

**FULLERTON HEALTHCARE
CORPORATION LIMITED
AND ITS SUBSIDIARIES**
(Incorporated in the Cayman Islands.
Registration No: 273542)

REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2018

FULLERTON HEALTHCARE CORPORATION LIMITED AND ITS SUBSIDIARIES

REPORT AND FINANCIAL STATEMENTS

C O N T E N T S

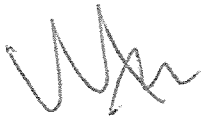
	<u>PAGE</u>
Statement of directors	1
Independent auditors' report	2 - 8
Consolidated statement of financial position	9 - 10
Consolidated statement of comprehensive income	11 - 12
Consolidated statement of changes in equity	13 - 14
Consolidated statement of cash flows	15 - 17
Notes to financial statements	18 - 108

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

STATEMENT OF DIRECTORS

In the opinion of the directors, the consolidated financial statements and its accompanying notes of Fullerton Healthcare Corporation Limited and its subsidiaries (the "Group") as set out on pages 9 to 108 are drawn up so as to give a true and fair view of the financial position of the Group as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

On behalf of the board,



.....
Tan Kim Song Michael
Director



.....
David Sin
Director

Date: 31 May 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FULLERTON HEALTHCARE CORPORATION LIMITED

Report on the Financial Statements

Opinion

We have audited the consolidated financial statements of Fullerton Healthcare Corporation Limited (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position of the Group as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to financial statements, including a summary of significant accounting policies, as set out on pages 9 to 108.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance, consolidated changes in equity and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountant's *Code of Ethics for Professional Accountants* ("IESBA 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 the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

FULLERTON HEALTHCARE CORPORATION LIMITED

Key Audit Matters	How the matter was addressed in the audit
Impairment of assets	
Under IAS 36 <i>Impairment of Assets</i>, the Group is required to test goodwill for impairment at least annually or when indicators exist. This assessment requires the exercise of significant judgement about future market conditions, including discount rates, annual growth rates and terminal growth rates. The aggregated goodwill of the Group amounted to \$464.1 million which constituted 31.3% of the Group's total assets at 31 December 2018. The Group recorded impairment loss of \$2.2 million for the year ended 31 December 2018. The key assumptions to the impairment test and the sensitivity of changes in these assumptions to the risk of impairment are disclosed in Note 3 and Note 15. In addition, investment in associate is tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. For the year ended 31 December 2018, the Group recorded an impairment loss of \$10.8 million on its investment in associate which represents the difference between the carrying amount of the assets and its recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use). The determination of recoverable amount on the investment in associate involves management making judgement around the recoverable amount.	Our audit procedures focused on evaluating and challenging the key assumptions used by management in conducting the impairment review. These procedures included: • Understanding management's process and relevant controls over the preparation of the impairment analysis; • Using our valuation specialists to independently develop expectations for the key macro-economic assumptions used in the impairment analysis, in particular the discount rates, annual growth rates and terminal growth rates, and comparing the independent expectation to those used by management; • Using our valuation specialists to independently develop expectations on the recoverable amount of the underlying assets held by the associate; • Challenging the cash flow forecasts used, with comparison to recent performance and management's expectations; and • Reviewing the historical accuracy of the Group cash flow forecasts by comparing the actual results against previous cash flow forecasts. We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

FULLERTON HEALTHCARE CORPORATION LIMITED

Key Audit Matters	How the matter was addressed in the audit
Valuation of derivatives As detailed in Note 23 and Note 28, the Group has two types of derivative liabilities, totaling \$76.7 million as at 31 December 2018: 1) Put options written to non-controlling interests; and 2) Put options written to corporate investors of an associate. Valuation of the derivatives is based on a number of assumptions, the key ones being the future performance of the underlying entities and the discount rates. We focused on these assumptions due to the inherent judgement involved in determining these assumptions. As detailed in Note 23(b), the Clawback Liability was de-recognised and a gain of \$28.5 million was recorded in profit or loss as management has assessed that the performance measures of the Group was considered to be met. Determination of the performance measures to be met by the Group require judgement as management would need to interpret certain items to be included or excluded from the performance measures. Management has determined the definition of EBITDA as disclosed in Note 8 to be the appropriate performance measures to determine if the agreed performance measures have been met. We focused on the achievement of the performance measures due to the inherent judgement involved in determining these performance measures.	Our audit procedures focused on evaluating and challenging the key assumptions used by management in performing the valuation of the derivatives. These procedures included: • Understanding management's process and relevant controls over the valuation of derivatives; • Using our valuation specialists to independently develop expectations and challenge the key assumptions for the key macro-economic assumptions used in the valuation of the derivatives, in particular the discount rate, recent and future performance of the underlying entities, and comparing the independent expectation to those used by management; • Assessing the reasonableness of management's interpretation of certain items to be included or excluded from the performance measures in determining if the agreed performance measures have been met; and • Obtaining written representations from management on their interpretation of the EBITDA definition. We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.
Health Maintenance Organisation ("HMO") Contract Liability – Incurred But Not Reported ("IBNR") claims As detailed in Note 19 "Insurance contract provisions" to the financial statements, the Group recorded an amount of \$148.5 million of Incurred But Not Reported ("IBNR") claims from its Health Maintenance Organisation ("HMO") contracts, followed its acquisition of Intellicare Group ("Intellicare") in the Philippines. IBNR claims are based on the estimate ultimate cost of all claims incurred but not settled as at reporting date, whether reported or not.	Our audit procedures focused on reviewing and evaluating the work performed by component's auditors over IBNR valuation. These procedures included: • Using our internal actuary specialists in our evaluation of the work performed by HMO's auditors on the appropriateness and reasonableness of the methodology and estimates used by management; and • Understanding management's process and relevant controls over estimations and recording of IBNR claims. We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

FULLERTON HEALTHCARE CORPORATION LIMITED

Key Audit Matters	How the matter was addressed in the audit
Related Party Transactions	
As detailed in Note 31, the Group engaged in transactions with related party at terms agreed between the parties. The significant related party transaction during the year ended 31 December 2018 included the sale of an unquoted equity investment previously recorded at fair value through profit or loss (FVPL) by the Group to its related party for a consideration of \$84.4 million and recorded a gain of \$20.9 million. The gain represents the difference between the carrying value of the assets and the sum of consideration receivable, which may or may not be reflective of the fair value of the assets sold. The balance of \$84.4 million due from the related party remains outstanding at the date of our audit report. Management has assessed the balance to be collectible based on its analysis of the financial resources of the related party group. We identified this as our area of audit focus due to the existence of related party transactions outside the Group's normal course of business that may pose a risk of misstatements to the financial statements.	Our audit procedures focused on evaluating the related party transactions included: • Reviewing management's procedures in place to identify and account for related parties and related party transactions, as well as the authorisation process for significant related party transactions outside the normal course of business; • Inspecting records or documents on the significant related party transaction to ensure adequate disclosure of such transaction in the financial statements; and • Assessing the accounting for the sale of the unquoted equity investment and related gain, and the collectability of the receivable from the related party group. We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.
Acquisition accounting	
The Group makes acquisitions as part of its business strategy to expand. The significant acquisition in the current year relates to the acquisition of Intellicare Group on 17 May 2018, which warrants additional focus due to the magnitude of the transaction and the judgements and estimations involved in determining the fair value of the assets acquired and liabilities assumed and any separately identifiable intangible assets on acquisition during the purchase price allocation exercise performed by management and external valuers engaged by the Group. Information regarding the current year acquisitions is disclosed in Note 32.	Our audit procedures focused on evaluating and challenging the key assumptions used by management in performing the purchase price allocation. These procedures included: • Checking the process in which management determines the acquisition accounting and the purchase price allocation; • Reading the sale and purchase agreement to identify terms and conditions impacting the purchase price allocation; • Challenging management's assumptions regarding the recognition of separately identifiable intangible assets; and • Using our valuation specialists to assess the methodology and key assumptions used by management for the significant acquisitions. We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

FULLERTON HEALTHCARE CORPORATION LIMITED

Key Audit Matters	How the matter was addressed in the audit
Going Concern assessment As at 31 December 2018, borrowings of the Group amounted to \$206.7 million consisting of bank borrowings of \$108.2 million and senior unsecured guaranteed bonds of \$98.5 million. The Group continued to record a loss of \$43.1 million (2017: \$16.0 million). Of the total borrowings, \$56.2 million are due in 2019 and \$20.7 million are due in 2020. In addition, the perpetual securities as disclosed under Note 27, with principal amount of \$236.1 million are redeemable in whole, but not in part, at the Group's option in April 2020. If it is not redeemed in April 2020, the dividend rate for the perpetual securities will be step-up from the prevailing 7% to approximately 13%. In addition, the convertible preference shares as disclosed under Note 26(b) with principal amount of \$328.9 million are redeemable in whole, but not in part, at the Group's option in May 2020. If it is not redeemed in May 2020, the dividend rate for the convertible preference shares will step-up from the prevailing 6.25% to 13%. Management has assessed that the Group will have sufficient cash and undrawn facilities to fulfil obligations for the period up to May 2020 and management is confident in obtaining additional funding as disclosed in Note 29(c). As a result, the management concluded that no material uncertainty exists over the Group's ability to continue as a going concern for the next twelve months from the end of the reporting period. The Group would need to continue to obtain additional funding beyond May 2020.	Our audit procedures focused on management's assessment of the going concern for the next twelve months from the end of the reporting period. These procedures included: • Evaluating management's plans for future actions in relation to its going concern assessment, whether the outcome of these plans is likely to improve the situation and whether management's plans are feasible in the circumstances; • Challenging management's cash flow forecast as approved by the Board and evaluate the reliability of the underlying data generated to prepare the forecast; • Determining whether there is adequate support for the assumptions underlying the forecast; and • Obtaining written representations from management and those charged with governance, regarding their plans for future actions and the feasibility of these plans. We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

FULLERTON HEALTHCARE CORPORATION LIMITED

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Statement of Directors set out on page 1 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- a) Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

FULLERTON HEALTHCARE CORPORATION LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- e) Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tey Jack Kie.

Deloitte & Touche US

Public Accountants and
Chartered Accountants
Singapore

31 May 2019

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018**

		Group	
	Note	2018	Restated*
		\$'000	2017
		\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	176,921	58,544
Trade and other receivables	10	361,683	121,379
Inventories	11	4,877	4,118
Other assets	12	33,748	17,405
Short-term investments	13	26,880	32,567
		<u>604,109</u>	<u>234,013</u>
Non-current assets			
Property, plant and equipment	14	71,523	73,637
Right of use assets	20	114,062	110,732
Goodwill	15(a)	464,107	358,959
Intangible assets	15(b),(c)	129,050	29,577
Investment in associates	17	77,543	43,670
Other assets	12	4,367	388
Deferred tax assets	7	16,426	1,108
Long-term investments	13	1,637	43,568
		<u>878,715</u>	<u>661,639</u>
Total assets		<u>1,482,824</u>	<u>895,652</u>
LIABILITIES			
Current liabilities			
Trade and other payables	18	159,705	116,879
Insurance contract provisions	19	148,447	-
Current income tax liabilities		15,540	1,657
Lease liabilities	21	23,271	12,829
Bank borrowings	22	56,165	51,650
Derivative liabilities	23	-	28,581
Put options over non-controlling interests	28	-	2,440
		<u>403,128</u>	<u>214,036</u>
Non-current liabilities			
Bank borrowings	22	51,996	16,938
Lease liabilities	21	97,818	103,461
Deferred income tax liabilities	7	42,622	6,831
Other long-term liabilities	24	19,840	10,675
Senior unsecured guaranteed bonds	25	98,560	98,242
Employee benefit obligations		1,948	-
Derivative liabilities	23	40,714	16,489
Put options over non-controlling interests	28	35,951	22,745
		<u>389,449</u>	<u>275,381</u>
Total liabilities		<u>792,577</u>	<u>489,417</u>
NET ASSETS		<u>690,247</u>	<u>406,235</u>

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

*See Note 2.2 for details about the restatements

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 31 December 2018

		<u>Group</u>	<u>Restated*</u>
	<u>Note</u>	2018	2017
		\$'000	\$'000
EQUITY			
Share capital and share premium	26(a)	194,821	194,821
Convertible shares	26(a)	102,699	102,699
Convertible preference shares	26(b)	322,443	-
Share option reserve	26(c)	5,665	5,665
Currency translation reserve		(19,851)	(5,917)
Other reserves		(63,779)	(57,746)
Accumulated losses		(110,610)	(66,276)
Perpetual securities	27	207,389	223,802
		638,777	397,048
Non-controlling interests		51,470	9,187
Total equity		690,247	406,235

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

*See Note 2.2 for details about the restatements

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the financial year ended 31 December 2018**

		<u>Group</u>	
	<u>Note</u>	<u>2018</u>	<u>2017</u>
		\$'000	\$'000
Revenue	4	600,083	336,644
Other income	4	12,825	3,629
Purchase of inventories		(24,584)	(21,033)
Cost of outsourced medical consultations	4	(284,171)	(131,572)
Employee compensation	5	(168,081)	(110,079)
Share-based compensation	5	-	(504)
Finance costs	5	(14,924)	(8,895)
Other gains (losses) - net	6	24,555	1,578
Professional fees		(46,985)	(18,154)
Commission expenses		(15,479)	-
Depreciation of property, plant and equipment and right of use assets	14,20	(46,092)	(30,630)
Amortisation of intangible assets	15	(15,660)	(8,289)
Share of (loss) profit of associates	17	(3,586)	32
Other expenses	5	(54,142)	(23,786)
Loss before income tax		(36,241)	(11,059)
Income tax expense	7(a)	(6,855)	(4,907)
Loss for the year		(43,096)	(15,966)

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

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)
For the financial year ended 31 December 2018

	Group	
	2018	2017
	\$'000	\$'000
Loss for the year	(43,096)	(15,966)
Other comprehensive (loss) income for the year, net of tax:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	(8,508)	(4,159)
Net fair value loss on investments measured at FVOCI	(775)	-
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Remeasurement of employee benefit obligations	(525)	-
Total comprehensive loss for the year	(52,904)	(20,125)
(Loss) profit attributable to:		
Owners of the Company	(44,334)	(18,296)
Non-controlling interests	1,238	2,330
	(43,096)	(15,966)
Total comprehensive (loss) income attributable to:		
Owners of the Company	(56,427)	(23,252)
Non-controlling interests	3,523	3,127
	(52,904)	(20,125)

