair values. The fair values are within Level 2 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

19. Borrowings (cont'd)

(i) Loan 1 from a non-related party bears an interest rate at 14% (2016: 12%) per annum and is due for repayment on 28 March 2017 and have been extended to the following dates during the financial year, i.e. 27 June 2017, 27 December 2017 and 27 June 2018 respectively.

(a) Security granted

Loan 1 is secured by a corporate guarantee granted by the Company and a personal guarantee of the Company's shareholder, Dato Dr Choo.

(b) Loan covenants

Loan 1 shall become due and payable immediately in full upon the occurrence of the following events (in the event of a default):

- Default on payment by the subsidiary corporation or guarantor when the payment fall due;
- Insolvency of the subsidiary corporation or the Company;
- Material adverse financial condition or business of the subsidiary corporation;
- Change in control of the subsidiary corporation; and
- Event of litigation, arbitration or administrative proceeding materially and adversely restrain the performance of the compliance by the subsidiary corporation to the loan agreement.

(ii) Loan 2 from the Company's shareholder, Dato Dr Choo, bears an interest rate at 6% (2016: 6%) per annum and is due for payment on 5 March 2020. The amount was repaid in full during the financial year ended 31 December 2017.

(iii) Loan 3 from a subsidiary corporation is unsecured, interest-free and is due for repayment on 30 June 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

20. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group	
	2017	2016
	S$'000	S$'000
Deferred income tax liabilities		
- To be settled after one year	**-**	18
Deferred income tax liabilities, representing fair value gain on customer relationships		
Beginning of financial year	**18**	26
Charged to profit or loss (Note 10)	**(18)**	(8)
End of financial year	**-**	18

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable.

The Group has unrecognised tax losses of S$Nil (2016: S$108,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation.

21. Share capital

	2017		2016	
	No. of ordinary shares	**Amount**	No. of ordinary shares	Amount
	'000	**S$'000**	'000	S$'000
Group and Company				
Beginning of financial year	**2,999,133**	**50,000**	2,649,133	46,485
Share issued pursuant to:-				
- Share placement [(i)]	**200,000**	**1,441**	350,000	3,515
- Rights issues [(ii)]	**5,601,440**	**5,601**	–	–
Expiry of warrants [(iii)] (Note 22(b)(iii))	**-**	**110**	–	–
End of financial year	**8,800,573**	**57,152**	2,999,133	50,000

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

21. Share capital (cont'd)

(i) During the financial year, 200,000,000 (2016: 300,000,000 and 50,000,000) new placement shares were issued at $0.0072 (2016: S$0.01 and S$0.0103 respectively) each at a total consideration of S$1,441,000 (2016: S$3,515,000) for cash to provide funds for funding growth expansion purposes.

(ii) During the financial year, 5,601,440,000 rights shares were subscribed under the rights cum warrants issue at an issue price of S$0.001 for each rights share for a total consideration of S$5,601,000.

(iii) During the financial year ended 31 December 2017, 110,000,000 unexercised non-transferrable warrants issued on 12 December 2013 at an exercise price of $0.04338 per warrant were expired. Accordingly, the warrant reserves were transferred to share capital upon expiry of the warrants.

During the financial year ended 31 December 2016, 600,000,000 new warrants were issued for cash at S$0.0005 each at a total consideration of S$300,000 for cash to provide funds for funding growth expansion purposes.

As announced on 31 October 2017, 80,309,351 additional outstanding warrants (excluding foreign entitlement) have been allotted and issued by the Company pursuant to the Rights cum Warrants Issue. Accordingly, the number of outstanding warrants pursuant to the 2013 Right cum Warrants Issue increased from 66,179,592 to 146,488,943, exercisable into 146,488,943 ordinary shares of the Company.

The number of warrants outstanding as at 31 December 2017 of 5,601,440,000 and 146,488,943 (2016: 110,000,000, 66,179,592, 840,000,000 and 600,000,000) which expire on 29 October 2020 and 29 March 2018 (2016: 23 January 2017, 29 March 2018, 12 July 2020 and 30 November 2019) can be converted into ordinary shares of the Company at the conversion rate of S$0.001 and S$0.005 (2016: S$0.005, S$0.04338, S$0.01125 and S$0.0103) for each warrant respectively.

Subsequent to the financial year ended 31 December 2016, 110,000,000 warrants at exercise price of S$0.005 were lapsed on 23 January 2017. 840,000,000 warrants at exercise price of S$0.01125 and 600,000,000 warrants at exercise price of S$0.0103 for each warrant were terminated on 24 January 2017.

The newly issued shares rank pari passu in all respects with the previously issued shares.

(a) Share options

Albedo Limited Employee Share Option Scheme (the "ESOS")

The Albedo's Employee Share Options Scheme ("ESOS"), approved on 24 February 2006 and 5 May 2010, is administered by a committee ("Committee"). The ESOS shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten (10) years, commencing on the date on which the ESOS is adopted by Shareholders in the General Meeting. Subject to compliance with applicable laws and regulations in Singapore, the ESOS may be continued beyond the stipulated period with the approval of the Shareholders and relevant authorities. The members of the Committee are:

Yap Siean Lin (Chairman)
Chew Soo Lin
Hano Maeloa

21. Share capital (cont'd)

(a) Share options (cont'd)

Albedo Limited Employee Share Option Scheme (the "ESOS") (cont'd)

The ESOS provides an opportunity for selected Directors and/or Employees of the Group who have contributed significantly to the growth and performance of the Group (including non-executive Directors), who satisfy the eligibility criteria as set out in the rules of the ESOS, to participate in the equity of the Company and can be summarised as follows:

- Subject to the rules of the ESOS, the aggregate number of shares in respect of which options may be offered to selected Director and/or Employees (a "Grantee") for subscription in accordance with the ESOS shall be determined at the discretion of the Committee which shall take into account (where applicable) criteria such as the rank and responsibilities within the Group, performance, years of service and potential for future development and the performance of the Group (provided always that the total number of shares in respect of which options may be granted to any one Grantee shall not exceed 10% of the total number of shares available under the ESOS).

- The Committee shall monitor the grant of options carefully to ensure that the number of the shares which may be issued pursuant to the options will comply with the relevant Catalist Rules of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST").

- The aggregate number of shares over which the Committee may grant options on any date, when added to the total number of shares issued and issuable in respect of all options granted under the ESOS, shall not exceed 10% of the total issued shares of the Company on the day preceding that offer date of the options.

- Under the ESOS, options granted to the Directors and employees may, except in certain special circumstances, be exercised at any time after the first anniversary but not later than the tenth anniversary from the date of grant. The ordinary shares of the Company ("Shares") under options may be exercised in full or in respect of 1,000 Shares or a multiple thereof, on the payment of the exercise price. The exercise price is based on the average of last dealt prices of the Shares on the SGX-ST for the three market days immediately preceding the date of grant rounded to the nearest whole cent. The Committee may at its discretion fix the exercise price at a discount not exceeding 20% to the above price. No options have been granted at a discount.