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

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2018

	Note	Share capital \$'000	Share premium \$'000	Convertible preference shares \$'000	Share option reserve \$'000	Convertible shares \$'000	Currency translation reserve \$'000	Other reserves \$'000	Perpetual securities \$'000	Accumulated losses \$'000	Total \$'000	Non-controlling interests ("NCI") \$'000	Total equity \$'000
Balance at 1 January 2018		224	194,597	-	5,665	102,699	(5,917)	(57,746)	223,802	(66,276)	397,048	9,187	406,235
<i>Transactions with owners</i>													
Acquisition of subsidiaries	32	-	-	-	-	-	-	-	-	-	-	45,180	45,180
Dividends paid to NCI		-	-	-	-	-	-	-	-	-	-	(2,499)	(2,499)
Acquisition of additional interests in subsidiaries		-	-	-	-	-	-	(713)	-	-	(713)	(3,921)	(4,634)
Distribution to perpetual bond holders	27	-	-	-	-	-	-	-	(16,413)	-	(16,413)	-	(16,413)
Issuance of shares	26(a)	-	-	328,931	-	-	-	-	-	-	328,931	-	328,931
Distribution to preference shares holders	26(a)	-	-	(6,488)	-	-	-	-	-	-	(6,488)	-	(6,488)
Put options over NCI	28	-	-	-	-	-	-	(4,540)	-	-	(4,540)	-	(4,540)
Total		-	-	322,443	-	-	-	(5,253)	(16,413)	-	300,777	38,760	339,537
<i>Total comprehensive (loss) income for the year</i>													
(Loss) income for the year		-	-	-	-	-	-	-	-	(44,334)	(44,334)	1,238	(43,096)
Other comprehensive (loss) income for the year		-	-	-	-	-	(13,934)	(780)	-	-	(14,714)	2,285	(12,429)
Total		-	-	-	-	-	(13,934)	(780)	-	(44,334)	(59,048)	3,523	(55,525)
Balance at 31 December 2018		224	194,597	322,443	5,665	102,699	(19,851)	(63,779)	207,389	(110,610)	638,777	51,470	690,247

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

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2018

	Note	Share capital \$'000	Share premium \$'000	Share option reserve \$'000	Convertible shares \$'000	Currency translation reserve \$'000	Other reserves \$'000	Perpetual securities \$'000	Accumulated losses \$'000	Total \$'000	Non- controlling interests ("NCI") \$'000	Total equity \$'000
Balance at 1 January 2017		241	253,080	8,477	-	(961)	(19,572)	-	(47,980)	193,285	6,395	199,680
<i>Transactions with owners</i>												
Share option expense	5, 26(c)(iii)	-	-	504	-	-	-	-	-	504	-	504
Acquisition of subsidiaries	32	-	-	-	-	-	-	-	-	-	1,023	1,023
Dividend paid to NCI		-	-	-	-	-	-	-	-	-	(1,358)	(1,358)
Issuance of perpetual bond	27	-	-	-	-	-	-	232,147	-	232,147	-	232,147
Distribution to perpetual bond holders	27	-	-	-	-	-	-	(8,345)	-	(8,345)	-	(8,345)
Issuance of shares	26(a)	-	-	-	102,699	-	-	-	-	102,699	-	102,699
Share buyback	26(a)	(13)	(41,043)	-	-	-	-	-	-	(41,056)	-	(41,056)
Redemption of restricted share plans	26(a)	(4)	(17,440)	-	-	-	-	-	-	(17,444)	-	(17,444)
Employee share incentives		-	-	(3,316)	-	-	(13,264)	-	-	(16,580)	-	(16,580)
encashment	26(c)	-	-	-	-	-	(24,910)	-	-	(24,910)	-	(24,910)
Put options over NCI	28	-	-	-	-	-	-	-	-	-	-	-
Total		(17)	(58,483)	(2,812)	102,699	-	(38,174)	223,802	-	227,015	(335)	226,680
<i>Total comprehensive (loss) income for the year</i>												
(Loss) Income for the year		-	-	-	-	-	-	-	(18,296)	(18,296)	2,330	(15,966)
Other comprehensive (loss) income for the year		-	-	-	-	(4,956)	-	-	-	(4,956)	797	(4,159)
Total		-	-	-	-	(4,956)	-	-	(18,296)	(23,252)	3,127	(20,125)
Balance at 31 December 2017		224	194,597	5,665	102,699	(5,917)	(57,746)	223,802	(66,276)	397,048	9,187	406,235

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

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2018**

	2018	Restated*
	\$'000	2017
	\$'000	\$'000
Cash flows from operating activities		
Net loss	(43,096)	(15,966)
Adjustments for:		
- Income tax expense	6,855	4,907
- Share-based compensation	-	504
- Depreciation of property, plant and equipment and right of use assets	46,092	30,630
- Amortisation of intangible assets	15,660	8,289
- Finance costs	14,924	8,895
- Interest and dividend income	(2,711)	(1,686)
- Gain on disposal of investments	(20,841)	-
- Net fair value gain on investments	(3,118)	(3,777)
- Fair value gain on derivative liabilities	(27,509)	-
- Loss on changes in redemption value of put options over non-controlling interests	9,574	-
- Loss on disposal of property, plant and equipment	204	59
- Gain on termination of leases	(1,674)	-
- Impairment of right of use assets	780	-
- Goodwill impairment and intangible assets written off	7,218	1,865
- Share of losses (profits) of associates	3,586	(32)
- Provision for impairment loss of associate	10,811	-
	<u>16,755</u>	<u>33,688</u>
Changes in working capital:		
- Trade and other receivables	21,078	(22,610)
- Other current and non-current assets	4,819	(1,996)
- Inventories	(523)	(1,526)
- Trade and other payables	(14,667)	(986)
- Insurance contract provision	(18,838)	-
- Other long-term liabilities	9,111	-
Cash generated from operations	<u>17,735</u>	<u>6,570</u>
Income tax paid	<u>(2,593)</u>	<u>(5,232)</u>
Net cash provided by operating activities	<u>15,142</u>	<u>1,338</u>

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

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the financial year ended 31 December 2018

	<u>Note</u>	2018	Restated*
		\$'000	2017
			\$'000
Cash flows from investing activities			
Interest and dividend income received		1,706	1,448
Additions to property, plant and equipment		(20,478)	(19,962)
Proceeds from sale of property, plant and equipment		1,122	-
Additions to intangible assets		(6,971)	(4,216)
Purchase of investments		(35,504)	(72,567)
Proceeds from disposal of investments		38,017	-
Investments in associates		(27,233)	(26,666)
Acquisition of subsidiaries, net of cash acquired (Note A)		(147,033)	(111,628)
Net cash used in investing activities		(196,374)	(233,591)
Cash flows from financing activities			
Interest paid		(13,635)	(5,968)
Repayments of lease liabilities		(23,003)	(13,439)
Dividends paid to non-controlling interests		(2,499)	(1,358)
Acquisition of additional interests in subsidiaries		(7,982)	-
Repayment of bank borrowings		(18,650)	(34,413)
Proceeds from bank borrowings		58,469	46,500
Proceeds from issue of convertible shares (equity component)		-	107,285
Cost of issuance of convertible shares		-	(4,586)
Proceeds from issue of convertible shares (debt component)		-	28,581
Proceeds from issuance of preference shares		336,324	-
Cost of issuance of preference shares		(7,393)	-
Dividends paid to preference shares holder		(6,488)	-
Redemption of restricted share plans and share options plan		-	(34,024)
Proceeds from issue of perpetual securities		-	236,097
Cost of issuance of perpetual securities		-	(3,950)
Distribution to perpetual bond holders		(16,413)	(8,345)
Share buyback		-	(41,056)
Net cash provided by financing activities		298,730	271,324
Net increase in cash and cash equivalents		117,498	39,071
Cash and cash equivalents at beginning of the financial year		58,544	19,829
Foreign exchange translation impact (non-cash)		879	(356)
Cash and cash equivalents at end of the financial year	9	176,921	58,544

Note A

During the year, the Group paid a total of \$147,033,000 (2017: \$111,628,000) for the acquisition of subsidiaries of which \$102,357,000 (2017: \$92,630,000) relates to payment for current period acquisition of subsidiaries, and \$44,676,000 (2017: \$18,998,000) relates to contingent consideration payments to vendors for acquisition of subsidiaries in prior years.

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

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
For the financial year ended 31 December

Note B

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Non-cash changes						
	Beginning of the year	Interest paid	Net proceeds	Additions	Others	Interest expense	End of the year
Bank borrowings	68,588	(3,852)	39,819	-	(246)	3,852	108,161
Lease liabilities	116,290	(6,408)	(23,003)	29,476	(1,674)	6,408	121,089
Senior unsecured bonds	98,242	(3,375)	-	-	-	3,693	98,560
	283,120	(13,635)	16,816	29,476	(1,920)	13,953	327,810

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

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2018

1. GENERAL INFORMATION

The Company is incorporated and domiciled in the Cayman Islands. Its principal place of business is at Finexis Building, 108 Robinson Rd, Singapore 068900. The address of its registered office is Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 31119, KY1-1205, Cayman Islands.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are the provision of managed care and network management services, primary care services and diagnostics, speciality health and ancillary services. Managed care and network management services comprise medical benefits management services, a healthcare administrative toolkit that supplements other service offerings, and call centre services. Primary care services comprise primary care operations, executive health screening and occupational health services. Diagnostics, speciality health and ancillary services comprise medical diagnostic imaging services, medical specialist services, which currently includes cardiology and general surgery services, physiotherapy services, dental services and medical assistance and evacuation services. On May 17, 2018, the Group acquired Intellicare Group which comprises of 3 companies incorporated in the Philippines – Asalus Corporation, Avega Managed Care, Inc. and Aventus Medical Care, Inc. as disclosed in Note 32.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

2.2 Restatement of prior year comparatives

(a) *Restatement in goodwill*

In the prior year consolidated financial statements, the initial accounting for certain acquisitions were prepared using provisional values in accordance with IFRS 3 *Business Combinations*, but were not disclosed as such in the notes to financial statements. The provisional amount have now been finalised and consequently the comparative figures have been adjusted retrospectively. There is no material impact on the profit or loss, and effects of the adjustment are detailed in Note 33(a).

(b) *Restatement in statement of cash flows*

In the prior year consolidated financial statements, the Group classified acquisition-related transaction costs of \$36,279,000 under investing cash flows which is not in accordance with IAS 7 *Statement of cash flows* which states that "only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities". As such, the statement of cash flows has been adjusted retrospectively to classify acquisition-related cash flows as operating cash flows. The effects of the restatement are detailed below:

Consolidated Statement of Cash Flows

	As previously reported \$'000	Adjustment \$'000	As restated \$'000
<i>Cash flows from operating activities</i>			
Transaction costs arising from acquisition of investments & post acquisition integration expenses and listing expenses	22,074	(22,074)	-
Trade and other payables	13,219	(14,205)	(986)
<i>Cash flows from investing activities</i>			
Transaction costs arising from acquisition of investments & post acquisition integration expenses and listing expenses	(36,279)	36,279	

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Revenue from contracts with customers

The Group recognises revenue from the following major sources:

(a) *Network Management Services*

In the network management services segment, the Group's client contracts are generally fee-for-services plans where the clients agree to pay fees based on the type of healthcare service provided, such as general practice consultations, specialist consultations or physiotherapy treatments, and medication and other related medical services, such as imaging and laboratory tests, are charged separately. Rates are subject to coverage limits and exclusions agreed with each client, and are subject to the market pricing environment and healthcare cost inflation, each of which is in turn subject to general macroeconomic and industry conditions. Services for each patient visit under the network management arrangements, including the provision of medical services, and adjudication and claims processing services, are highly interrelated. Therefore, the various services provided are combined from a revenue recognition perspective and treated as one performance obligation for each patient visit. Revenue is measured based on costs incurred in relation to services provided for each claim, and is recognised over time as such services are rendered. The Group believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
- 2.3 Revenue from Contracts with Customers (continued)
- (a) *Network Management Services* (continued)

Clients are billed for patient services on an individual patient basis. The Group consolidates individual claims and submit consolidated invoices to the clients from time to time or at specified periods, depending on the applicable client contract. The amount charged to each client is calculated based on the then applicable rate for the type of service provided and the number of times the service is used by the client's covered persons. These claims are subject to adjustment in the ordinary course of business by the clients, in consultation with the Group, following their review. Therefore, the revenue from fee-for-service plans could be variable and the Group recognises revenue after taking into account these implicit price concessions (credits) that may be provided to the clients subject to the finalisation of their review of the submitted claims. The Group estimates the implicit price concessions based on historical collection trends for the clients and other factors that affect the estimation process.

For the majority of the Group's network management arrangements, revenue is recognised on a gross basis as the Group is determined to be the primary obligor in providing healthcare services and retained control over the services provided through the Group's owned healthcare facilities and network healthcare providers. However, for certain network management arrangements, such as those where the Group provides claims processing services in connection with patient visits to non-network healthcare providers, the Group is determined to be an agent, as the Group do not assume any performance obligation with respect to the provision of healthcare services. For those arrangements, revenue is recognised on a net basis.

Payment terms for the fee-for-service plans typically require payment within 30 to 90 days of satisfaction of the performance obligation. Prior to the adoption of IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"), a portion of the provision for doubtful receivables related to amounts owed to the Group by the Group's clients. Under IFRS 15, the estimated uncollectable amounts due from these clients are generally considered implicit price concessions that are a direct reduction to revenue, with a corresponding reduction in the amounts presented separately as provision for doubtful receivables.

A trade receivable is recognised by the Group when the performance obligations are fulfilled as this represents the point in time at which our right to receive the consideration becomes unconditional, as only the passage of time is required before payment is due. A contract asset (accrued revenue) is recognised for performance obligations that are yet to be fully satisfied to represent our right to consideration for the services transferred to date. Any amount previously recognised as a contract asset (accrued revenue) is reclassified to trade receivables at the point at which it is invoiced to the client.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Revenue from Contracts with Customers (continued)

(b) *Primary Care Services*

Recognition of revenue from primary care services provided to the clients is consistent with that of network management services. For services to patients who are unaffiliated with the Group's clients, the performance obligation is typically satisfied at a point in time when the individual service is performed for each patient visit and payment is due or received immediately. Revenue is recognised on a gross basis as the Group is determined to be the primary obligor in the arrangement (i.e., the risks and responsibilities are taken by the Group, including the responsibility to deliver primary care services).

Included in the primary care segment is a revenue stream based on retainer plans. Under the retainer plans, the performance obligation is the provision of healthcare management services and the Group receive a fixed fee during a specified period. Revenue under such retainer plans is recognised on a straight-line basis over time based on the time elapsed. Payment for retainer plans is typically due on a monthly basis.

(c) *Diagnostics, Specialty and Ancillary Care Services*

Recognition of revenue from diagnostics, specialty and ancillary care services to the clients is generally consistent with that of network management services. For services to patients who are unaffiliated with our clients, the performance obligation is typically satisfied at a point in time when the individual service is performed for each patient visit and payment is due or received immediately.

Revenue is recognised on a gross basis as we are determined to be the primary obligor in the arrangement (i.e., the risks and responsibilities are taken by us, including the responsibility to deliver diagnostics, specialty and ancillary care services).

In determining whether the Group is acting as a principal or agent in each of its contractual arrangements the Group considers the requirements of IFRS 15 and the accompanying guidance to the Standard.

Under majority of the Group's service agreements, the Group recognises revenue on a gross basis as:

- (a) it maintains control over the provision of services through the control of network of panel clinics; and
- (b) the Group acts as the primary obligor in providing healthcare services.

In other service agreements whereby the Group operates as an agent, the Group recognises revenue on a net basis, being the net fee accruing to the Group.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.1 Revenue from insurance contracts

Managed Care – Health Maintenance Organization ("HMO")

The Group assessed its HMO contracts to be insurance contracts having significant insurance risk.

In the managed care segment, the Group receives a fixed premium amount per managed care life per year regardless of whether that managed care life utilises healthcare services. The Group's performance obligation is to be prepared to provide healthcare services during the stipulated time period. Revenue in this segment is recognised over time, based on the time elapsed. Revenue is recognised on a gross basis as the Group is determined to be the primary obligor in the arrangement, that is, the risks and responsibilities are taken by the Group, including the responsibility to deliver managed care services.