On 23 December 2014, the Company made an announcement on SGX-ST relating to adjustments made to the exercise prices of outstanding share options which were granted in April 2007, May 2008 and June 2008 ("Adjustments"). The Adjustments have been made in accordance to Rule 10 of the ESOS and does not result in a change in the number of outstanding share options issued by the Company.

On 11 October 2017, the Company made an announcement on SGX-ST relating to adjustments made to the exercise prices of outstanding share options which were granted in May 2008, June 2008 and October 2014 ("Adjustments"). Based on the recommendation of the Committee, the exercise prices of the share options are adjusted to S$0.01 from S$0.0130, S$0.0150 and $0.0130 respectively. On the basis of an indicative ratio of approximately 1.5238 additional share options to be issued for every one existing share option, the Company issued up to 158,393,000 additional share option pursuant to the options Adjustments. There are aggregate 262,343,000 share options after the option Adjustments.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

21. Share capital (cont'd)

(a) Share options (cont'd)

Albedo Limited Employee Share Option Scheme (the "ESOS") (cont'd)

As Hano Maeloa is a member of the Committee and has held options which were the subject of the adjustments, he has abstained from recommending and voting on all matters relating to the adjustments.

Pursuant to the announcement made on 23 December 2014, the exercise prices of the following share options have been adjusted as follows:

Grant date of share options	Number of outstanding share options as at 2 July 2014 (date of adjustment exercise)	Exercise price before adjustments	Exercise price after adjustments
9.4.2007	7,000,000	S$0.100	S$0.010
2.5.2008	250,000	S$0.130	S$0.013
20.6.2008	1,800,000	S$0.140	S$0.015

Details of the options to subscribe for ordinary shares of the Company pursuant to the ESOS described above pursuant to 23 December 2014 announcement are as follows:

Date of grant	Balance as at 1.1.2017	Options granted	Options cancelled or lapsed	Balance as at 11.10.2017	Exercise price per share option	Exercisable period
9.4.2007	700,000	–	(700,000)	–	S$0.010	10.4.2008–9.4.2017
2.5.2008	250,000	–	–	250,000	S$0.013	2.5.2009–1.5.2018
20.6.2008	1,600,000	–	(200,000)	1,400,000	S$0.015	20.6.2009–19.6.2018
2.10.2014	103,300,000	–	(1,000,000)	102,300,000	S$0.013	2.10.2014–1.10.2024
	105,850,000	–	(1,900,000)	**103,950,000**		

Pursuant to the 11 October 2017 announcement, the exercise prices of the following share options have been adjusted as follows:

Grant date of share options	Number of outstanding share options as at 11 October 2017 (date of adjustment exercise)	Exercise price before adjustments	Exercise price after adjustments
2.5.2008	250,000	S$0.013	S$0.010
20.6.2008	1,400,000	S$0.015	S$0.010
2.10.2014	102,300,000	S$0.013	S$0.010

21. Share capital (cont'd)

(a) Share options (cont'd)

Albedo Limited Employee Share Option Scheme (the "ESOS") (cont'd)

Details of the options to subscribe for ordinary shares of the Company pursuant to the ESOS described above pursuant to the announcement made on 11 October 2017 are as follows:

Date of grant	Balance as at 11.10.2017	Options granted/ adjustment	Options cancelled or lapsed	Balance as at 31.12.2017	Exercise price per share option	Exercisable period
2.5.2008	250,000	380,000	–	630,000	S$0.010	2.5.2009–1.5.2018
20.6.2008	1,400,000	2,131,000	–	3,531,000	S$0.010	20.6.2009–19.6.2018
2.10.2014	102,300,000	155,882,000	–	258,182,000	S$0.010	2.10.2014–1.10.2024
	103,950,000	**158,393,000**	**-**	**262,343,000**		

Details of the options to subscribe for ordinary shares of the Company pursuant to the ESOS as at 31 December 2016 are as follows:

Date of grant	Balance as at 1.1.2016	Options granted/ adjustment	Options cancelled or lapsed	Balance as at 31.12.2016	Exercise price per share option	Exercisable period
9.4.2007	700,000	–	–	700,000	S$0.010	10.4.2008-9.4.2017
2.5.2008	250,000	–	–	250,000	S$0.013	2.5.2009-1.5.2018
20.6.2008	1,800,000	–	(200,000)	1,600,000	S$0.015	20.6.2009-19.6.2018
2.10.2014	105,000,000	–	(1,700,000)	103,300,000	S$0.013	2.10.2015-1.10.2024
	107,750,000	–	(1,900,000)	105,850,000		

Details of the options to subscribe for ordinary shares of the Company granted to directors and employees of the Company pursuant to the ESOS were as follows:

2017	Options granted during the financial year	Aggregate options granted since commencement of ESOS to 31.12.2017	Aggregate options exercised since commencement of ESOS to 31.12.2017	Aggregate options adjustment since commencement of ESOS to 31.12.2017	Aggregate options cancelled or lapsed since commencement of ESOS to 31.12.2017	Aggregate options outstanding as at 31.12.2017
Non-executive directors	-	30,000,000	-	45,714,000	-	75,714,000
Executive director [(1)]	-	31,500,000	(1,500,000)	45,714,000	-	75,714,000
Directors (ceased office)	-	42,750,000	(600,000)	63,159,000	(700,000)	104,609,000
Employees	-	6,100,000	-	3,806,000	(3,600,000)	6,306,000
	-	110,350,000	(2,100,000)	158,393,000	(4,300,000)	262,343,000

(1) The executive director ceased to be a Director of the Company upon his demise on 6 March 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

21. Share capital (cont'd)

(a) Share options (cont'd)

Albedo Limited Employee Share Option Scheme (the "ESOS") (cont'd)

2016	Options granted during the financial year	Aggregate options granted since commencement of ESOS to 31.12.2016	Aggregate options exercised since commencement of ESOS to 31.12.2016	Aggregate options adjustment since commencement of ESOS to 31.12.2016	Aggregate options cancelled or lapsed since commencement of ESOS to 31.12.2016	Aggregate options outstanding as at 31.12.2016
Non-executive directors	–	71,050,000	(300,000)	–	–	70,750,000
Executive director	–	31,500,000	(1,500,000)	–	–	30,000,000
Directors (ceased office)	–	1,700,000	(300,000)	–	–	1,400,000
Employees	–	6,100,000	–	–	(2,400,000)	3,700,000
	–	110,350,000	(2,100,000)	–	(2,400,000)	105,850,000

The Group and the Company have evaluated the financial impact of the share options cancelled to be minimal, accordingly the effect on the share option reserve (Note 22(b)(i)) is not adjusted.

Since the commencement of the ESOS till the end of the financial year:

- No options have been granted to the controlling shareholders of the Company or their associates (as defined in the Listing Manual of SGX-ST);
- No participants other than the directors of the Company have received 5% or more of the total options available under the Scheme;
- No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted; and
- No options have been granted at a discount.