2.4 Other income

(a) *Finance income*

Finance income comprises interest income from bank deposits and investments. Interest income is recognised using effective interest method.

(b) *Rental income*

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

(c) *Dividend income*

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

(d) *Management fees*

Management fee income is recognised over time as services are rendered under the terms of the contract.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Group accounting

(a) *Subsidiaries*

(i) *Consolidation*

The consolidated financial statements incorporate the financial statements of the company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- The size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Group accounting (continued)

(a) *Subsidiaries* (continued)

(ii) *Acquisitions and business combinations*

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary or business comprises of the fair value of the assets transferred, the liabilities incurred, equity interests issued by the Group, the fair value of any contingent consideration arrangement at the acquisition date and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred.

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 ("NCI") 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 net identifiable assets.

Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified.

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

The excess of the consideration transferred, amount of any NCI in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill (Note 2.13).

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Group accounting (continued)

(a) *Subsidiaries* (continued)

(ii) *Acquisitions and business combinations* (continued)

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

(iii) *Disposals*

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

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

(b) *Transactions with non-controlling interests ("NCI")*

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

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any NCI and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a financial asset at fair through profit or loss depending on the level of influence retained.

When the Group writes a put with the non-controlling shareholder in an existing subsidiary on their equity interests in that subsidiary and the put option granted to the non-controlling shareholders provides for settlement in cash or in another financial asset by the Group, then the Group recognises a liability for the present value of the exercise price of the option. Subsequent to initial recognition of the financial liability, the Group has adopted an accounting policy choice to recognise the changes in the carrying amount of the financial liability in profit or loss.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Group accounting (continued)

(b) *Transactions with non-controlling interests ("NCI")* (continued)

NCI have present access to the returns associated with the underlying ownership interests, the Group has elected the present access method to account for the NCI. Under the present-access method, the interest of non-controlling shareholders that hold the written put option are not derecognised when the financial liability is recognised. NCI has present access to the returns that are the subject of the put option.

If the put option expires unexercised, then the put liability is reversed against the other equity.

2.6 Employee compensation

(a) *Defined contribution plans*

The Group's contributions to defined contribution plans are recognised as employee compensation expenses when they are due.

(b) *Employee leave entitlement*

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 end of each reporting period.

(c) *Retirement benefits*

The Group, through its subsidiaries, has funded defined benefit retirement plans covering its qualifying employees.

The liability recognised in the statement of financial position in respect of the defined benefit retirement plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets.

Retirement benefit costs and defined benefit obligation are calculated using the projected unit credit cost method, by qualified actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields on government bonds that are denominated in the currency in which the benefits will be paid, and have tenures approximating the terms of the related employee benefit obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period when they arise and accumulated under equity in other reserves. Past service costs are recognised immediately in profit or loss.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Employee compensation (continued)

(d) *Share-based compensation*

The Group operates a share-based compensation plan. For equity-settled share-based compensation plan, the fair values of the employee services received in exchange for the grant of share options, performance shares and share appreciation rights on the ordinary shares are 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 values of the options, performance shares and share appreciation rights granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options and performance shares that are expected to become exercisable on the vesting date. At the end of each reporting period, the Group revises its estimates of the number of shares under options and performance shares 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.

Share options are granted to directors and to employees with more than one year of service. When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account when new ordinary shares are issued, or to the "treasury shares" account when treasury shares are re-issued to the employees.

Performance shares are granted to certain directors and employees. When the performance shares are released, the related balance previously recognised in the share option reserve is credited to share capital account, when new ordinary shares are issued, or to the treasury shares account, when treasury shares are re-issued to the employees.

For cash-settled share-based payments, the fair value of the employee services received in exchange for the grant of share options, performance shares and share appreciation rights is recognised as an expense in the income statement with a corresponding increase in the liability over the vesting period. Until the liability is settled, it is re-measured at each reporting date with changes in fair value recognised in profit or loss.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In cases where all the decisions about how and for what purpose the asset is used are predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

The Group has applied this approach to contracts entered into or changed on or after 1 January 2017. The Group's approach to other contracts is explained in Note 2.3.

At inception or on reassessment of a contract that contains a lease and non-lease component, the Group allocates the consideration in the contract to each lease component and aggregate of non-lease components on the basis of their relative stand-alone prices. However, for the leases of clinic and office space in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

As a lessee

The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Leases (continued)

The estimated useful lives of right of use assets are as follows:

	<u>Useful lives</u>
Clinic and office space	3 to 10 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of lease liabilities comprise:

- fixed payments, including in-substance fixed payments less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in the lease term, a change in the assessment of the option to purchase the underlying asset, a change in future lease payments arising from a change in an index or rate, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right of use assets and lease liabilities for short-term leases of IT equipment that has a lease term of 12 months or less and leases of all low-value assets. The Group recognises the lease payments associate with these leases as an expense on a straight-line basis over the lease term.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Borrowing costs

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

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis and includes all costs in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of the business, less applicable variable selling price.

2.10 Income taxes

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Group operates by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Income taxes (continued)

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

2.11 Property, plant and equipment

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

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 Group and the cost of the item can be measured reliably.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	<u>Useful lives</u>
Office furniture, fittings and equipment	1 to 20 years
Shop premises	40 to 66.7 years
Renovation	3 to 40 years
Motor vehicles	4 to 5 years

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

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.

2.12 Investment in associates

Associate companies are entities which the Group has significant influence, no control over. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate. When the group's share of losses of an associate exceeds the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate), the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Investment in associates (continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. The cost of the investment also includes the fair value of put options granted to other corporate investors in the associate entity. A corresponding liability is recognised in the consolidated statement of financial position.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group discontinues the equity method when the investment ceases to be an associate, or when the investment is classified as held for sale. If the retained equity interest in the former associate is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost, and its fair value and any proceeds on partial disposal, is recognised in the profit or loss.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture. There is no remeasurement to fair value upon such changes in ownership interests. When the Group reduces its ownership interest in an associate but continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Intangible assets

(a) *Goodwill from the acquisition of subsidiaries*

Goodwill on acquisitions of subsidiaries and businesses represents the excess 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 the fair value of the net identifiable assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses. Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold.

(b) *Other intangible assets*

Other intangible assets, including customer relationships and book order, branding and trademark, operating rights and distribution networks, acquired as part of business combinations are initially recognised at their fair values at the acquisition date and are subsequently carried at cost (i.e., the fair values at initial recognition) less accumulated amortisation and accumulated impairment losses.

These costs are amortised to profit or loss using straight-line method over their estimated useful lives as follows:

	<u>Useful lives</u>
Customer relationships	3 to 5 years
Branding	10 years
Book order	3 years
Trademark	15 years
Distribution networks	12 years
Operating rights	15 years

(c) *IT development and software*

Costs directly attributable to the development of software are capitalised as intangible assets when technical feasibility of the project is demonstrated, the Group has an intention and ability to complete and use the software and the costs can be measured reliably. Such costs include purchases of materials, services and costs of employees directly involved in the project.

Software maintenance is recognised as an expense when incurred.

Capitalised costs are amortised from the point at which the asset is ready for use, and 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 their estimated useful lives of 4 to 8 years.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Intangible assets (continued)

The amortisation period and method of intangible assets other than goodwill are reviewed at least at the end of each reporting period. The effects of any revision of the amortisation period or amortisation method are included in profit or loss for the financial period in which the changes arise.

2.14 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 the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss 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
Investment in associates
Right-of-use assets*

Intangible assets, property, plant and equipment, right of use assets and investment in associates 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.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Impairment of non-financial assets (continued)

- (b) *Intangible assets*
Property, plant and equipment
Investment in associates
Right of use assets (continued)

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss. An impairment loss for an asset other than goodwill is reversed 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.

2.15 Investments

The Group classifies its investments in the following measurement categories:

- Fair value through profit or loss ("FVPL");
- Fair value through other comprehensive income ("FVOCI"); and
- Amortised cost

The classification is based on the management's business model and the contractual cash flows characteristics of the investments.

At initial recognition, the Group measures an investment at its fair value plus, in the case of an investment not at FVPL, transaction costs that are directly attributable to the acquisition of the investment. Transaction costs of investments carried at FVPL are expensed in profit or loss.

Equity investments are subsequently measured at their fair values. Equity investments are classified as FVPL with fair value gains and losses recognised in profit or loss, unless management has elected to recognise the fair value gains and losses through other comprehensive income ("OCI"). For equity investments measured at FVOCI, gains or losses realised upon disposal are not reclassified to profit or loss. Dividends from equity investments are recognised in profit or loss as "Other income".

Debt investments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in OCI and accumulated in the fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. On disposal, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

Debt investments that are held for collection of contractual cash flows till maturity, where the cash flows represent solely payments of principal and interest, are measured at amortised cost. Any gain or loss arising on derecognition is recognised in profit or loss.

Interest income from debt investments is recognised in profit or loss as "Other income".

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Financial assets

Financial assets include cash and cash equivalents, trade and other receivables and investments. Trade and other receivables are stated initially at their fair values plus transaction costs, and subsequently carried at amortised cost less accumulated impairment losses.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts.

These financial assets are presented as current assets except for those that are expected to be realised 12 months after the end of the reporting period, which are presented as non-current assets.

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 debt instrument, 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.

On disposal of an equity investment, the difference between the carrying amount and sales proceeds is recognised in profit or loss if there was no election made to recognise fair value changes in OCI. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in OCI and transferred to retained profits along with the amount previously recognised in OCI relating to that asset.

2.17 Impairment of financial assets

(a) Investments

The Group assesses on a forward-looking basis the expected credit losses (“ECLs”) associated with its debt investments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For debt instruments at FVOCI, the Group applies the low credit risk simplifications. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available with undue cost or effort. In making that evaluation, the Group reassess the internal credit rating of the debt instrument. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Impairment of financial assets (continued)

(a) *Investments* (continued)

The Group's debt instruments at FVOCI comprise solely of quoted bonds that are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the rating from Bloomberg both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Note 29 details how the Group determines whether there has been a significant increase in credit risk. Any impairment is recognised in the profit or loss.

(b) *Trade receivables*

For trade receivables, the Group applies a simplified approach in calculating ECLs. The Group recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. This is similar for other financial assets in the consolidated statement of financial position.

2.18 Cash and cash equivalents

For the purpose of presentation in the cash flow statement, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts.

2.19 Financial liabilities and equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities include trade and other payables, lease liabilities, bank borrowings. Trade and other payables are stated initially at fair value and subsequently carried at amortised cost. Interest-bearing bank loans and overdrafts are initially measured at fair value and are subsequently measured at amortised cost. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see Note 2.8).

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Compound instruments

The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. At the date of issue, the fair value of the liability component is estimated, any embedded derivative components are separated and recorded at fair value as derivative financial liabilities in the consolidated statement of financial position. Subsequent to initial recognition, the change in fair value of the derivative financial liabilities are recorded in profit or loss.

Transaction costs that relate to the issue of the compound instruments are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component, if held at amortised cost, are included in the carrying amount of the liability component and are amortised over the life of the convertible notes using the effective interest method. Transaction costs relating a liability component held a fair value through profit or loss are expensed as incurred.

2.21 Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVPL.

2.22 Financial liabilities at FVPL

Financial liabilities are classified as at FVPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, 2) held for trading, or 3) it is designated as at FVPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Financial liabilities at FVPL (continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVPL.

Financial liabilities at FVPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

Fair value is determined in the manner described in Note 29(f).

2.23 Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "Other expenses" line item for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Borrowings

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 or loss over the period of the borrowing using the effective interest method.

Borrowing is presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of each reporting period.

2.25 Trade and other payables

Trade and other payables represent unpaid liabilities for goods and services provided to the Company prior to the end of financial year. 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). If not, they are presented as noncurrent liabilities.

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

2.26 Currency translation

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.

Transactions in currencies other than the Group's functional currency are translated into Singapore Dollar using the exchange rates prevailing at the dates of the transactions. Currency translation 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 end of each reporting period are recognised in profit or loss.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Currency translation (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.28 Fair value estimation of financial assets and liabilities

The fair values of financial assets and liabilities carried at amortised cost approximate their carrying amounts, due to their relatively short-term maturities or that they bear market-based interest rates.

2.29 Insurance contracts

Product Classification

Insurance contracts are defined as those contracts under which the Group (the insurer) accepts significant insurance risk from another party (member) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholder.

As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10.00% more than the benefits payable if the insured event did not occur. Insurance contracts can also expose the insurer to financial risks. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index, or other variable.

Insurance contracts can also transfer financial risk. Investment contracts are financial instruments that do not transfer significant insurance risk to qualify as insurance contracts. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can however be reclassified as insurance contracts after inception if the insurance risk becomes significant.

Gross Premium on Insurance Contracts

Gross premium on insurance contracts comprise the total premiums for the whole coverage period provided in the insurance contracts entered during the accounting period and are recognized on the inception date of the policy. Premiums include any adjustments arising in the accounting period for membership fee receivable in respect of business written in prior periods.

Gross premium are usually for one year period and where the Group assumes the risk of funding the client's healthcare services and related administrative costs, are recognised as revenue on a straight-line basis over the period of enrollment subject to cancellation by clients upon written notice within the period specified in the contract.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.30 Commission expenses and deferred acquisition costs

Commission expenses and deferred acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. All other acquisition costs are recognised as expense when incurred.

Commissions are recognised as expense over the period of the contracts on a straight-line basis. The portion of the commissions that relates to the unexpired periods of the policies at the end of the reporting period is accounted for as "Other assets" in the statement of financial position. The net changes in deferred acquisition costs at the end of each reporting period is recognised as "Commission expenses" in profit or loss.

An impairment review on deferred acquisition costs is performed at the end of each reporting periods or more frequently when an indication of impairment arises. The carrying value is written down to the recoverable amount. The impairment loss is charged to profit or loss.

Deferred acquisition costs are derecognised when the related contracts are settled or disposed of.

Insurance Contract Liabilities

Insurance contract provisions are recognised when contracts are entered into and premiums are charged.

- *Incurred But Not Reported ("IBNR") Claims*

These liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs. Significant delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the end of the reporting period. Insurance liabilities are composed of provisions for claims reported and IBNR claims. The calculation of IBNR is performed on a periodic basis by a qualified actuary using the chain-ladder method.

The provision for IBNR claims are presented under "Insurance contract provisions" in the statement of financial position while the movement of the account is presented as "Change in provision of claims IBNR" in profit or loss.

Provisions for claims reported refers to those claims that are known to the Group as of reporting date, are presented as "Claims reported and other expenses" in Note 4(a).

- *Unearned Premium Reserves*

The portion of the gross premium attributable to subsequent periods are deferred as unearned premium reserves. The change to this account is credited or charged against income over the period of coverage.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.30 Commission expenses and deferred acquisition costs (continued)

Insurance Contract Liabilities (continued)

- *Liability Adequacy Test*

At the end of each reporting period, liability adequacy test is performed to ensure the adequacy of insurance contract liabilities, net of the related deferred acquisition cost. The test considers current best estimates of future cash flows, claims handling cost and policy administrative expenses. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy arising from the test is immediately charged to profit or loss by establishing an unexpired risk provision for losses.

2.31 Share capital

Ordinary shares, and convertible shares are classified as equity when there is no contractual obligation to deliver cash or other financial assets to another person or entity or to exchange financial assets or liabilities with another person or entities that are potentially unfavourable to the issuer. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Incremental costs directly attributable to the issue of new ordinary or redeemable preference shares are shown in equity as a deduction, net of tax, from proceeds. The proceeds received net of any directly attributable transactions costs are credited to share capital.

2.32 Perpetual securities

Perpetual securities are classified as equity if they are non-redeemable, or redeemable only at the issuer's option, and any interest and distributions are discretionary. Interest and distributions on perpetual securities classified as equity are recognised as distributions within equity. The perpetual securities issued by the Company are recognised as other equity instruments, and the perpetual securities issued by a subsidiary of the Company are recognised as non-controlling interests.

Perpetual securities that do not have a maturity date and for which the Company is able to elect to defer making a distribution, subject to the terms and conditions of the securities issued, are not considered to have a contractual obligation to make principal repayments or distributions and are presented within equity. Distributions are treated as dividends which will be directly debited from equity. Incremental costs directly attributable to the issue of the perpetual securities are deducted against the proceeds from the issue.

2.33 Convertible preference shares

Convertible preference shares are separated into liability and equity components based on the terms of the contract. On issuance of the convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible preference shares, based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.34 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.35 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments at FVPL.

2.36 Segment reporting

For management purposes, the Group is organised into operating segments based on their services and geographical regions which are managed by respective segment managers responsible for the performance of the respective segment under their charge. The segment or department managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2018

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Acquisition of subsidiaries

The Group has made a number of strategic acquisitions and investments in healthcare facilities or companies and businesses that own and operate healthcare facilities. The Group records goodwill and other intangible assets in the consolidated statement of financial position in connection with such acquisitions and investments. As at December 31 2018, goodwill and other intangible assets represent 31% and 9% of the Group's assets, respectively. Judgement is required to identify intangible assets to be recognised separately from goodwill on acquisition.

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

The fair value of the identifiable assets and liabilities at the acquisition date is disclosed in Note 32 to the financial statements.

Contingent consideration resulting from business combinations is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration are the probability of meeting each performance target and the discount factor.

Accounting for the embedded derivative

As part of assessing whether an instrument is a hybrid financial instrument and contains an embedded derivative, significant judgement is required in evaluating whether the host contract is more akin to debt or equity and whether the embedded derivative is clearly and closely related to the underlying host contract. As disclosed in Note 23, the Group concluded that the host instrument of the Convertible Shares issued to a corporate investor was an equity host as the Convertible Shares have all the same rights and conditions as Ordinary Shares except for the existence of a clawback feature. The Group determined that the clawback feature was not closely related to the equity host, and that the clawback feature was required to be separated from the equity host and accounted for as an embedded derivative due to its clawback feature. In applying its judgement, the management relies primarily on the economic characteristics and risks of the instrument as well as the substance of the contractual arrangement.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

Critical judgements in applying the entity's accounting policies (continued)

Accounting for the embedded derivative (continued)

The clawback feature was recognised as a Clawback Liability of \$28.5 million as at 31 December 2017. This was subsequently de-recognised with a gain of \$28.5 million recorded in profit or loss for the year ended 31 December 2018 given that the performance measures of the consolidated Group were considered to be met. The determination of performance measures to be met by the consolidated Group require significant judgements as the management would need to interpret certain items to be included or excluded from the performance measures.

Management has determined the definition of EBITDA as disclosed in Note 8 to be the appropriate performance measures to determine if the agreed procedures measures have been met.

Measurement of liabilities associated with put options granted to non-controlling shareholders of certain subsidiaries

As disclosed in Note 23, the Group granted to the non-controlling shareholders of certain of its subsidiaries put options pursuant to which, subject to certain conditions, such shareholders can require the Group to purchase their shares in each of these subsidiaries. Prior to the exercise of the put options, the liability resulting from the relevant put option is recorded on the consolidated statement of financial position at the redemption value of those put option shares which represents estimation of the present value of the gross proceeds that the Group may be required to pay for the non-controlling interest shares. In estimating the redemption value, the Group uses market-observable data to the extent possible. Where market-observable data is not available, the Group prepares its valuation with key estimates being the discount rate and future performance of these entities, while considering recent performance, trend analysis and market expectation. At the end of each financial reporting period, any changes to the liability arising from changes in the redemption value of those put option shares will result in a corresponding charge or credit to our profit or loss.

Key sources of estimation uncertainty

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

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

Critical judgements in applying the entity's accounting policies (continued)

Impairment of assets

Goodwill is tested for impairment annually in accordance with the accounting policy stated in Note 2.13(a). The recoverable amount of the cash-generating unit is determined based on value-in-use calculation. The value-in-use calculation requires the Group to make an estimate of the expected future cash flows from the cash-generating units, taking into account market evidence to support the key assumptions, where appropriate and also to use an appropriate discount rate to determine the present value of those cash flows. Details of the management's judgement and assumptions are disclosed in Note 15(a). Management expects that any reasonable change in the key assumptions on which the recoverable amounts are based would not cause the carrying amounts of goodwill to exceed their recoverable amounts.

In addition, the determination of recoverable amount on the investment in associate involves management making significant judgement around the recoverable amount. Investment in associate are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. For the year ended 31 December 2018, the Group recorded an impairment loss of \$10.8 million as disclosed in Note 17 on its investment in associate which represents the difference between the carrying amount of the assets and its recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use).

Impairment of other intangible assets

Other intangible assets, including customer relationships and book order, branding and trademark, operating rights and distribution networks, are tested for impairment when there are any such indicators. The recoverable amount for other intangible assets are arrived at using the Income Approach. This approach requires an estimation of the expected future cash flows that will be generated and the appropriate discount rates applied to determine the present value of those cash flows. Details of the estimates used are disclosed in Note 15(b).

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

Key sources of estimation uncertainty (continued)

Valuation of insurance contracts liabilities

IBNR claims are based on the estimate ultimate cost of all claims incurred but not settled as at reporting date whether reported or not. These costs include estimates of the Group's obligation for medical care services that have been rendered on behalf of the members but for which the Group has either not yet received or processed claims and for liabilities to physician, medical and other cost disputes. The Group develops estimates for medical costs incurred but not reported using chain-ladder method. This uses both reported and paid claims to arrive at the estimate. As at 31 December 2018, the Group's IBNR claims amounted to \$15.5 million as disclosed in Note 19.

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The information about ECLs on the Group's trade receivables is disclosed in Note 29(b).

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

4. REVENUE AND OTHER INCOME

	2018	2017
	\$'000	\$'000
Revenue from contracts with customers	397,946	336,644
Revenue from insurance contracts (Note (a))	202,137	-
	<u>600,083</u>	<u>336,644</u>

(a) Revenue from insurance contracts

The Group derives its revenue from insurance contracts from HMO contracts which is contributed from Intellicare group acquired on 17 May 2018 as disclosed in Note 32. Reconciliation of the revenue from revenue from insurance contracts as follows:

	2018
	\$'000
Gross premiums written	188,112
Change in unearned premiums	15,955
Gross premiums earned	<u>204,067</u>
Less: Premium discounts	(1,930)
Net premiums earned	<u>202,137</u>

Included in cost of outsourced medical consultations are claims expenses arising from insurance contracts of \$144,977,000 during the financial year:

	2018
	\$'000
Change in provision of claims IBNR (Note 19)	(3,300)
Claims reported and other expenses	<u>148,277</u>
	<u>144,977</u>

(b) Disaggregation of revenue

The Group derives its revenue from the transfer of goods and services and insurance contracts in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 (see Note 8):

	2018	2017
	\$'000	\$'000
Segment Revenue		
- Managed care	202,137	5,815
- Network management services	165,823	146,035
- Primary care services	149,700	103,689
- Diagnostics, speciality and ancillary services	82,423	81,105
	<u>600,083</u>	<u>336,644</u>

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

4. REVENUE AND OTHER INCOME (continued)

(c) Other income

	2018	2017
	\$'000	\$'000
Interest income	2,635	1,686
Rental income	5,722	115
Dividend income	76	-
Management fee income from an associate	2,300	-
Others	2,092	1,828
	12,825	3,629

5. EXPENSES

(a) Employee compensation

	2018	2017
	\$'000	\$'000
Wages and salaries	146,034	93,259
Employer's contribution to defined contribution plan including Central Provident Fund	12,570	7,623
Other staff benefits	9,477	9,197
	168,081	110,079
Share-based compensation	-	504

(b) Finance costs

	2018	2017
	\$'000	\$'000
Interest expenses:		
- Bank loans	3,852	1,833
- Bond (including amortisation of deferred financing charges)	3,693	3,775
- Lease liabilities (Note 21)	6,408	3,118
- Unwinding of present value of contingent consideration	971	169
	14,924	8,895

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

5. EXPENSES (continued)

(c) Other expenses

Loss before tax of \$36,241,000 (2017: \$11,059,000) is derived after deducting \$54,142,000 (2017: \$23,786,000) of other expenses including subscription fees, recruitment costs, insurance expenses, utilities, repair and maintenance, advertising and marketing, travelling and entertainment related expenses.

6. OTHER GAINS (LOSSES) - NET

	2018	2017
	\$'000	\$'000
Net fair value (loss) gain on quoted investments	(1,853)	209
Net fair value gain on unquoted investments (Note 13(b))	4,971	3,568
Loss on disposal of property, plant and equipment	(204)	(59)
Gain on disposal of investments (Note 13)	20,841	-
Gain on termination of leases	1,674	-
Fair value gain (loss) on derivative liabilities	27,509	(275)
Provision for impairment loss of associate	(10,811)	-
Loss on changes in redemption value of put options over non-controlling interests	(9,574)	-
Goodwill impairment and intangible assets written off (Note 15)	(7,218)	(1,865)
Impairment of right of use assets (Note 20)	(780)	-
	24,555	1,578

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

7. INCOME TAX

(a) Income tax expense

	2018	2017
	\$'000	\$'000
Tax expense attributable to profit is made up of:		
Profit for current financial year		
- Current income tax	6,811	4,648
- Deferred income tax	(1,764)	(862)
	<u>5,047</u>	<u>3,786</u>
Under (over)provision in the preceding financial years:		
- Current income tax	898	(556)
- Deferred income tax	910	1,677
	<u>6,855</u>	<u>4,907</u>

The tax on the results before income tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax, as follows:

	2018	2017
	\$'000	\$'000
Loss before income tax	<u>(36,241)</u>	<u>(11,059)</u>
Tax credit calculated at a tax rate of 17% (2017: 17%)	6,161	1,880
Effects of:		
- Different tax rates in other countries	(46)	(113)
- Income not subject to tax	12,493	1,576
- Statutory stepped income exemption	156	804
- Expenses not deductible for tax purposes	(24,406)	(7,940)
- Utilisation of previously unrecognised tax losses and utilisation of tax losses acquired on acquisition	337	-
- Corporate tax rebate	66	181
- Underprovision of income taxes	(1,808)	(1,121)
- Others	192	(174)
	<u>(6,855)</u>	<u>(4,907)</u>

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

7. INCOME TAX (continued)

(b) Deferred income tax assets and liabilities

	Accelerated tax depreciation	Unutilised capital allowances & tax losses	Accelerated tax amortisation	Provision	Total deferred tax
	\$'000	\$'000	\$'000	\$'000	\$'000
2018					
Deferred tax liabilities					
Beginning of financial year	1,958	-	4,873	-	6,831
Underprovision in preceding financial year	984	-	-	-	984
Acquisition of subsidiary	1,523	-	33,040	-	34,563
Currency translation differences	39	-	750	-	789
Credit to profit or loss	3,656	(42)	(4,159)	-	(545)
End of financial year	8,160	(42)	34,504	-	42,622
Deferred tax assets					
Beginning of financial year	(695)	(413)	-	-	(1,108)
Underprovision in preceding financial year	(43)	-	-	(32)	(75)
Acquisition of subsidiary	(4,590)	-	-	(9,091)	(13,681)
Currency translation differences	(19)	7	93	(199)	(118)
Credit to other comprehensive income	-	-	-	(225)	(225)
Credit to profit or loss	386	(389)	(2,707)	1,491	(1,219)
End of financial year	(4,961)	(795)	(2,614)	(8,056)	(16,426)

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

7. INCOME TAX (continued)

(b) Deferred income tax assets and liabilities (continued)

	Accelerated tax depreciation	Unutilised capital allowances & tax losses	Accelerated tax amortisation	Total deferred tax
	\$'000	\$'000	\$'000	\$'000
2017				
Deferred tax liabilities				
Beginning of financial year	281	-	5,502	5,783
Underprovision in preceding financial year	1,677	-		1,677
Credit to profit or loss	-	-	(629)	(629)
End of financial year	1,958	-	4,873	6,831
Deferred tax assets				
Beginning of financial year	(695)	(180)	-	(875)
Deferred tax asset recognised from previous years unrecognised tax losses	-	(233)	-	(233)
End of financial year	(695)	(413)	-	(1,108)

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2018

8. SEGMENT INFORMATION

(a) Services from which reportable segments derive their revenues

Information reported to the chief operating decision makers for the purposes of the resource allocation and assessment of segment performance focuses on the types of services provided, and in respect of the business operations. The directors of the Group, who are the chief operating decision makers, have chosen to organise the Group around differences in services.

The financial performance of the segments is principally evaluated with reference to EBTIDA.

The management has defined EBITDA as consolidated earnings before finance cost, taxes, depreciation, amortisation, share-based compensation, transaction costs from acquisitions of investments, post-acquisition integration expenses, acquisition break fee, performance stock grant to the co-founders of the Group, impairment or write-off on goodwill and intangible assets, fair value changes of all derivatives held by the Company including the put option derivative liability arising from the Group's investment in an associate, Fullerton Health China Limited ("FHCL"), changes in value of the put options over the Group's non-controlling interests and the fair value changes in the Clawback Liability arising from the investment into the Group by a corporate investor and share of losses from associates. EBITDA includes gain arising from sale of an unquoted equity investment previously recorded at FVPL.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

8. SEGMENT INFORMATION (continued)

(a) Services from which reportable segments derive their revenues (continued)

Transaction costs arising from acquisition of investments refer to all transaction costs from acquisitions, including but not limited to legal, due diligence expenses for acquisition of new investments of the Group, fees paid for raising financing from institutional investors and preparation of listing of Group on the exchange.

Post-acquisition integration expenses refer to all integration costs incurred, including but not limited to integration costs associated with IT, sales and marketing alignment, process and internal controls alignment, branding, human resources, and any impairment of goodwill, intangibles, investments or receivables arising from acquisitions, litigation settlement and related expenses, corporate social responsibility related expenses, initial set up costs and other expenses, as well as restructuring costs.

Segment EBITDA represents EBITDA by each segment. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance. No operating segments have been aggregated in arriving at the reportable segments of the Group. Overhead expenses were allocated into each segment based on segment EBITDA in 2018 and segment revenue in 2017. The change in allocation basis is aligned with management's view of the operating results by segments within the Group.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.

(b) Segment revenues and results

The following is an analysis of the Group's revenues and results from continuing operations by reportable segments.