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiary corporations.

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.

21. Share capital (cont'd)

(a) Share options (cont'd)

Albedo Limited Employee Share Option Scheme (the "ESOS") (cont'd)

The fair values of the share options granted were calculated using the Binomial Model. The inputs into the model were as follows:

Before the adjustment exercise

	Option 1	Option 2	Option 3	Option 4
Grant date	9.4.2007	2.5.2008	20.6.2008	2.10.2014
Share price at grant date	10 cents	13 cents	14 cents	1.3 cents
Exercise price	10 cents	13 cents	14 cents	1.3 cents
Expected volatility	42%	39.48%	48.78%	56.74%
Expected life (years)	10 years	10 years	10 years	1 year
Risk free rate	4%	3.4%	3.4%	1.67%
Expected dividend yield	9.3%	0%	0%	0%

After the adjustment exercise

	Option 1	Option 2	Option 3	Option 4
Grant date	9.4.2007	2.5.2008	20.6.2008	2.10.2014
Share price at valuation date/grant date	1.8 cents	1.8 cents	1.8 cents	1.3 cents
Exercise price	1.0 cents	1.3 cents	1.5 cents	1.3 cents
Expected volatility	33.18%	33.18%	33.18%	56.74%
Expected life (years)	2.8 years	3.8 years	4.0 years	5.5 years
Risk free rate	0.56%	0.80%	0.85%	1.67%
Expected dividend yield	0%	0%	0%	0%
Fair value of share options (cents)	0.87	0.71	0.62	0.67

Expected volatility was determined by calculating the historical volatility of the Company's share price. The expected life used in the model is based on historical data and is not necessary indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

21. Share capital (cont'd)

(b) Performance share plan

Albedo Share Performance Plan ("Albedo SPP")

The Albedo SPP is intended to incentivise selected Directors and/or employees of the Group to excel in their performance and encourage greater dedication and loyalty to the Company. Through the Albedo SPP, the Company aims to recognise and reward past contributions and services and motivate the selected Directors and/or employees (the "Participants") to continue to strive for the Group's long-term prosperity and can be summarised as follows:

- The Albedo SPP uses methods fairly common among successful multinational companies to incentivise and motivate employees to achieve pre-determined targets which create and enhance economic values for shareholders. Unlike the ESOS, the award of fully-paid shares, free of charge, to the Participants is intended to be a more attractive form of bonus by the Company to the Participants as it gives them a stake in the ownership of the Company whilst at the same time allowing the Company to offer incentives and remuneration packages compatible with other multinational companies. The Albedo SPP is intended to complement the ESOS and serve as an additional and flexible incentive tool.

- The awards granted under the Albedo SPP will be determined at the discretion of the Remuneration Committee (comprising of Yap Siean Sin, Chew Soo Lin and Hano Maeloa) which shall take into account (where applicable) criteria such as the rank and responsibilities within the Group, performance, years of service and potential for future development of the selected Participant.

- The total number of shares which may be granted under the Albedo SPP when added to the number of shares issued and issuable under all awards granted thereunder and all the options under the ESOS shall not exceed 15% of the issued ordinary shares of the Company on the day preceding the relevant date of award.

- The total number of new shares over which the Remuneration Committee may grant awards on any date pursuant to the proposed Albedo SPP, when added to the number of new shares issued and issuable in respect of all awards granted under the Albedo SPP, available to (a) all controlling shareholders and their associates must not exceed 25% of the shares available under the Albedo SPP and (b) each controlling shareholder and his associates must not exceed 10% of the shares available under the Albedo SPP.

There has been no grant of any awards under the Albedo SPP since its implementation by the Company till 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

22. Other reserves

	Group		Company	
	2017	2016	**2017**	2016
	S$'000	S$'000	**S$'000**	S$'000
(a) Composition:				
Share option reserve	**1,038**	1,038	**1,038**	1,038
Currency translation reserve	**149**	26	**-**	–
Warrant reserve	**165**	1,415	**165**	1,415
	1,352	2,479	**1,203**	2,453
(b) Movements:				
(i) Share option reserve				
Beginning and end of financial year	**1,038**	1,038	**1,038**	1,038
(ii) Currency translation reserve				
Beginning of financial year	**26**	12	**-**	–
Reclassification on deconsolidation of subsidiary corporations (Note 12)	**(6)**	–	**-**	–
Net currency translation of financial statements of foreign subsidiary corporations	**115**	14	**-**	–
Less: Non-controlling interests	**14**	–	**-**	–
	129	14	**-**	–
End of financial year	**149**	26	**-**	–
(iii) Warrants reserve				
Beginning of financial year	**1,415**	1,115	**1,415**	1,115
Issue of warrants (Note 21(iii))	**-**	300	**-**	300
Expiry of warrants (Note 21)	**(110)**	–	**(110)**	–
Redemption of warrants	**(1,140)**	–	**(1,140)**	–
End of financial year	**165**	1,415	**165**	1,415

The share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options. The Group and the Company have evaluated the financial impact of the share options cancelled to be minimal, accordingly the effect on the share option reserve is not adjusted.

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

The warrant reserve represents the fair value of the remaining unexercised warrants.

Other reserves are non-distributable.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

23. Accumulated losses

Movement in accumulated losses for the Company is as follows:

	Company	
	2017	2016
	S$'000	S$'000
Beginning of financial year	**(47,708)**	(32,056)
Net loss for the financial year	**(11,729)**	(15,652)
End of financial year	**(59,437)**	(47,708)

24. Commitments and contingent liabilities

(a) Operating lease commitments – where the Group and Company is a lessee

The Group and Company lease office spaces and warehouses from non-related parties and clinic spaces from a related party under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under the non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group		Company	
	2017	2016	**2017**	2016
	S$'000	S$'000	**S$'000**	S$'000
Not later than one year	**161**	420	**29**	–
Between one and five years	**-**	194	**-**	–
	161	614	**29**	–

(b) Operating lease commitments – where the Group is a lessor

The Company leases office space under operating lease to a non-related party under non-cancellable operating lease agreements. The lease has varying terms, escalation clauses and renewal rights.

The future minimum lease receivables under the non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follow:

	Group	
	2017	2016
	S$'000	S$'000
Not later than one year	76	–

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

24. Commitments and contingent liabilities (cont'd)

(c) Contingent liabilities

During the financial year ended 31 December 2017, the Company had issued corporate guarantee to a non-related party who provided a borrowing amounting to S$3,400,000 (2016: S$3,700,000) to its subsidiary corporation. The borrowing is due for repayment on 28 March 2017 and have been extended to the following dates during the financial year, i.e. 27 June 2017, 27 December 2017 and 27 June 2018 respectively (2016: extended to 27 June 2017) (Note 19 to the financial statements). The Company had evaluated the fair value of the corporate guarantee and the consequential liabilities derived from its guarantee to the non-related party with regards to the subsidiary corporation is minimal. Additionally, the Company had not issued any corporate guarantee to banks for banking facilities for any of its subsidiary corporations.

25. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, price risk and interest rate risk), credit risk, liquidity risk and capital risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. This includes establishing detailed policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits.

Financial risk management is carried out by the finance department in accordance with the policies set. The finance personnel identifies and evaluates financial risks in close co-operation with the Group's operating units. The finance personnel measures actual exposures against the limits set and prepares periodic reports for review by the Chief Financial Officer. Regular reports are also submitted to the Board of Directors.

(a) Market risk

(i) Currency risk

The Group operates in Asia with dominant operations in Singapore, Malaysia and the Republic of China, Taiwan. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies").

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the United States Dollar ("USD"), Euro ("EUR") and New Taiwanese Dollar ("NTD") and Hong Kong Dollar ("HKD").

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

25. Financial risk management (cont'd)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

In addition, the Group is exposed to currency translation risk on the net assets in foreign operations. Currency exposure to the net assets of the Group's foreign operations are monitored throughout the financial year to ensure the impacts to the Group's financial statements are not significant.

The Group's currency exposure based on the information provided to key management is as follows:

	SGD	USD	EUR	NTD	HKD	Others	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
31 December 2017							
Financial assets							
Cash and cash equivalents	**3,546**	**204**	**6**	**1**	**59**	**31**	**3,847**
Trade and other receivables	**410**	**-**	**-**	**105**	**1**	**19**	**535**
Receivables from subsidiary corporations	**465**	**-**	**-**	**-**	**-**	**-**	**465**
	4,421	**204**	**6**	**106**	**60**	**50**	**4,847**
Financial liabilities							
Trade and other payables	**(4,009)**	**-**	**-**	**(39)**	**(2)**	**(84)**	**(4,134)**
Borrowings	**-**	**-**	**-**	**-**	**(3,421)**	**-**	**(3,421)**
Payables to subsidiary corporations	**(465)**	**-**	**-**	**-**	**-**	**-**	**(465)**
	(4,474)	**-**	**-**	**(39)**	**(3,423)**	**(84)**	**(8,020)**
Net financial (liabilities)/ assets	**(53)**	**204**	**6**	**67**	**(3,363)**	**(34)**	**(3,173)**
Currency exposure of financial (assets)/ liabilities net of those denominated in the respective entities' functional currencies	**-**	**204**	**6**	**67**	**(3,363)**	**(34)**	**(3,120)**

25. Financial risk management (cont'd)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

The Group's currency exposure based on the information provided to key management is as follows: (cont'd)

	SGD S$'000	USD S$'000	EUR S$'000	NTD S$'000	HKD S$'000	Others S$'000	Total S$'000
31 December 2016							
Financial assets							
Cash and cash equivalents	1,843	310	41	205	89	37	2,525
Trade and other receivables	1,369	31	–	97	–	38	1,535
Receivables from subsidiary corporations	327	–	–	–	–	1	328
	3,539	341	41	302	89	76	4,388
Financial liabilities							
Trade and other payables	(3,823)	–	(140)	(104)	(7)	(122)	(4,196)
Borrowings	(1,000)	–	–	–	(3,730)	–	(4,730)
Payables to subsidiary corporations	(327)	–	–	–	–	(1)	(328)
	(5,150)	–	(140)	(104)	(3,737)	(123)	(9,254)
Net financial (liabilities)/ assets	(1,611)	341	(99)	198	(3,648)	(47)	(4,866)
Currency exposure of financial assets/ (liabilities) net of those denominated in the respective entities' functional currencies	–	341	(99)	198	(3,648)	(47)	(3,255)

If the foreign currencies change against the SGD by 5% (2016: 5%) with all other variables including tax rate being held constant, the effect arising from the net financial assets/ liabilities position on the Group's loss after tax are not significant, except for HKD which a strengthening/weakening that will result in a decrease/increase of S$140,000 (2016: S$151,000) respectively.

The Company is not exposed to significant currency risk since majority of its financial assets and liabilities as at the financial years ended 31 December 2017 and 2016 are denominated in Singapore Dollar.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

25. Financial risk management (cont'd)

(a) Market risk (cont'd)

(ii) Price risk

The Group and the Company do not have exposure to equity price risk as it does not hold equity financial assets.

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group and the Company has cash balances placed with reputable banks and financial institutions which generate interest income for the Group and Company. The Group and Company manages its interest rate risk by placing such balances on varying maturities and interest rate terms.

The Group and the Company are not exposed to significant changes in interest rates as the borrowings are at fixed interest rates.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history to mitigate credit risk. For trade receivables, the Group adopts the policy of dealing only with high credit quality counterparties. For advances and/or loans, the Group adopts the policy of dealing only with business partners who are creditworthy and have presented appropriate business proposals.

The exposure to credit risk is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by the management.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

	Company	
	2017	2016
	S$'000	S$'000
Corporate guarantee provided to non-related party on subsidiary corporation's borrowing	**3,421**	3,730

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25. Financial risk management (cont'd)

(b) Credit risk (cont'd)

As at balance sheet date, there are no banking facilities utilised by the subsidiary corporation to which the Company had provided a corporate guarantee.

The trade receivables of the Group comprise two debtors (2016: three debtors) that individually represented 25% to 51% (2016: 14% to 45%) of trade receivables.

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group	
	2017	2016
	S$'000	S$'000
By geographical areas		
Singapore	**73**	–
Malaysia	**216**	124
	289	124
By type of customers		
Non-related parties		
- Other companies	**289**	124

(i) *Financial assets that are neither past due nor impaired*

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

The Group's trade receivables that are not past due amount to S$49,000 (2016: S$109,000). The Group has no trade receivables past due or impaired that were re-negotiated during the financial year.

(ii) *Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade and other receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2017	2016
	S$'000	S$'000
Past due less than 3 months	**240**	5
Past due 3 to 6 months	**-**	3
Past due over 6 months	**-**	7
	240	15

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

25. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(ii) Financial assets that are past due and/or impaired (cont'd)

The carrying amount of trade and other receivables and the movement in the related allowance for impairment are as follows:

	Group				Company			
	Trade receivables- non-related parties	Other receivables - related parties	Other receivables - non-related parties	Total other receivables	Other receivables - subsidiary corporations	Other receivables - related parties	Other receivables- non-related parties	Total other receivables
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
31 December 2017								
Gross amount	**289**	**2,323**	**3,924**	**6,247**	**2,941**	**1,109**	**524**	**4,574**
Less: Allowance for impairment	**-**	**(2,323)**	**(3,755)**	**(6,078)**	**(2,941)**	**(1,109)**	**(499)**	**(4,549)**
	289	**-**	**169**	**169**	**-**	**-**	**25**	**25**
Allowance for impairment								
Beginning of financial year	**56**	**2,323**	**2,166**	**4,489**	**1,323**	**1,109**	**-**	**2,432**
Allowance made (Note 7)	**-**	**-**	**1,589**	**1,589**	**1,618**	**-**	**499**	**2,117**
Allowance utilised	**(56)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
End of financial year (Note 13)	**-**	**2,323**	**3,755**	**6,078**	**2,941**	**1,109**	**499**	**4,549**
31 December 2016								
Gross amount	180	2,447	3,396	5,843	1,640	1,109	519	3,268
Less: Allowance for impairment	(56)	(2,323)	(2,166)	(4,489)	(1,323)	(1,109)	-	(2,432)
	124	124	1,230	1,354	317	-	519	836
Allowance for impairment								
Beginning of financial year	-	-	-	-	-	-	-	-
Allowance made (Note 7)	56	2,323	2,166	4,489	1,323	1,109	-	2,432
End of financial year (Note 13)	56	2,323	2,166	4,489	1,323	1,109	-	2,432

25. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(ii) Financial assets that are past due and/or impaired (cont'd)

Allowance for impairment of trade and other receivables arise from customers and/or business partners that are either in financial difficulties and/ or have history of default or significant delay in payments which management is of the opinion that payments are not forthcoming as at the end of the financial year. In the event that payment is not collectible, the receivables will be recommended for write-off.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions at a short notice. At the balance sheet date, assets held by the Group and the Company for managing liquidity risk included measures undertaken as described in Note 4 and cash and short-term deposits as disclosed in Note 12 to the financial statements.

Management monitors rolling forecasts of the liquidity reserves (comprises of undrawn borrowing facility and cash and cash equivalents (Note 12) of the Group and the Company on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the Group in accordance with the practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring liquidity ratios and maintaining debt financing plans.

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year	Between 2 and 5 years
	S$'000	S$'000
Group		
At 31 December 2017		
Trade and other payables	**956**	**3,500**
Borrowings	**3,421**	**-**
At 31 December 2016		
Trade and other payables	1,179	3,500
Borrowings	3,730	1,201

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

25. Financial risk management (cont'd)

(c) Liquidity risk

	Less than 1 year S$'000	Between 2 and 5 years S$'000
Company		
At 31 December 2017		
Trade and other payables	**975**	**3,500**
Borrowings	**298**	**–**
At 31 December 2016		
Trade and other payables	864	3,500
Borrowings	–	1,201

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to increase the working capital.

Management monitors capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables (excluding deferred revenue) less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

	Group		Company	
	2017	2016	**2017**	2016
	S$'000	S$'000	**S$'000**	S$'000
Net debt	**3,875**	6,401	**1,532**	3,477
Total equity	**(3,230)**	2,616	**(1,082)**	4,745
Total capital	**645**	9,017	**450**	8,222
Gearing ratio	**N.M.**	71.0%	**N.M.**	42.3%

* N.M. Not meaningful

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2017 and 2016.

(e) Fair value measurements

The carrying amounts less impairment provision of trade and other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The carrying amounts of current borrowings approximates their fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

25. Financial risk management (cont'd)

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as follows:

	Group		Company	
	2017	2016	**2017**	2016
	S$'000	S$'000	**S$'000**	S$'000
Loans and receivables	**4,382**	4,060	**2,996**	2,284
Financial liabilities at amortised cost	**7,555**	8,926	**4,451**	4,881

26. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Sales and purchases of goods and services

	Group	
	2017	2016
	S$'000	S$'000
Advances to a director of a subsidiary corporation	**-**	161
Advances to other related parties	**548**	950
Interest expense to a shareholder	**-**	19
Remuneration paid to a close member of a director of the Company	**26**	120
Rental expense to a related party	**-**	3
Professional fees paid to a firm in which a director is a shareholder	**194**	125

Outstanding balances as at 31 December 2017, arising from sales/purchases of goods and services, are unsecured and receivable/payable within 12 months from the balance sheet date and disclosed in Notes 13 and 18 to the financial statements respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

26. Related party transactions (cont'd)

(b) Key management remuneration

Key management personnel compensation is as follows:

	Group	
	2017	2016
	S$'000	S$'000
Key management personnel		
Wages, salaries and short-term benefits	**1,231**	1,350
Employer's contribution to defined contribution plans, including Central Provident Fund	**21**	32
	1,252	1,382
Comprised amounts paid to:		
- Directors of the Company	**491**	695
- Directors of subsidiary corporations	**182**	60
- Other key management personnel	**579**	627
	1,252	1,382

27. Segment information

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board of Directors comprises of executive and non-executive directors.

The Board of Directors considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in the four primary geographic areas namely, Singapore, Malaysia, Republic of China, Taiwan and People's Republic of China.

The Board of Directors monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain aspects, as set out below, is measured differently from operating profit or loss in the consolidated financial statements.

The Group is organised into three reportable segments as described below, which are the Group's strategic business units. The strategic business units offer different services, and are managed separately because they require different marketing strategies. For each of the strategic business units, the Board of Directors reviews the internal management reports on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Trading and distribution: Trading and distribution of steel raw materials, consumables, instruments and semi-finished products for steel mills, iron and steel foundries and aluminum smelters in the Asia-Pacific region and provision of ancillary services.

Aesthetic medical: Provision of aesthetic medical services includes the provision of aesthetic medical, beauty and wellness services and stem cell storage in Asia.

Investment and others: Business of investment holding, provision of management services and provision of marketing, distribution and related services.

27. Segment information (cont'd)

The segment information provided to the Board of Directors for the reportable segments is as follows:

	Trading and distribution		Aesthetic medical		Investment and others		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	S$'000	S$'000	**S$'000**	S$'000	**S$'000**	S$'000	**S$'000**	S$'000
Segment revenue								
- External parties	**1,642**	2,213	**525**	957	**-**	-	**2,167**	3,170
Gross profit	**641**	730	**305**	448	**-**	-	**946**	1,178
Other gains/(loss)	**2**	22	**245**	81	**101**	500	**348**	603
Expenses								
- Distribution	**(153)**	(373)	**(6)**	(94)	**(11)**	-	**(170)**	(467)
- Administrative	**(108)**	(524)	**(921)**	(14,566)	**(11,547)**	(5,396)	**(12,576)**	(20,486)
- Finance	**-**	-	**-**	-	**(668)**	(266)	**(668)**	(266)
Profit/(loss) before income tax	**382**	(145)	**(377)**	(14,131)	**(12,125)**	(5,162)	**(12,120)**	(19,438)
Income tax (expense)/credit	**(22)**	5	**-**	-	**12**	(3)	**(10)**	2
Net profit/(loss) for the financial year	**360**	(140)	**(377)**	(14,131)	**(12,113)**	(5,165)	**(12,130)**	(19,436)
Other information								
Allowance for impairment								
- Trade and other receivables	**-**	56	**-**	2,254	**1,589**	2,235	**1,589**	4,545
- Goodwill (Note 7)	**-**	-	**-**	10,805	**7,192**	-	**7,192**	10,805
- Customer relationships (Note 7)	**-**	-	**-**	-	**104**	-	**104**	-
Accretion of imputed interest (Note 6)	**-**	-	**-**	-	**-**	503	**-**	503
Unwinding of imputed interest (Note 9)	**-**	-	**-**	-	**161**	-	**161**	20
Additions to:								
- Property, plant and equipment (Note 16)	**-**	3	**-**	47	**9**	36	**9**	86
Depreciation of property, plant and equipment (Note 7)	**4**	6	**117**	155	**20**	12	**141**	173
Assets and liabilities								
Segment and consolidated total assets	**1,108**	905	**199**	9,072	**3,210**	1,752	**4,517**	11,729
Segment and consolidated total liabilities	**337**	193	**234**	940	**7,176**	7,980	**7,747**	9,113