	Revenue	
	2018	2017
	\$'000	\$'000
Managed care	209,824	5,815
Network management services	163,143	148,696
Primary care services	178,157	113,525
Diagnostics, specialty and ancillary care services	100,690	96,285
Intersegment elimination	(51,731)	(27,677)
Total	600,083	336,644

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

8. SEGMENT INFORMATION (continued)

(b) Segment revenues and results (continued)

	2018 \$'000	2017 \$'000
EBITDA from:		
Managed care	13,820	1,109
Network management services	22,052	18,563
Primary care services	30,633	19,938
Diagnostics, specialty and ancillary care services	23,680	23,344
Others	25,832	-
Intersegment elimination	(8,081)	(1,788)
Total EBITDA	107,936	61,166
Depreciation of property, plant and equipment	(46,092)	(30,630)
Amortisation of intangible assets	(15,660)	(8,289)
Finance costs	(14,924)	(8,895)
Share of (loss) profit of associates	(3,586)	32
Net fair value loss on investments	(1,853)	(560)
Share-based compensation	-	(504)
Loss on disposal of property, plant and equipment	(204)	(59)
Provision for impairment loss of associates	(10,811)	-
Changes in redemption value of put options over non-controlling interests	(9,574)	(275)
Goodwill impairment and intangible assets written off	(7,218)	(1,865)
Impairment of right-of-use asset	(780)	-
Fair value gain on derivative liabilities	27,509	-
Transaction costs from acquisitions of investments	(16,184)	(10,288)
Fees paid for raising financing from institutional investors and preparation of listing of Group on the exchange	(20,424)	(1,091)
Post-merger integration expenses	(18,998)	(4,105)
Restructuring costs	(2,265)	(1,264)
Settlement for contract obligations	(2,077)	-
Others	(1,036)	(4,432)
Loss before income tax	(36,241)	(11,059)
Income tax expense	(6,855)	(4,907)
Loss for the year	(43,096)	(15,966)

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

8. SEGMENT INFORMATION (continued)

(b) Segment revenues and results (continued)

	Depreciation & amortisation		Addition to non-current assets	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Managed care	8,140	41	224,101	-
Network management services	11,223	13,239	9,642	7,977
Primary care services	24,071	12,095	17,874	174,466
Diagnostics, specialty and ancillary care services	18,318	13,544	14,274	45,489
Total	61,752	38,919	265,891	227,932

(c) Other segment information

Secondary information reported to the chief operating decision maker for the purposes of the resource allocation and assessment of segment performance focuses on the regions where services are provided.

The following is the secondary analysis of the Group's revenue, and non-current assets by geographical segments.

	Revenue		Non-current assets	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Head office	-	-	4,980	1,731
Singapore	201,862	202,155	250,786	300,458
Hong Kong	32,065	28,955	49,897	47,422
Indonesia	25,764	20,854	24,107	23,481
China	-	-	77,063	43,670
Philippines	216,855	-	234,569	-
Australia	121,413	83,071	220,664	245,461
Others*	2,124	1,609	223	2,356
Consolidated Total	600,083	336,644	862,289	664,579

*Others include Malaysia and New Zealand

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

9. CASH AND CASH EQUIVALENTS

	2018	2017
	\$'000	\$'000
Cash at bank and on hand	74,758	23,763
Fixed deposits	102,163	34,781
	<u>176,921</u>	<u>58,544</u>

10. TRADE AND OTHER RECEIVABLES

	2018	2017
	\$'000	\$'000
Trade receivables		
- Third parties	237,210	94,330
Less: Loss allowance on trade receivables (Note 29(b))	(6,078)	(37)
Trade receivables - net	<u>231,132</u>	<u>94,293</u>
Accrued revenue	24,783	17,490
Other receivables		
- Third parties	17,336	8,831
- Related parties	85,448	-
- Associates	3,179	765
Less: Loss allowance on other receivables	(195)	-
	<u>105,768</u>	<u>9,596</u>
	<u>361,683</u>	<u>121,379</u>

The average credit period on trade receivables is 30 to 90 days (2017: 30 to 90 days). No interest is charged on the outstanding balance.

Trade receivables from associate are unsecured, interest-free and repayable on demand.

Other receivables from related parties are unsecured, interest-free and repayable in accordance to the agreements.

11. INVENTORIES

	2018	2017
	\$'000	\$'000
Pharmaceutical products and medical supplies held for resale, at cost	<u>4,877</u>	<u>4,118</u>

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

12. OTHER ASSETS

	2018	2017
	\$'000	\$'000
Deposits	9,169	7,636
Prepayments	21,103	5,034
Others	7,843	5,123
	<u>38,115</u>	<u>17,793</u>
Current	33,748	17,405
Non-current	<u>4,367</u>	<u>388</u>

At the end of each reporting period, the carrying amounts of deposits approximate their fair values.

13. INVESTMENTS

	2018	2017
	\$'000	\$'000
Investments at FVPL		
- Quoted funds	8,438	32,567
- Quoted equity securities	1,482	-
- Unquoted equity shares	-	43,568
	<u>9,920</u>	<u>76,135</u>
Investments at FVOCI		
- Quoted equity securities	1,410	-
- Quoted debt securities	12,977	-
	<u>14,387</u>	<u>-</u>
Debt investments at amortised cost	4,210	-
	<u>28,517</u>	<u>76,135</u>
Current	26,880	32,567
Non-current	<u>1,637</u>	<u>43,568</u>

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

13. INVESTMENTS (continued)

- (a) The fair value measurements of investments held at fair value are determined on the following bases:

	2018	2017
	\$'000	\$'000
Quoted prices in active markets	24,307	32,567
Other valuation techniques using unobservable inputs	-	43,568
	<u>24,307</u>	<u>76,135</u>

The fair value of investments which are based on quoted prices in active markets are within Level 1 and 2 of the fair value hierarchy.

- (b) Movements of the unquoted equity investments at FVPL which are valued based on other valuation techniques using unobservable inputs are as follows:

	2018	2017
	\$'000	\$'000
Beginning of financial year	43,568	-
Additions	15,000	40,000
Fair value gain	4,971	3,568
Disposal	(63,539)	-
End of financial year	<u>-</u>	<u>43,568</u>

On 30 November 2018, the Group, through its wholly owned subsidiary, Fullerton Aetas Limited, disposed of the investment after a call option was exercised by a related party to acquire the Group's equity interests in the investee company at a price of \$84,400,000, at terms agreed by the parties.

Upon disposal of the investment, the Group recognised a gain of \$20,861,000 in profit or loss as presented in "Other gains (losses) - net". The gain represents the difference between the carrying value of the assets and the sum of consideration receivable, which may or may not be reflective of the fair value of the assets sold.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2018

14. PROPERTY, PLANT AND EQUIPMENT

	Office furniture, fittings and equipment \$'000	Motor vehicles \$'000	Shop premises \$'000	Renovation \$'000	Total \$'000
2018					
<u>Cost</u>					
Beginning of financial year	81,505	1,307	735	28,878	112,425
Additions	10,987	370	172	5,801	17,330
Acquisition of subsidiaries (Note 32)	2,098	1,381	-	2,396	5,875
Write-offs	(3,855)	(15)	-	(178)	(4,048)
Disposals	(1,011)	(180)	-	(90)	(1,281)
Reclassification to intangible assets (Note 15)	(1,345)	-	-	-	(1,345)
Currency translation differences	(1,671)	21	2	(791)	(2,439)
End of financial year	86,708	2,884	909	36,016	126,517
<u>Accumulated depreciation</u>					
Beginning of financial year	27,348	557	299	10,584	38,788
Depreciation charge	15,088	668	77	5,448	21,281
Write-offs	(2,925)	(14)	-	(135)	(3,074)
Disposals	(753)	(129)	-	(47)	(929)
Reclassification to intangible assets (Note 15)	(767)	-	-	-	(767)
Currency translation differences	(222)	(8)	1	(76)	(305)
End of financial year	37,769	1,074	377	15,774	54,994
<u>Net book value</u>					
End of financial year	48,939	1,810	532	20,242	71,523

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2018

14. PROPERTY, PLANT AND EQUIPMENT (continued)

2017	Office furniture, fittings and equipment	Motor vehicles	Shop premises	Renovation	Total
<u>Cost</u>	\$'000	\$'000	\$'000	\$'000	\$'000
Beginning of financial year	61,032	1,315	712	18,976	82,035
Reclassification to intangible assets (Note 15)	(5,117)	-	-	-	(5,117)
Additions	20,771	59	23	3,450	24,303
Acquisition of subsidiaries (Note 32)	8,335	-	-	5,584	13,919
Write-offs	(1,761)	-	-	-	(1,761)
Disposals	(240)	(67)	-	(66)	(373)
Reclassification	(934)	-	-	934	-
Currency translation differences	(581)	-	-	-	(581)
End of financial year	81,505	1,307	735	28,878	112,425
<u>Accumulated depreciation</u>					
Beginning of financial year	16,867	481	294	6,806	24,448
Reclassification to intangible assets (Note 15)	(183)	-	-	-	(183)
Depreciation charge	12,746	95	5	3,869	16,715
Write-offs	(1,761)	-	-	-	(1,761)
Disposals	(204)	(19)	-	(91)	(314)
Currency translation differences	(117)	-	-	-	(117)
End of financial year	27,348	557	299	10,584	38,788
<u>Net book value</u>					
End of financial year	54,157	750	436	18,294	73,637

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

15. GOODWILL AND INTANGIBLE ASSETS

(a) Goodwill arising from consolidation

	2018	Restated 2017
	\$'000	\$'000
<u>Cost and net book value</u>		
Beginning of financial year	358,959	262,047
Goodwill from the acquisition of subsidiaries (Note 32)	111,804	98,233
Impairment of goodwill	(2,281)	-
Currency translation differences	(4,375)	(1,321)
End of financial year	<u>464,107</u>	<u>358,959</u>

Impairment tests for goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

Goodwill is allocated to the Group's subsidiaries which are also the cash-generating-units ("CGU"). A segment-level summary of the goodwill allocation is as follows:

	2018	Restated 2017
	\$'000	\$'000
Managed care and network management services	201,059	108,863
Primary care services	90,063	113,750
Diagnostics, specialty and ancillary services	<u>172,985</u>	<u>136,346</u>

The recoverable amount of the CGU was determined based on value-in-use calculations. These calculations require the use of estimates. Cash flow projections used in the value-in-use calculations were determined by management covering a five-year period.

Inherent to the value-in-use calculations of goodwill are certain estimates and judgements, including management's plans and projections with regard to the Group's operations. Where additional information becomes available or where changes to management's strategies arise, the conclusion from impairment assessment of goodwill could change.

Key assumptions used for value-in-use calculations:

	Managed care and network management services	Primary care services	Diagnostics, specialty and ancillary services
2018			
Average annual growth rate for next five years	1%-4%	3%-7%	5%-9%
Terminal growth rate	2%	2%-3%	2%-3%
Discount rates	7%-11%	9%-14%	8%-14%

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

15. GOODWILL AND INTANGIBLE ASSETS (continued)

(a) Goodwill arising from consolidation (continued)

	Managed care and network management services	Primary care services	Diagnostics, specialty and ancillary services
2017			
Average annual growth rate for next five years	4%-14%	2%-10%	10%-15%
Terminal growth rate	2%	2%-3%	2%-4%
Discount rates	7%-8%	8%-12%	8%-16%

The cash flow projections and gross margin were determined by management based on past performance, its expectations of the market development and planned operating strategies.

The terminal growth rate is used to extrapolate cash flows beyond the budget period and does not exceed the long-term average growth rate for the country in which the respective CGUs operate. The discount rate used reflects specific risks relating to the CGUs.

Based on the impairment test performed by management, no impairment loss has been recognised as the recoverable amounts of the CGUs are higher than its carrying amount. Any reasonable change in the assumptions used in the cash flow projections will not result in an impairment of the goodwill.

In 2018, management has identified that a reasonably possible change in the below key assumptions on revenue growth could cause the carrying amount to exceed the recoverable amount to be equal to the carrying amount. A further decrease in the growth margin by 1% would result in the recoverable amount of one CGU in Australia, Hong Kong and Indonesia respectively to be equal to its carrying amount. A further decrease in the growth margin by 3% would result in the recoverable amount of one CGU in Indonesia to be equal to its carrying amount. Impairment loss was recognised in relation to the goodwill in a CGU in Malaysia of \$2,281,000 (2017: \$Nil).

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

15. GOODWILL AND INTANGIBLE ASSETS (continued)

(b) Other intangible assets

	Customer relationships and book order \$'000	Branding and trademark \$'000	Operating rights and distribution networks \$'000	Total \$'000
2018				
<u>Cost</u>				
Beginning of year	38,685	6,797	2,368	47,850
Additions	-	411	1,479	1,890
Acquisition of subsidiaries	-	47,237	62,897	110,134
Currency translation differences	(893)	1,077	1,206	1,390
End of the financial year	37,792	55,522	67,950	161,264
<u>Accumulated amortisation</u>				
Beginning of the financial year	26,285	1,813	-	28,098
Amortisation charge	6,197	2,595	4,440	13,232
Currency translation differences	(760)	15	(33)	(778)
End of financial year	31,722	4,423	4,407	40,552
Net book value	6,070	51,099	63,543	120,712
	Customer relationships and book order \$'000	Branding and trademark \$'000	Operating rights and distribution networks \$'000	Total \$'000
2017 (Restated)				
<u>Cost</u>				
Beginning of year	38,803	6,797	-	45,600
Acquisition of subsidiaries	-	-	2,368	2,368
Currency translation differences	(118)	-	-	(118)
End of the financial year	38,685	6,797	2,368	47,850
<u>Accumulated amortisation</u>				
Beginning of the financial year	19,562	1,133	-	20,695
Amortisation charge	6,723	680	-	7,403
End of financial year	26,285	1,813	-	28,098
Net book value	12,400	4,984	2,368	19,752

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

15. GOODWILL AND INTANGIBLE ASSETS (continued)

(b) Other intangible assets

The valuations of the customer relationships, branding and book orders are arrived at using the Income Approach. In determining their values under this approach, cash flow projections over the estimated useful lives of 3 to 15 years (2017: 3 to 5 years), prepared by management, are used and a discount rate applied to the projections. The discount rate used is pre-tax and ranges from 8.3% to 15.6 % (2017: 7.7% to 12.6%) per annum and reflects specific risks relating to the relevant business operations.

(c) Software

	2018	2017
	\$'000	\$'000
<u>Cost</u>		
Beginning of year	12,478	4,544
Reclassification from property, plant and equipment (Note 14)	1,345	5,117
Additions	5,599	4,937
Intangible assets written off	(4,946)	(1,865)
Currency translation differences	(309)	(255)
End of the financial year	<u>14,167</u>	<u>12,478</u>
 <u>Accumulated amortisation</u>		
Beginning of year	2,653	1,770
Reclassification from property, plant and equipment (Note 14)	767	183
Amortisation charge	2,428	886
Intangible assets written off	(9)	-
Currency translation differences	(10)	(186)
End of financial year	<u>5,829</u>	<u>2,653</u>
 Net book value	<u><u>8,338</u></u>	<u><u>9,825</u></u>

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

16. INVESTMENT IN SUBSIDIARIES

(a) Details of subsidiaries are as follows:

<u>Name of subsidiary</u>	<u>Principal activities</u>	<u>Country of business/ incorporation</u>	<u>Effective equity holding</u>	
			2018 %	2017 %
Navitas Limited	Investment holding	Cayman Islands	100	100
Primus Vista Holdings Limited	Investment holding	Cayman Islands	100	100
Fullerton Health China Corporation Limited	Investment holding	Cayman Islands	100	100
Fullerton Healthcare Group Pte. Limited	Provision of medical benefits management services	Singapore	100	100
Fullerton Assistance Pte. Ltd.	Investment holding	Singapore	100	100
Fullerton Health Pte Ltd	Investment holding	Singapore	100	100
Fullerton Health Australia Pty Ltd	Investment holding	Australia	100	93.6
FHC (Greater China) Private Limited	Investment holding	Hong Kong	100	100
FHI Holdings Limited	Investment holding	Hong Kong	100	100

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

16. INVESTMENT IN SUBSIDIARIES (continued)

(a) Details of subsidiaries are as follows: (continued)

<u>Name of subsidiary</u>	<u>Principal activities</u>	<u>Country of business/ incorporation</u>	<u>Effective equity holding</u>	
			2018	2017
<u>Significant subsidiaries held by subsidiaries within the Group</u>				
SC Primus Holdings	Investment holding	Cayman Islands	100	100
Aurum Holdings	Investment holding	Cayman Islands	100	100
Fullerton Aetas Limited	Investment holding	Cayman Islands	100	100
Fullerton Systems & Services Pte. Ltd.	Provision of IT management services, investment holding	Singapore	100	100
Fullerton Systems Pte. Ltd.	Dormant	Singapore	100	100
Fullerton Health Philippines Pte Ltd	Investment holding	Singapore	100	100
A.M. Pharmacy Pte Ltd	Trading and retailing in pharmaceutical products and medical supplies	Singapore	100	100
Gethin-Jones Medical Practice Pte Ltd	Operating clinics and provision of other general medical services	Singapore	100	100
Drs Trythall Hoy Davies (Pte) Ltd	Operating clinics and provision of other general medical services	Singapore	100	100
Fullerton Physio Pte. Ltd.	Investment holding	Singapore	100	100
Fullerton Dental Group Pte. Ltd.	Dormant	Singapore	100	100

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

16. INVESTMENT IN SUBSIDIARIES (continued)

(a) Details of subsidiaries are as follows: (continued)

<u>Name of subsidiary</u>	<u>Principal activities</u>	<u>Country of business/ incorporation</u>	<u>Effective equity holding</u>	
			2018 %	2017 %
Significant subsidiaries held by subsidiaries within the Group				
Drs Horne & Chin Pte Ltd	Operating clinics and provision of other general medical services	Singapore	100	100
HCP Pte Ltd	Trading and retailing in pharmaceutical products and medical supplies	Singapore	100	100
Radlink Asia Pte. Ltd.	Investment holding	Singapore	100	100
Radlink Diagnostic Imaging (S) Pte. Ltd.	Diagnostic imaging services for health screening	Singapore	100	100
Radlink Medicare Pte. Ltd.	Investment holding	Singapore	100	100
Medisol Pte. Ltd.	Diagnostic imaging services for health screening	Singapore	95	75
Medical Imaging Pte. Ltd.	Investment holding	Singapore	100	100
Drs Lim Hoe & Wong Radiology Pte. Ltd.	Diagnostic imaging services for health screening	Singapore	100	100
Radlink Women & Fetal Imaging Pte. Ltd.	Diagnostic imaging services for health screening	Singapore	100	100
Radlink PET and Cardiac Imaging Centre Pte. Ltd.	Diagnostic imaging services for health screening	Singapore	100	100
Radlink (Novena) Pte. Ltd.	Diagnostic imaging services for health screening	Singapore	100	100
Radlink Medicare (Jurong East) Pte. Ltd.	Dormant	Singapore	100	100
Radlink Medicare (Bishan) Pte. Ltd.	Operating clinics and provision of other general medical services	Singapore	70	70
Radlink Medicare (Woodlands) Pte. Ltd.	Dormant	Singapore	70	70
Radlink Medicare (Tampines) Pte. Ltd.	Operating clinics and provision of other general medical services	Singapore	100	100
Drs Thompson & Thomson (Radlink Medicare Pte. Ltd.)	Operating clinics and provision of other general medical services	Singapore	85	85
Clinic 1886 Pte. Ltd.	Dormant	Singapore	100	100

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

16. INVESTMENT IN SUBSIDIARIES (continued)

(a) Details of subsidiaries are as follows: (continued)

<u>Name of subsidiary</u>	<u>Principal activities</u>	<u>Country of business/ incorporation</u>	<u>Effective equity holding</u>	
			2018 %	2017 %
Significant subsidiaries held by subsidiaries within the Group				
Singapore Radio-Pharmaceuticals Pte. Ltd.	Operation of cyclotron equipment, sale of radio-pharmaceutical isotopes and provision of other medical services	Singapore	100	100
The Vascular & General Surgery Centre Pte. Ltd.	Provision of surgical and other general medical services	Singapore	60	60
Alpha Joints & Orthopaedics Pte. Ltd.	Operating clinics and provision of other general medical services	Singapore	60	60
Integrated Health Plans Pte. Ltd.	Establish, develop, promote, manage and provide healthcare plans	Singapore	100	100
Advantage Health Benefits Pte. Ltd.	Administrative services to clinics/corporations in healthcare plans	Singapore	100	100
Corporate Health Services Pte. Ltd.	Provision of administrative services to clinics	Singapore	100	100
Comfort Ambulance & Services Pte. Ltd.	Medical evacuation/ travel medicine services	Singapore	70	70
Citizens Ambulance & Services Pte. Ltd.	Medical evacuation/ travel medicine services	Singapore	70	70
Urban Rehab Pte. Ltd.	Provision of physiotherapy services	Singapore	60	60
Global Assistance & Healthcare (Singapore) Pte. Ltd.	Operating clinics and provision of other general medical services	Singapore	100	100
Global Assistance & Healthcare Holdings Pte. Ltd.	Investment holding	Singapore	100	100
RadLink PET Centre (Gemini) Pte. Ltd.	Diagnostic imaging services for health screening	Singapore	100	100
Orchard Heart Specialist Pte. Ltd.	Operating clinics and provision of other general medical services	Singapore	60	60

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

16. INVESTMENT IN SUBSIDIARIES (continued)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Principal activities	Country of business/ incorporation	Effective equity holding	
			2018 %	2017 %
Significant subsidiaries held by subsidiaries within the Group				
Epione Group Private Limited	Other health services	Singapore	80	80
AME Ambulance Services Pte. Ltd.	Medical evacuation/travel medicine services	Singapore	100	100
Fullerton Health Corporate Services (AUS) Pty Ltd (Formerly Corporate Services Network Pty Ltd)	Third party administrator	Australia	100	93.6
FHA Medical Centres Pty Ltd	Operating clinics and provision of other general medical services	Australia	100	93.6
Jobfit Medical Services Pty Ltd	Investment holding	Australia	100	93.6
International Services Network Pty Ltd	Third party administrator	Australia	100	93.6
Jobfit Health Group Pty Ltd	Operating clinics and provision of other general medical services	Australia	100	93.6
Jobfit Occupational Medicine Pty Ltd	Investment holding	Australia	100	93.6
Queensland Vocational Health Services Pty Ltd	Dormant	Australia	100	93.6
Medicheck Australia Pty Ltd	Operating clinics and provision of other general medical services	Australia	100	74.9
Emerald Medical Pty Ltd	Operating clinics and provision of other general medical services	Australia	100	93.6
Fullerton Allied Health Pty Ltd	Operating clinics and provision of other general medical services	Australia	100	93.6
FHA Primary Care Pty Ltd	Operating clinics and provision of other general medical services	Australia	100	93.6
Baseline Group (Personnel) Pty Ltd	Operating clinics and provision of other general medical services	Australia	100	84.2
Fullerton Health Medical Centres Pty Ltd	Operating clinics and provision of other general medical services	Australia	100	93.6
Evemont Pty Ltd	Operating clinics and provision of other general medical services	Australia	100	93.6

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

16. INVESTMENT IN SUBSIDIARIES (continued)

(a) Details of subsidiaries are as follows: (continued)

<u>Name of subsidiary</u>	<u>Principal activities</u>	<u>Country of business/ incorporation</u>	<u>Effective equity holding</u>	
			2018 %	2017 %
<u>Significant subsidiaries held by subsidiaries within the Group</u>				
Fortwood Pty Ltd	Operating clinics and provision of other general medical services	Australia	100	93.6
Webfield Pty Ltd	Operating clinics and provision of other general medical services	Australia	100	93.6
Cormist Pty Ltd	Operating clinics and provision of other general medical services	Australia	100	93.6
Sunshine Coast Medical Centres Pty Ltd	Operating clinics and provision of other general medical services	Australia	100	93.6
The Maroochydore 7-Day Medical Centre Unit Trust	Operating clinics and provision of other general medical services	Australia	100	93.6
The Kawana Waters 7-Day Medical Centre Unit Trust	Operating clinics and provision of other general medical services	Australia	100	93.6
Sydney Breast Clinic Pty Ltd	Operating clinics and provision of other general medical services	Australia	100	93.6
Healthscope Medical Centres Pty Ltd	Operating clinics and provision of other general medical services	Australia	100	93.6
Jobfit Health Group (NZ) Limited	Operating clinics and provision of other general medical services	New Zealand	100	93.6
Fullerton Healthcare (Hong Kong) Private Limited	Investment holding	Hong Kong	100	100
S.C. Fullerton Healthcare Group Limited	Operating clinics and provision of other general medical services	Hong Kong	60	60
T.H.E. Fullerton Healthcare Group Ltd	Operating clinics and provision of other general medical services	Hong Kong	60	60
FHHK Aurum Limited	Investment holding	Hong Kong	100	100
Health Maintenance Medical Practice Limited	Provision of medical check-up and consultancy services	Hong Kong	80	80
Health Maintenance Management Services Limited	Provision of technical support for dental business	Hong Kong	80	80

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

16. INVESTMENT IN SUBSIDIARIES (continued)

(a) Details of subsidiaries are as follows: (continued)

<u>Name of subsidiary</u>	<u>Principal activities</u>	<u>Country of business/ incorporation</u>	<u>Effective equity holding</u>		
			2018 %	2017 %	
<u>Significant subsidiaries held by subsidiaries within the Group</u>					
HMMP (Dental) Limited	Dental agent, sales of dental products	Hong Kong	80	80	
HM Investment Holding Limited	Investment holding	Hong Kong	80	80	
Fullerton Health Clinic (HK) Holdings Limited	Investment holding	Hong Kong	100	100	
Dr Tony Chun Kit Lee Medical Practice Ltd	Provision of general medical services	Hong Kong	100	100	
Fullerton Health China (Hong Kong) Private Limited	Dormant	Hong Kong	100	100	
Health Maintenance Dental Care Limited	Dental agent, sales of dental products	Hong Kong	80	80	
Washington Health Analytics Limited	Investment holding	Hong Kong	100	100	
Keith Chan Musculoskeletal and Family Medicine Centre Company Limited	Operating clinics and provision of other general medical services	Hong Kong	70	70	
PT E-Tirta Medical Centre	Operating clinics and provision of other general medical services	Indonesia	60	60	
PT Global Assistance & Healthcare	Provision of medical evacuation, assistance services and medical supplies	Indonesia	90	90	
PT Global Assistansi Medika	Operating clinics and provision of other general medical services	Indonesia	66.7	66.7	
PT Fullerton Health Indonesia	Healthcare management consultancy services	Indonesia	100	100	
Corporate Outsource Services Sdn. Bhd.	Administrative services to clinics and companies relating to healthcare plans	Malaysia	100	100	
Fullerton Health Malaysia Sdn Bhd	Investment holding	Malaysia	100	100	

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

16. INVESTMENT IN SUBSIDIARIES (continued)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Principal activities	Country of business/ incorporation	Effective equity holding	
			2018 %	2017 %
Significant subsidiaries held by subsidiaries within the Group				
Veritas Health Holding Sdn Bhd	Investment holding	Malaysia	100	100
Veritas Health Sdn Bhd	Investment holding	Malaysia	100	100
Amalan Asia Jaya Sdn Bhd	Investment holding	Malaysia	51	51
Numedik Healthcare Sdn Bhd	Operating clinics and provision of other general medical services	Malaysia	51	51
Charm Capital Healthcare Sdn Bhd	Operating clinics and provision of other general medical services	Malaysia	51	51
Dr Azlina Healthcare Sdn Bhd	Operating clinics and provision of other general medical services	Malaysia	51	51
Fullerton Health Services (Beijing) Co Ltd	Investment holding	People’s Republic of China	100	100
HMMP Medical (Macau) Limited	Provision of technical support for dental business	Macau	99	99
Fullerton Health Philippines Holdings Corporation (Formerly 8Magnum Inc.)	Investment holding	Philippines	100	-
Asalus Corporation	Developing, maintaining and promoting integrated medical and health maintenance services	Philippines	60	-
Avega Managed Care Inc.	Third party administrator	Philippines	60	-
Aventus Medical Care Inc.	Operating clinics and provision of other general medical services	Philippines	60	-
IN Surgery Pte. Ltd.	Provision of medical consultancy services	Singapore	60	-
IN Medical Pte. Ltd.	Provision of general medical services	Singapore	60	-
The Vein Centre Pte. Ltd.	Provision of medical consultancy services	Singapore	60	-
AAG Fullerton Services Pte. Ltd.	Dormant	Singapore	65	-

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

16. INVESTMENT IN SUBSIDIARIES (continued)

(b) Details of non-wholly owned subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. These are presented before interco-company eliminations.

(i) *Fullerton Health Philippines Pte Ltd "FHPPL" and its subsidiaries*

As at the end of the reporting period, the profit of the Group allocated to the non-controlling interest is \$2,028,000 and the accumulated non-controlling interest is \$48,238,000.

Summarised financial information in respect of FHPPL and its subsidiaries is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2018
	\$'000
Current assets	225,918
Non-current assets	244,525
Current liabilities (Note A)	(330,256)
Non-current liabilities (Note A)	(96,090)
Equity attributable to owners of the Company	4,141
Non-controlling interests	(48,238)

Details of FHPPL and its subsidiaries are as follows:

	2018
	\$'000
Revenue	217,920
Operating expenses	(206,919)
Operating profit	11,001
Non-operating expenses	(7,330)
Profit before tax	3,671
Income tax expense	(4,795)
Loss for the year	(1,124)
Other comprehensive loss	(989)
Total comprehensive income for the year	(2,113)
Total comprehensive loss attributable to owners of the Company	(4,141)
Non-controlling interests	2,028
Total comprehensive loss for the year	(2,113)

Note A: Current liabilities and non-current liabilities include borrowings of \$1,328,000 and \$33,896,000 respectively.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2018

16. INVESTMENT IN SUBSIDIARIES (continued)

(b) Details of non-wholly owned subsidiaries with material non-controlling interests (continued)

(i) Fullerton Health Philippines Pte Ltd "FHPPL" and its subsidiaries

Summarised cashflows

	2018
	\$'000
Cashflows from operating activities	30,857
Cash generated from operations	
Net cash from operating activities	30,857
Net cash used in investing activities	(143,782)
Net cash from financing activities	155,875
Cash and cash equivalents at beginning of the year	-
Cash and cash equivalents at end of year	<u>42,950</u>

(ii) Navitas Limited "Navitas" and its subsidiaries

As at the end of the reporting period, the profit of the Group allocated to the non-controlling interest is \$1,581,000 (2017: \$1,961,000) and the accumulated non-controlling interest is \$1,959,000 (2017: \$2,155,000).