The segment profit/(loss), segment assets and segment liabilities presented to the Board of Directors are measured in a manner consistent with that of the financial statements. All items are allocated to respective reportable segments.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

27. Segment information (cont'd)

(a) Revenue from major products and services

Revenue from external customers is derived mainly from the trading and distribution and rendering of aesthetic medical services. Investment holding and provision of management services are included in "Others".

(b) Revenue from external customers

Revenue of S$1,436,000 (2016: S$1,313,000) is derived from 5 (2016: 3) external customers. These revenue are attributable to the Singapore trading and distribution segment.

(c) Geographical information

The Group's three major business segments operate in three main geographical areas:

- Singapore – the Company is headquartered and has operations in Singapore. The operation in these areas are principally investment holding and trading and distribution of steel mill consumable products;
- Malaysia – the operation in this areas are principally trading and distribution of steel mill consumable products;
- Republic of China, Taiwan and People's Republic of China – the operations in these areas are principally the provision of aesthetic medical services.

	Group	
	2017	2016
	S$'000	S$'000
Revenue		
Singapore	**113**	49
Malaysia	**1,529**	1,986
Republic of China, Taiwan and People's Republic of China	**525**	957
Others	**–**	178
	2,167	3,170
Non-current assets		
Singapore	**10**	34
Republic of China, Taiwan and People's Republic of China	**66**	7,536
	76	7,570

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

28. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Company's accounting periods beginning on or after 1 January 2018 or later periods and which the Company has not early adopted:

- Effective for annual period beginning on or after 1 January 2018

  - FRS 28 Investments in Associates and Joint Ventures
  - FRS 40 Transfers of Investment Property
  - FRS 101 First-Time Adoption of Financial Reporting Standards
  - FRS 102 Classification and Measurement of Share-based Payment Transactions
  - FRS 109 Financial Instruments
  - FRS 115 Revenue from Contracts with Customers

- Effective for annual period beginning on or after 1 January 2019

  - FRS 116 Leases
  - Amendments to FRS 12 Income Taxes
  - Amendments to FRS 23 Borrowing Costs
  - Amendments to FRS 103 Business Combinations
  - Amendments to FRS 111 Joint Arrangements

- Effective date of this Amendments had been revised from 1 January 2018 to a date to be determined by ASC

  - Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The management anticipates that the adoption of the above FRS and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

- FRS 115 Revenue from contracts with customers

  This is the converged standard on revenue recognition. It replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

  - Step 1: Identify the contract(s) with a customer
  - Step 2: Identify the performance obligations in the contract
  - Step 3: Determine the transaction price
  - Step 4: Allocate the transaction price to the performance obligations in the contract
  - Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

  FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

  Management is currently assessing the effects of applying the new standard on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

28. New or revised accounting standards and interpretations (cont'd)

The management anticipates that the adoption of the above FRS and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following: (cont'd)

- FRS 116 Leases

  FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

  The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group and Company has non-cancellable operating lease commitments of S$161,000 and S$29,000 (Note 25) respectively. However, the Group and Company has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's loss and classification of cash flows.

29. Adoption of SFRS(I)

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The new framework is referred to as 'Singapore IFRS-identical Financial Reporting Standards' ("SFRS(I)") hereinafter.

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018 and will be issuing its first set of financial information prepared under SFRS(I) for the quarter ended 31 March 2018 in April 2018.

In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) equivalent of IFRS 1 First-time Adoption of IFRS. The Group will also apply new major SFRS(I) equivalent of IFRS 15 Revenue from Contracts with Customers.

The management does not expect significant adjustments to the Group's financial statements arising from the adoption of SFRS(I) on the Group's financial statements.

30. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of China Medical (International) Group Limited on 3 April 2018.

STATISTICS OF SHAREHOLDINGS

As at 9 March 2018

Issued share capital	:	$59,329,888
No. of issued and fully paid-up shares	:	8,800,573,324
Class of shares	:	Ordinary share

Voting rights attached to shares

On show of hands	:	One vote per shareholder
On Poll	:	One vote per share
Treasury Shares	:	Nil
Subsidiary Holdings	:	Nil

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders as at 9 March 2018)

	Number of Shares			
Name of Substantial Holder	**Direct Interest**	**%**	**Deemed Interest**	**%**
Kiow Kim Yoon	600,000,000	6.82%	–	–
Mdm Oei Siu Hoa @ Sukmawati Widjaja	456,000,000	5.18%	–	–
The estate of Tai Kok Chuan	440,000,000	5.00%	80,000,000	0.91

SHAREHOLDINGS HELD IN THE HAND OF PUBLIC SHAREHOLDERS

Based on the information available to the Company as at 9 March 2018, approximately 82.02% of the shareholdings is held in the hand of public. At least 10% of the Company's issued ordinary shares are held in the hands of public at all times and the Company is in compliance with Rule 723 of the Listing Manual Section B: Rules of Catalist issued by SGX-ST.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	76	2.54	680	0.00
100 - 1,000	142	4.75	73,815	0.00
1,001 - 10,000	209	6.98	1,191,624	0.01
10,001 - 1,000,000	1,939	64.81	560,587,047	6.37
1,000,001 AND ABOVE	626	20.92	8,238,720,158	93.62
TOTAL	**2,992**	**100.00**	**8,800,573,324**	**100.00**

STATISTICS OF SHAREHOLDINGS

As at 9 March 2018

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	712,824,000	8.10
2	KIOW KIM YOON	600,000,000	6.82
3	OEI SIU HOA @ SUKMAWATI WIDJAJA	456,000,000	5.18
4	RHB SECURITIES SINGAPORE PTE. LTD.	447,912,800	5.09
5	THE ESTATE OF TAI KOK CHUAN	440,000,000	5.00
6	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	392,529,904	4.46
7	PHILLIP SECURITIES PTE LTD	348,627,601	3.96
8	DBS NOMINEES (PRIVATE) LIMITED	230,540,109	2.62
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	210,249,200	2.39
10	CHNG BENG HUA	201,000,000	2.28
11	PANG CHOO HUANG	183,200,000	2.08
12	UOB KAY HIAN PRIVATE LIMITED	112,689,100	1.28
13	ANG KIM CHUAN	90,000,000	1.02
14	MRS CHAU-CHAN SUI YUNG	76,640,000	0.87
15	KGI SECURITIES (SINGAPORE) PTE. LTD.	74,306,800	0.84
16	TANG BOON SIAH	71,000,000	0.81
17	OCBC SECURITIES PRIVATE LIMITED	68,781,170	0.78
18	LOW SIEW YAM	67,712,100	0.77
19	LEOW SIOH MOY	64,000,000	0.73
20	NG KIAN HUA	63,000,000	0.72
	TOTAL	**4,911,012,784**	**55.80**