Summarised financial information in respect of Navitas and its subsidiaries is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2018	2017
	\$'000	\$'000
Current assets	40,481	35,998
Non-current assets	44,417	39,142
Current liabilities	(67,066)	(61,367)
Non-current liabilities	(35,949)	(10,291)
Equity attributable to owners of the Company	20,076	(1,327)
Non-controlling interests	<u>(1,959)</u>	<u>(2,155)</u>

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

16. INVESTMENT IN SUBSIDIARIES (continued)

(b) Details of non-wholly owned subsidiaries with material non-controlling interests (continued)

(ii) *Navitas Limited "Navitas" and its subsidiaries*

Details of Navitas and its subsidiaries are as follows:

	2018	2017
	\$'000	\$'000
Revenue	56,653	53,781
Operating expenses	(48,591)	(45,061)
Operating profit	8,062	8,720
Non-operating expenses	(9,346)	(580)
(Loss) profit before tax	(1,284)	8,140
Income tax expense	(2,192)	(740)
(Loss) profit and total comprehensive (loss) income for the year	(3,476)	7,400
(Loss) profit and total comprehensive (loss) income attributable to owners of the Company	(5,057)	5,439
Non-controlling interests	1,581	1,961
(Loss) profit and total comprehensive (loss) income for the year	(3,476)	7,400

Summarised cashflows

	2018	2017
	\$'000	\$'000
Cashflows from operating activities	10,731	4,147
Cash generated from operations		
Income tax paid	(1,036)	(524)
Net cash from operating activities	9,695	3,623
Net cash used in investing activities	(6,199)	(5,590)
Net cash from financing activities	(1,815)	3,731
Cash and cash equivalents at beginning of the year	5,682	3,918
Cash and cash equivalents at end of year	7,363	5,682

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

17. INVESTMENT IN ASSOCIATES

(a) Details of associates are as follows:

	2018	2017
	\$'000	\$'000
Unquoted equity shares at cost	54,060	26,827
Fair value of put options over associate (at inception)	39,642	16,489
Share of post-acquisition reserves	(3,232)	354
Currency translation	(2,116)	-
Provision for impairment loss	(10,811)	-
	<u>77,543</u>	<u>43,670</u>

On 30 July 2018, the Group participated in an optional capital call via subscription to new shares in an associate, Fullerton Health China Limited ("FHCL") and invested to the total principal investment amounts to \$27,233,000 (US\$20,000,000). FHCL also issued 25% of its total share capital to another corporate investor in exchange for intangible benefits including partnerships and collaboration through the branding and network of the corporate investor in People's Republic of China. As a result, the Group's shareholding in the associated company decreased from 40.0% to 33.3%.

Set out below are the associated companies of the Group as at 31 December 2018.

Name of associated company	Principal activities	Country of incorporation	Equity holdings	
			2018	2017
			%	%
FC Dental Pte Ltd	Operating dental clinics	Singapore	20	20
Town Hall Clinic Pte Ltd	Operating clinics and the provision of other general medical services	Singapore	30	30
Fullerton Health China Limited	Investment holding	Cayman Islands	33.3	40

All the above associates are accounted for using the equity method in these consolidated financial statements.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

17. INVESTMENT IN ASSOCIATES (continued)

(b) Details of material associates

Summarised financial information in respect of the Group's material associate, is set out below.

Fullerton Health China Limited

	2018	2017
	\$'000	\$'000
Current assets	35,347	63,987
Non-current assets	80,519	2
Current liabilities	(3,732)	(794)
	2018	2017
	\$'000	\$'000
Revenue	1,477	-
Loss after tax	(10,893)	-

In 2017, the acquisition of the associate was completed immediately prior to the end of the year, hence the share of profit or loss of the associate is not material to the Group.

Reconciliation of the summarised financial information presented, to the carrying value of the Group's investment in associates, is as follows:

	Fullerton Health China Limited ("FHCL")	
	2018	2017
	\$'000	\$'000
Net assets	112,134	63,195
Portion of the Group's ownership	33.3%	40%
Group's share of net assets	37,378	25,278
Add:		
Put options over associate	39,642	16,489
Translation gain	-	1,388
Carrying value	77,020	43,155

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

18. TRADE AND OTHER PAYABLES

	2018	Restated
	\$'000	2017
	\$'000	\$'000
<u>Trade payables</u>		
- Third parties	62,899	44,907
- Associates	192	303
	<u>63,091</u>	<u>45,210</u>
 <u>Other liabilities</u>		
- Customer deposits	6,921	-
- Accrued expenses and other payables	79,561	59,849
	<u>86,482</u>	<u>59,849</u>
 <u>Non-trade payables:</u>		
- Contingent consideration payable	17,905	18,787
- Deferred consideration payable	12,067	2,020
- Bond interest payable	-	1,688
	<u>179,545</u>	<u>127,554</u>
Less: Amount due for settlement after 12 months (Note 24)	<u>(19,840)</u>	<u>(10,675)</u>
	<u>159,705</u>	<u>116,879</u>

Contingent and deferred consideration payable are unsecured and interest-free.

Contingent consideration are amounts payable on subsidiaries achieving certain profit targets in future periods. Deferred consideration are amounts payable for a period subsequent to the acquisition date. The terms are defined in the respective sale and purchase agreements.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

19. INSURANCE CONTRACT PROVISIONS

	2018
	\$'000
Unearned premiums	120,588
Provision for IBNR claims	15,454
Claims payable	12,405
Total insurance contract provisions	<u>148,447</u>

Unearned premiums pertain to amounts billed to customers but not yet earned.

Provision for claims IBNR pertains to claims incurred but not settled as at 31 December 2018. The estimated timing of cash outflows relating to the provision is within 6 months.

Claims payable arising from insurance contracts are non-interest bearing and are generally within the credit term of 30 to 90 days.

The reconciliation of unearned premiums is shown below:-

	2018
	\$'000
Beginning of the year	-
Acquisition of subsidiary (Note 32)	133,563
Premiums written	188,111
Premiums earned	(204,066)
Currency translation differences	2,980
End of the year	<u>120,588</u>

Reconciliation of provisions for IBNR claims

	2018
	\$'000
Beginning of the year	-
Acquisition of subsidiary (Note 32)	18,349
Change in provision	(3,300)
Currency translation differences	405
End of the year	<u>15,454</u>

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

20. RIGHT OF USE ASSETS

	2018	Restated 2017
	\$'000	\$'000
Right of use assets	114,062	110,732

The Group leases assets including clinic and office space predominantly for the provision of medical services. Information about leases for which the Group is a lessee is presented below.

	2018	Restated 2017
	\$'000	\$'000
Balance at 1 January	110,732	29,728
Depreciation charge for the year	(24,811)	(13,915)
Additions	30,974	94,919
Impairment of right of use assets	(780)	-
Disposal during the year	(2,053)	-
Balance at 31 December	114,062	110,732

21. LEASE LIABILITIES

	2018	Restated 2017
	\$'000	\$'000
Maturity analysis		
Less than one year	27,539	24,268
One to five years	73,153	75,178
More than five years	54,915	64,034
Total undiscounted lease liabilities at 31 December	155,607	163,480
Present value of leases liabilities	121,089	116,290
Less: Current	(23,271)	(12,829)
Non-current	97,818	103,461

Amounts recognised in profit or loss

	2018	2017
	\$'000	\$'000
Interest on lease liabilities	6,408	3,118
Expenses relating to short-term leases	2,418	1,670

Total cash outflow for leases during the year is \$29,411,000 (2017: \$16,557,000).

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

22. BANK BORROWINGS

	2018	2017
	\$'000	\$'000
Unsecured bank borrowings	108,161	68,588
Less: Amount due for settlement within 12 months (shown under current liabilities)	(56,165)	(51,650)
Amount due for settlement after 12 months	<u>51,996</u>	<u>16,938</u>

The Group has five (2017: four) outstanding term loans at the end of the financial year, comprising loans with maximum available committed facilities of \$ 128,500,000 (2017: \$62,600,000). The loans are repayable over one to five years, by bullet and quarterly instalments and bear interest ranging from 4.32% to 4.98% (2017: 2.41% to 3.26%).

The Group has four (2017: four) outstanding bank revolving credit facilities at the end of the financial year, comprising loans with maximum available committed facilities of \$26,000,000 (2017: \$55,000,000). The loans bear interest ranging from 3.39% to 4.07% (2017: 2.41% to 3.26%).

At the end of each reporting period, the carrying amounts of bank borrowings approximate their fair values.

23. DERIVATIVE LIABILITIES

	2018	2017
	\$'000	\$'000
Beginning of the year	45,070	-
Written put options granted to corporate investors of an associate [Note (a)]	23,153	16,489
Derivative liability with shareholder of the Group [Note (b)]	-	28,581
Reversal of derivative liability	(28,581)	-
Fair value changes during the year	1,072	-
End of the year	<u>40,714</u>	<u>45,070</u>
Current	-	28,581
Non-current	<u>40,714</u>	<u>16,489</u>

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

23. DERIVATIVE LIABILITIES (continued)

- (a) In 2017, the Group has granted a put option to a corporate investor of Fullerton Health China Limited ("FHCL").

In 2018, the Group granted two additional put options to two corporate investors of FHCL. The put options granted provide the corporate investors the right to require the Group to acquire shares owned by them after 31 March 2022.

The cost of the Group's investment in the associate includes the initial fair value of put option granted to the corporate investors. Prior to the exercise of the put option, the derivative liabilities resulting from the put options will be recorded in the consolidated statement of financial position at the fair value. At the end of each financial reporting period, any changes to the derivative liabilities arising from changes in the fair value of the put option will be recognised in profit or loss.

- (b) The Convertible Shares issued includes an embedded derivative relating to certain agreed performance measures which requires the Group to meet. The derivative liability was measured on initial recognition at fair value and subsequent changes in the fair value will be recognised in profit or loss.

In 2018, the derivative liability was de-recognised and a gain was recorded in profit or loss given that the performance measures of the Group was considered to be met based and it required significant judgement by management as disclosed in Note 3 and Note 8. Refer Note 26(a) for further details regarding the Convertible Shares.

24. OTHER LONG-TERM LIABILITIES

	2018	2017
	\$'000	\$'000
Restoration cost	2,532	2,212
Contingent consideration payable	6,736	4,138
Deferred consideration payable	9,348	900
Amount due to associated companies	-	808
Others	1,224	2,617
	<u>19,840</u>	<u>10,675</u>

A provision for restoration cost is recognised when the Group enters into lease agreements for premises. It includes the estimated cost of demolishing and removing all the leasehold improvements made by the Group to the premises.

The non-trade payables due to the vendors of the subsidiaries shares are unsecured and interest-free. These amounts are payable on certain subsidiaries achieving certain profit targets in future periods as defined in the respective sale and purchase agreements.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

25. SENIOR UNSECURED GUARANTEED BONDS

	2018	2017
	\$'000	\$'000
Beginning of the year	98,242	97,843
Amortisation of issuance cost charged to profit or loss	318	399
End of the year	<u>98,560</u>	<u>98,242</u>

On 7 July 2016, the Company issued senior unsecured guaranteed bonds totalling \$100 million in the Singapore Exchange Securities Trading Limited ("SGX-ST"), comprising \$50 million due in July 2021 and \$50 million due in July 2023 (interest payable semi-annually in arrears). The effective interest rates of these bonds approximate 3.73% (maturing 2021) and 4.04% (maturing 2023) per annum. The bonds are unconditionally and irrevocably guaranteed by Credit Guarantee & Investment Facility, a trust fund of the Asian Development Bank.

The fair value of the bond as at 31 December 2018 is \$100,174,000 (2017: \$101,300,000), as quoted in the Singapore Exchange Securities Trading Limited ("SGX-ST").

The fair value is within level 1 of the fair value hierarchy.

26. (a) SHARE CAPITAL AND SHARE PREMIUM

There was no movement in share capital and share premium for the year ended 2018.

	2017			
	Number of ordinary shares	Number of convertible shares	Share Capital And Premium \$'000	Convertible shares \$'000
				Total \$'000
Issued and paid up:				
At the beginning of the year	562,289,858	-	253,321	-
Net proceeds from issuance of new shares	-	94,488,056	-	102,699
Redemption of Restricted Share Plans	(11,935,456)	-	(17,444)	-
Share buy back	(29,800,000)	-	(41,056)	-
At the end of the year	<u>520,554,402</u>	<u>94,488,056</u>	<u>194,821</u>	<u>102,699</u>

Fully paid ordinary shares have a par value of US\$0.000333 per share and a right to dividends as and when declared by the company.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

26. (a) SHARE CAPITAL AND SHARE PREMIUM (continued)

Convertible Shares have all the same rights to vote and receive dividends as ordinary shares and the following additional conditions:

The Convertible Shares shall be automatically and mandatorily converted into ordinary shares on a 1:1 ratio:

- a. On or close to the date of pricing of an IPO; or
- b. Where the holder has not exercised its right to the clawback, on the date falling immediately after the expiry of the clawback period; or
- c. Where the holder has exercised its right to the clawback as certain performance measures of the consolidated Group have not been met, upon payment of the Clawback Liability (see Note 23).

The holder of the Convertible Shares has a veto right to stop an IPO of the Company that does not result in an implied internal rate of return of at least 25% on the upfront investment amount, which was \$135,866,000. The upfront investment amount was split between the embedded derivative liability at Note 23 and the amount included in equity as Convertible Shares.

- (i) On 4 July 2017, the Company bought back 29,800,000 shares from a corporate investor for a consideration of \$41.0 million. The shares were subsequently cancelled.
- (ii) On 24 November 2017, the Company issued 94,488,056 new convertible shares for a total consideration of \$135.9 million, with \$34.0 million used to settle the buyback of RSP shares and encashment of employee share options (Note 26(c)).
- (iii) In December 2017, the Company bought back 11,935,458 shares which had previously been issued under the Company's RSP scheme (Note 26(c)) for a consideration of \$17.4 million. The shares were subsequently cancelled.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

26. (b) CONVERTIBLE PREFERENCE SHARES

	2018	
	Number of convertible preference shares	Convertible preference shares \$'000
Issued and paid up:		
At the beginning of the year	-	-
Net proceeds from issuance of convertible preference shares	250,000,000	328,931
Distribution to convertible preference shareholders	-	(6,488)
End of the year	250,000,000	322,443

In 2018, the Company issued Convertible Preference Shares ("CPS") of US\$250,000,000 (\$328,931,000) to a corporate investor where the shares shall be automatically and mandatorily converted into ordinary shares at agreed exit events defined in the shareholders' agreement. The shares are entitled to dividends at the rate of 6.25% per annum. The convertible preference shares are redeemable in whole, but not in part, at the Group's option in May 2020. If they are not redeemed in May 2020, the dividend rate for the convertible preference shares will be step-up from the prevailing 6.25% to 13%.

During the financial year, distributions amounting to US\$4,684,760 (\$6,488,000) were made to convertible preference shareholders.