STATISTICS OF WARRANTHOLDINGS

As at 9 March 2018

DISTRIBUTION OF WARRANTHOLDINGS (W180329)

SIZE OF WARRANTHOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
100 - 1,000	65	26.53	16,900	0.01
1,001 - 10,000	26	10.61	95,577	0.07
10,001 - 1,000,000	128	52.25	29,590,019	20.20
1,000,001 AND ABOVE	26	10.61	116,786,447	79.72
TOTAL	**245**	**100.00**	**146,488,943**	**100.00**

TWENTY LARGEST WARRANTHOLDERS (W180329)

NO.	NAME	NO. OF WARRANTS	%
1	TEE MAY BUAN OR ONG ENG JOO	15,683,200	10.71
2	RAFFLES NOMINEES (PTE) LIMITED	13,625,185	9.30
3	HO HAN MING	11,575,286	7.90
4	KOK MUK LIN	10,418,800	7.11
5	TOK BOON CHOO	8,723,140	5.95
6	MAH SOH HOON	8,650,208	5.91
7	HO LIAN HIM	6,298,164	4.30
8	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	6,251,540	4.27
9	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	4,925,747	3.36
10	HO SING HUI	3,959,144	2.70
11	KHOO KHEE SOON	2,917,264	1.99
12	LEE TECK HOCK	2,604,700	1.78
13	KOH KWEE SONG	2,292,136	1.56
14	INDRANITHI S/O A SIVASAMY	2,224,413	1.52
15	K BIJU	2,083,760	1.42
16	KUAH POH CHOO	2,083,760	1.42
17	WONG FOOK CHOY SUNNY	1,562,820	1.07
18	UOB KAY HIAN PRIVATE LIMITED	1,452,119	0.99
19	TAN SOO EE	1,302,350	0.89
20	TAY CHING ANN, LUKE BARNABAS	1,302,350	0.89
	TOTAL	**109,936,086**	**75.04**

During the financial year ended 31 December 2017, no warrants (W180329) were exercised and converted into ordinary shares in the capital of the Company. Warrants (W180329) which remained unexercised as at 5.00 p.m. on 29 March 2018 expired on 29 March 2018.

STATISTICS OF WARRANTHOLDINGS

As at 9 March 2018

DISTRIBUTION OF WARRANTHOLDINGS (W201029)

SIZE OF WARRANTHOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 - 99	2	0.27	701	0.00
100 - 1,000	6	0.82	35,241	0.00
1,001 - 10,000	341	46.33	156,303,407	2.79
10,001 - 1,000,000	387	52.58	5,445,100,660	97.21
TOTAL	**736**	**100.00**	**5,601,440,009**	**100.00**

TWENTY LARGEST WARRANTHOLDERS (W201029)

NO.	NAME	NO. OF WARRANTS	%
1	RHB SECURITIES SINGAPORE PTE. LTD.	438,960,000	7.84
2	KIOW KIM YOON	400,000,000	7.14
3	OEI SIU HOA @ SUKMAWATI WIDJAJA	342,000,000	6.11
4	THE ESTATE OF TAI KOK CHUAN	330,000,000	5.89
5	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	289,788,303	5.17
6	MAYBANK KIM ENG SECURITIES PTE. LTD.	266,314,300	4.75
7	PHILLIP SECURITIES PTE LTD	213,014,236	3.80
8	CHNG BENG HUA	201,000,000	3.59
9	PANG CHOO HUANG	137,400,000	2.45
10	DBS NOMINEES (PRIVATE) LIMITED	129,922,300	2.32
11	TANG BOON SIAH	94,400,000	1.69
12	ANG KIM CHUAN	80,000,000	1.43
13	UOB KAY HIAN PRIVATE LIMITED	65,653,000	1.17
14	MRS CHAU-CHAN SUI YUNG	64,980,000	1.16
15	KGI SECURITIES (SINGAPORE) PTE. LTD.	57,230,100	1.02
16	LOW SIEW YAM	55,000,000	0.98
17	LEE WEE NGAM	52,500,000	0.94
18	WONG HAN YEW	51,990,000	0.93
19	OCBC SECURITIES PRIVATE LIMITED	48,178,000	0.86
20	LEOW SIOH MOY	48,000,000	0.86
	TOTAL	**3,366,330,239**	**60.10**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of the Company will be held at Raffles Marina Ltd, 10 Tuas West Drive, Chartroom, Singapore 638404 on Tuesday, 24 April 2018 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2017 together with the Directors' Statement and the Auditors' Report. **(Resolution 1)**

2. To re-elect Mr Hano Maeloa who is retiring pursuant to Article 90 of the Company's Constitution. **(Resolution 2)**

   *Mr Hano Maeloa, if re-elected, will remain as the Non-Executive Chairman, a member of the Audit Committee, a member of the Nominating Committee and a member of Remuneration Committee. Mr Hano Maeloa is not considered independent for the purpose of Rule 704(7) of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Catalist Rules**").*

3. To re-elect Mr Yap Siean Sin who is retiring pursuant to Article 96 of the Company's Constitution. **(Resolution 3)**

   Mr Yap Siean Sin, if re-elected, will remain as Chairman of the Audit Committee, Chairman of the Remuneration Committee and a member of the Nominating Committee. Mr Yap Siean Sin will be considered independent for the purpose of Rule 704(7) of the Catalist Rules.

4. To re-elect Mr Chew Soo Lin who is retiring pursuant to Article 96 of the Company's Constitution. **(Resolution 4)**

   Mr Chew Soo Lin, if re-elected, will remain as Chairman of the Nominating Committee, a member of the Remuneration Committee and a member of the Audit Committee. Mr Chew Soo Lin will be considered independent for the purpose of Rule 704(7) of the Catalist Rules.

5. To approve the payment of Directors' fees of S$220,000 for the financial year ending 31 December 2018, to be paid quarterly in arrears. **(Resolution 5)**

6. To re-appoint Messrs Nexia TS Public Accounting Corporation for the financial year ending 31 December 2018 as the Company's auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

7. To transact any other business that may be transacted at an annual general meeting.

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

8. To consider and, if thought fit, to pass the following resolution as an ordinary resolution, with or without modifications:

   "That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Act**") and Rule 806 of the Catalist Rules, the directors of the Company (the "**Directors**") be and are hereby authorised to allot and issue:

   a) shares in the capital of the Company ("**Shares**");

   b) convertible securities; or

   c) additional securities issued pursuant to adjustment to (b) above; or

   d) Shares arising from the conversion of securities in (b) and (c) above,

   in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit provided that:

   (i) the aggregate number of Shares and convertible securities that may be issued must not be more than 100% of the total number of issued Shares excluding treasury shares, of which the aggregate number of Shares and convertible securities issued other than on a pro-rata basis to existing shareholders must not be more than 50% of the total number of issued Shares excluding treasury shares. For the purpose of determining the aggregate number of Shares and convertible securities that may be issued under this resolution, the percentage of the total number of issued Shares excluding treasury shares is based on the total number of issued Shares excluding treasury shares at the time this resolution is passed, after adjusting for (aa) new Shares arising from the conversion or exercise of convertible securities; (bb) new Shares arising from exercising of share options or vesting of share awards outstanding or subsisting at the time of the passing of this resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and (cc) any subsequent bonus issue, consolidation or subdivision of Shares;

   (ii) in exercising the authority conferred by this resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

   (iii) unless revoked or varied by the Company in a general meeting, such authority conferred by this resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier." **(Resolution 7)**
   [See Explanatory Note (i)]

NOTICE OF ANNUAL GENERAL MEETING

8. To consider and, if thought fit, pass the following ordinary resolution with or without any modifications:

   "That the directors of the Company be and are hereby authorised to grant awards ("**Awards**") in accordance with the provisions of the Albedo Share Performance Share Plan ("**Albedo SPP**") and pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to grant of Awards under the Albedo SPP provided that the aggregate number of shares under the Albedo SPP, will not exceed 15% of the total number of issued shares excluding treasury shares of the Company from time to time." **(Resolution 8)**
   [See Explanatory Note (ii)]

By Order of the Board

Ong Beng Hong/Tan Swee Gek
Company Secretaries
9 April 2018

Explanatory Notes:

(i) The ordinary resolution 7 proposed above, if passed, will empower the Directors from the passing of the AGM until the date of the next annual general meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding, in total, 100% of the number of issued Shares in the capital of the Company at the time of passing of this resolution, of which up to 50% may be issued other than on a pro-rata basis to existing shareholders of the Company. For determining the aggregate number of Shares that may be issued the total number of issued Shares excluding treasury shares shall be calculated based on the total number of issued Shares excluding treasury shares at the time of this ordinary resolution 7 above is passed after adjusting for new Shares arising from the conversion or exercise of convertible securities, share options or vesting of share awards which are outstanding or subsisting at the time this ordinary resolution 7 above is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

(ii) The ordinary resolution 8 proposed above, if passed, will authorise the Directors to grant award of shares in accordance with the provisions of the Albedo SPP and pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore to allot and issue shares under the Albedo SPP. The Albedo SPP was approved by the shareholders of the Company in the extraordinary general meeting on 28 April 2009.

Notes:

1) (a) A member who is not a relevant intermediary (as defined in Section 181 of the Act) is entitled to appoint not more than two proxies to attend, speak and vote on his/her behalf at the AGM. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.

   (b) A member who is a relevant intermediary (as defined in Section 181 of the Act) is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

2) A member of the Company which is a corporation is entitled to appoint its authorised representatives or proxies to vote on its behalf.

3) The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her 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.

4) The instrument appointing the proxy must be deposited at the registered office of the Company at 26 Boon Lay Way #01-80 (2nd Level) Singapore 609970 not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof.

NOTICE OF ANNUAL GENERAL MEETING

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof or by attending the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

CHINA MEDICAL (INTERNATIONAL) GROUP LIMITED
ACRA Registration Number: 200505118M
(Incorporated in the Republic of Singapore)

IMPORTANT:
1. This Annual Report is also forwarded to investors who have used their CPF monies to buy shares in the Company at the request of their CPF Approved Nominees, and is sent solely for their information only.
2. This Proxy Form is therefore, not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the Annual General Meeting as OBSERVERS have to submit their requests through their respective CPF Approved Nominees so that their CPF Approved Nominees may register, in the required format, with the Company's Registrar.

PROXY FORM
ANNUAL GENERAL MEETING

I/We ______________________________ (Name)

of ______________________________ (Address)

being a *member/members of **China Medical (International) Group Limited** (the "**Company**") hereby appoint

Name	Address	*NRIC/Passport Number	Proportion of *my/our Shareholding	
			No. of shares	%

and/or (delete as appropriate)

Name	Address	*NRIC/Passport Number	Proportion of *my/our Shareholding	
			No. of shares	%

or failing him/her/them, the Chairman of the Annual General Meeting ("**AGM**"), as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the AGM of the Company, to be held at Raffles Marina Ltd, 10 Tuas West Drive, Chartroom, Singapore 638404 on Tuesday, 24 April 2018 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 AGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any other matter arising at the AGM. The resolutions put to vote at the AGM shall be decided by poll.

No.	Resolutions Relating To:	For	Against
	Ordinary Business		
1.	Adoption of Directors' Statement, Auditors Report and Audited Financial Statements for the financial year ended 31 December 2017		
2.	Re-election of Mr Hano Maeloa as a Director of the Company		
3.	Re-election of Mr Yap Siean Sin as a Director of the Company		
4.	Re-election of Mr Chew Soo Lin as a Director of the Company		
5.	Approval of Directors' Fees for the financial year ending 31 December 2018		
6.	Re-appointment of Messrs Nexia TS Public Accounting Corporation as Auditors of the Company		
	Special Business		
7.	Authority to allot and issue shares		
8.	Authority to grant awards and to allot and issue shares pursuant to the Albedo Share Performance Plan		

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the resolutions as set out in the Notice of AGM.)

** Please delete accordingly*

Dated this __________ day of ______________ 2018.

Number of Shares held in	
CDP Register	
Member's Register	
TOTAL	

____
Signature of Shareholder(s) or Common Seal

Important: Please read notes overleaf

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, Cap. 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 registered in 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) A member who is not a relevant intermediary (as defined in Section 181 of the Companies Act, Cap. 50) is entitled to appoint not more than two proxies to attend, speak and vote on his/her behalf at the AGM. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.

   (b) A member who is a relevant intermediary (as defined in Section 181 of the Companies Act, Cap. 50) is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

3. A proxy need not be a member of the Company.

4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 26 Boon Lay Way #01-80 (2^{nd} Level) Singapore 609970, not less than 48 hours before the time set for the AGM.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

6. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter of power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy; failing which the instrument may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

8. The submission of an instrument or form appointing a proxy by a member of the Company does not preclude him from attending and voting in person at the AGM if he is able to do so.

9. The Company shall be entitled to reject a proxy form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form 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 AGM, as certified by The Central Depository (Pte) Limited to the Company.

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.

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CHINA MEDICAL (INTERNATIONAL) GROUP LIMITED
(Company/GST Registration No. 200505118M)

26 Boon Lay Way
#01-80 (2nd Level)
Singapore 609970
T 65 6262 6211 F 65 6262 5011
E prdept@cmigmedical.com
www.cmigmedical.com