26. (c) SHARE-BASED COMPENSATION PLANS

The Group operates the following share-based compensation plans:

(i) Fullerton Healthcare Group Pte Limited ("FHG") Share Option Plan ("SOP")

The SOP in respect of unissued ordinary shares in the capital of FHG is administered by the Remuneration Committee (the "RC"). Share options are granted to directors and employees within the Group and affiliates of the Group under the SOP. The FHG share options are convertible into the Company's ("FHC") share options or if they are vested, the FHG ordinary shares are convertible into FHC ordinary shares.

No options granted by FHG under the SOP were exercised during the financial period.

Under the SOP, share options are granted to full-time confirmed employees of FHG or its subsidiaries who are employed as at the date of grant of options (the "Date of Grant") and who have attained the age of 18 years on or before the Date of Grant.

The options are vested approximately three years after the Date of Grant upon the occurrence of an "Exit Event", and are exercisable over a period of 8 years from Date of Grant. An Exit Event occurs when there is a change in control, lodgement of the Prospectus with Monetary Authority of Singapore or voluntary winding up.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

26. (c) SHARE-BASED COMPENSATION PLANS (continued)

In 2017, the Company encashed and cancelled 17,289,699, equivalent to 20% of the outstanding share options with a total payment to option holders of \$16.1 million. The cash payment reflected the fair value of the options at repurchase date. Therefore, the encashment of the fully vested equity settled share-based payments is accounted for as a deduction from equity.

(ii) Fullerton Healthcare Group Pte Limited Restricted Share Plan ("RSP")

The RSP awards fully paid-up ordinary shares in FHG, free of payment, to selected directors and senior management of FHG and its subsidiaries.

The selection of a participant and the number of shares granted, pursuant to the RSP, shall be determined at the discretion of the Remuneration Committee. The RSP units have a vesting period of approximately three years, upon the occurrence of the Exit Event referred to in 26(c)(i). The FHG RSP units are convertible into FHC RSP units or if they are vested, the FHG ordinary shares are convertible into FHC ordinary shares.

The Remuneration Committee is authorised to grant RSP units and to allot and issue from time to time such number of fully paid-up shares as may be required to be allotted and issued pursuant to the vesting of Awards under the respective plans. The aggregate number of awards granted under the RSP, which may be issued pursuant to Awards, shall not exceed 30% of the total number of issued shares of the Company from time to time on the day preceding that date.

In 2017, the Company encashed and cancelled 11,935,456 of outstanding restricted shares that were previously converted to ordinary share capital with a total payment to these holders amounting to \$17,444,393. The cash payment reflected the fair value of the ordinary shares at repurchase date.

(iii) Fullerton Healthcare Corporation Limited Performance Stock Grant to Founders ("PSG")

The PSG awards ordinary shares in the company, free of payment, to founders of the company, and are subjected to clawback unless specific performance targets are achieved over a 3 year period. The fair value of the PSG granted on 23 April 2015 was \$4,537,000 determined based on the share price of \$1,936. No PSG awards were granted in 2018 (31 December 2017: \$Nil).

There is no expense recognised during the year with respect to the SOP and RSP.

There is no expense recognised during the year with respect to the PSG (2017: \$504,000).

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

27. PERPETUAL SECURITIES

On 6 April 2017, the Company issued senior perpetual securities (the "Securities") with an aggregate principal amount of US\$175,000,000 (\$236,097,143). Incremental cost incurred amounting to \$3,950,323 incurred were recognised in equity as a deduction from proceeds.

Holders of the Securities are conferred a right to receive distribution on a semi-annual basis from their issue date at the rate of 7% per annum, subject to a step-up rate from 6 April 2020.

The Securities have no fixed maturity and are redeemable in whole, but not in part, at the Group's option on 6 April 2020 (the "First Call Date") or any distribution payment date after the First Call Date at their principal amounts together with any distribution accrued to the date fixed for redemption. If the securities are not redeemed in April 2020, the dividend rate for the senior perpetual securities will be step-up from the prevailing 7% to approximately 13%. While any distributions are unpaid or deferred, the Group will not declare, pay dividends or make similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank.

Subject to the relevant terms and conditions in the offering memorandum, the Company may elect to defer making distributions on the perpetual securities and is not subject to any limits as to the number of times a distribution can be deferred.

As a result, the Company is considered to have no contractual obligations to repay its principal or to pay any distributions and the perpetual securities do not meet the definition for classification as a financial liability under IAS 32 *Financial Instruments: Disclosure and Presentation*. The whole instrument is presented within equity, and distributions are treated as dividends.

During the financial year, distributions amounting to US\$12,250,000 (\$16,413,000) [2017: US\$6,125,000 (\$8,345,000)] were made to perpetual securities holders.

These perpetual securities were issued for the Group's general corporate purposes as well as to finance capital expenditure and the expansion of its business.

The fair value of the bond as at 31 December 2018 is US\$153,269,000 (\$223,712,000) [2017: US\$174,300,000 (\$231,819,000)], as quoted in the Singapore Exchange Securities Trading Limited ("SGX-ST").

The fair value is within Level 1 of the fair value hierarchy.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

28. PUT OPTIONS OVER NON-CONTROLLING INTERESTS

	2018	2017
	\$'000	\$'000
Beginning of the year	25,185	-
Put options arising from business combinations	4,540	24,910
Changes in redemption value during the year (Note 6)	9,574	275
Exercise of written put option by non-controlling interest	(3,348)	-
End of the year	<u>35,951</u>	<u>25,185</u>
Current	-	2,440
Non-current	<u>35,951</u>	<u>22,745</u>

The Group granted put options to the non-controlling interest holders of certain subsidiaries to sell their respective interests to the Group. The put options granted to non-controlling interests are exercisable by the minority shareholders at certain points in the future.

These put options give rise to liabilities which are recorded at the present value of the expected redemption amount (the present value of the expected exercise price of the put options). The exercise price of the put options is to approximate fair value of the non-controlling interest to be acquired at the point of exercise and is estimated using models based on forecast revenue and earnings of the subsidiaries. On initial recognition of the redemption amount liabilities, the corresponding debit has been recorded in equity.

The put option liabilities are remeasured each period based on the latest assessment of the expected redemption amount, with remeasurements taken to profit or loss.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

29. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

(a) Market risk

(i) *Currency risk*

At the end of the reporting period, the carrying amounts of significant monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

	Liabilities		Assets	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
United State dollars	3,165	1,245	7,584	3,224

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans where they gave rise to an impact on the Group's profit or loss and/or equity.

If the relevant foreign currency changes by 10% against the functional currency of each Group entity, profit or loss and other equity will change by:

	United States dollars impact	
	2018	2017
	\$'000	\$'000
Profit or loss	442	198

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

29. FINANCIAL RISK MANAGEMENT (continued)

(ii) *Interest rate risk*

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.

As at 31 December 2018 and 2017 the Group's interest rate risk mainly arises from bank borrowings, which are at floating rates of interest pegged to Singapore Swap Offer Rate ("SOR") and Singapore Interbank Offered Rate ("SIBOR") plus margin.

The Group has not entered into any interest rate hedging for its bank borrowings.

Interest rate sensitivity analysis - Group

If interest rates increase/decrease by 0.5% (2017: 0.5%) with all other variables including tax rate being held constant, the profit or loss for the Group will be lower/higher by \$1,034,000 (2017: \$834,000) as a result of higher/lower interest expense on these borrowings.

(b) *Credit risk*

The Group adopts the policy of dealing only with customers of appropriate credit history. For other financial assets, the Group adopts the policy of dealing with financial institutions and other counterparties with high credit rating assigned by international credit-rating agencies.

The maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial instruments presented on the balance sheet. The Group's major classes of financial assets are bank deposits, trade and other receivables and debt investments.

The Group's credit risk exposure in relation to trade receivables at the end of the reporting period are set out in the provision matrix as follows:

31 December 2018	Trade receivables – days past due					Total
	Current	0 to 90 days	91 to 180 days	181 to 365 days	More than 365 days	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group						
Expected credit loss rate	0.3%	1.2%	4.2%	10.6%	30.9%	2.6%
Trade receivables	129,368	67,686	19,658	11,300	9,198	237,210
Loss allowance	(393)	(811)	(830)	(1,202)	(2,842)	(6,078)
						<u>231,132</u>

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

29. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The movements in credit loss allowance are as follows:

	2018
	\$'000
Beginning of the year	37
Acquisition of subsidiary	4,057
Charge for the year	2,412
Written back	(267)
Written off	(241)
Currency translation differences	80
End of the year	<u>6,078</u>

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

29. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

The table below analyses the Group's financial liabilities into relevant maturity Groupings based on the remaining period from the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 - 3 years	Between 3 - 5 years	Over 5 years	Total Contractual cash flow	Carrying amount
At 31 December 2018						
Trade and other payables	159,705	-	-	-	159,705	159,705
Bank borrowings	56,158	27,787	18,933	5,283	108,161	108,161
Insurance contract provisions	148,447	-	-	-	148,447	148,447
Senior unsecured guaranteed bonds*	-	50,000	50,000	-	100,000	98,560
Leases liabilities*	27,539	43,506	29,647	54,915	155,607	121,089
Derivative liabilities	-	-	40,714	-	40,714	40,714
Put options over non-controlling interests	-	626	35,325	-	35,951	35,951
Other long-term liabilities	-	19,466	374	-	19,840	19,840
	<u>391,849</u>	<u>141,385</u>	<u>174,993</u>	<u>60,198</u>	<u>768,425</u>	<u>732,467</u>

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2018

29. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

	Less than 1 year	Between 1 - 3 years	Between 3 - 5 years	Over 5 years	Total Contractual cash flow	Carrying amount
At 31 December 2017	\$'000	\$'000		\$'000	\$'000	\$'000
Trade and other payables	116,879	-	-	-	116,879	116,879
Bank borrowings	51,650	16,938	-	-	68,588	68,588
Senior unsecured guaranteed bonds*	3,375	66,875	-	51,689	121,939	98,242
Leases liabilities*	24,268	38,295	36,883	64,034	163,480	123,739
Derivative liabilities	28,581	-	16,489	-	45,070	45,070
Put options over non- controlling interests	2,440	775	21,970	-	25,185	25,185
Other long term liabilities	-	10,675	-	-	10,675	10,675
	<u>227,193</u>	<u>133,558</u>	<u>75,342</u>	<u>115,723</u>	<u>555,816</u>	<u>488,378</u>

* The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2018, borrowings of the Group amounted to \$206.7 million consisting of bank borrowings of \$108.2 million and senior unsecured guaranteed bonds of \$98.5 million. The Group recorded a loss of \$43.1 million (2017: \$16.0 million). Of the total borrowings, \$56.2 million are due in 2019 and \$20.7 million are due in 2020.

In addition, the perpetual securities as disclosed under Note 27, with principal amount of \$236.1 million are redeemable in whole, but not in part, at the Group's option in April 2020. If they are not redeemed in April 2020, the dividend rate for the perpetual securities will step-up from the prevailing 7% to approximately 13%. Also, the convertible preference shares as disclosed under Note 26(b) with principal amount of \$328.9 million are redeemable in whole, but not in part, at the Group's option in May 2020. If they are not redeemed in May 2020, the dividend rate for the convertible preference shares will step-up from the prevailing 6.25% to 13%.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2018

29. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

Management has assessed that the Group will have sufficient cash to fulfil obligations at the relevant repayment dates and is confident in obtaining the additional sources of funds from:

- (i) Financial support, including collection of receivables from its related party
- (ii) Raising additional credit facilities from financial institutions
- (iii) Potentially raising additional equities from investors
- (iv) Continued support from the suppliers, creditors and financial institutions in relation to the credit facilities made available to the Group
- (v) Divestment of certain non-core investments held by the Group

As a result, the management concludes that no material uncertainty exists over the Group's ability to continue as a going concern.

(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, obtain new borrowings or sell assets to reduce borrowings.

The Group's current strategy remains unchanged from the previous financial year. The Group is in compliance with externally imposed capital undertakings for the financial years ended 31 December 2018 and 31 December 2017. Externally imposed capital undertakings are mainly debt covenants included in certain loans of the Group requiring the Group to maintain gearing ratio, debt to equity ratio and debt service coverage ratio of not exceeding 4.00 times, 1.00 times and exceeding 1.50 times respectively.

The Group is in compliance with all externally imposed capital requirements.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2018

29. FINANCIAL RISK MANAGEMENT (continued)

(e) Financial instruments by category

The aggregate carrying amounts of financial assets and liabilities are as follows:

	2018	2017
	\$'000	\$'000
Financial assets		
Amortised cost	559,826	192,294
Fair value through profit or loss	9,920	76,135
Fair value through other comprehensive income	14,387	-
Financial liabilities		
Amortised cost	655,802	418,123
Fair value through profit or loss	76,665	70,255

(f) Fair value of financial assets and financial liabilities

The Group determine fair values of various financial assets and financial liabilities in the following manner:

Fair value of the Group's financial assets and liabilities that are measured at fair value on recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2018

29. FINANCIAL RISK MANAGEMENT (continued)

Financial assets (liabilities)	Fair value as at (S\$'000)		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2018	2017				
	Assets (liabilities)					
(i) Put options over associate	(40,714)	(16,489)	Level 3	Binomial Pricing Model	Long term adjusted EBITDA forecast of associate, taking into account management's experience and knowledge of market condition in the medical industry.	Any increase in EBITDA will cause the fair value of the put options to decrease in the fair value.
(ii) Derivative liability - Clawback Liability	-	(28,581)	Level 3	The fair value of the Clawback Liability is measured using a probability weighted expected return method.	Short term adjusted EBITDA for the Group, taking into account management's experience and knowledge of the Group, and the market condition in the medical industry. Discount rate of 4.55% per annum.	Any increase in EBITDA will cause the fair value of the derivative liability to decrease. Any decrease in discount rate will cause an increase in the fair value of the put options.
(iii) Private equity investment	-	43,568	Level 3	The fixed rate of return associated with the investment in private equity instruments, ranges from 10% to 12%.	Not applicable.	Not applicable.

The fair value of contingent and deferred consideration in a business combination is estimated based on a discounted cash flow method used to capture the present value of expected payments that would be required if the subsidiaries' profit targets are met in 2020 (Notes 18 and 24).

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2018

30. HOLDING CORPORATION

The Company's holding corporation and ultimate holding corporation is SC Sanitas Holdings Limited, incorporated in the Cayman Islands.

31. RELATED PARTY TRANSACTIONS

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

	2018	2017
	\$'000	\$'000
<u>Transactions with related parties</u>		
Acquisition cost incurred on behalf of a related party	-	4,786
Management fees expense	17,195	7,897
Rental expense	1,409	576
Sale of investment to a related party (Note 13)	(84,400)	-
Reimbursement of expenses by a related party	(830)	(1,226)
Management fee income from an associate	(2,300)	-
Revenue	(15)	(10)

The financial asset at fair value through profit or loss disclosed in Note 29(f) was held with a related party.

On 30 November 2018, the Group, through its wholly owned subsidiary, Fullerton Aetas Limited, disposed of the investment after a call option was exercised by a related party to acquire the Group's equity interests in the investee company at a price of \$84,400,000, at terms agreed by the parties.

Upon disposal of the investment, the Group recognised a gain of \$20,861,000 in profit or loss as presented in "Other gains and losses - net". The gain represents the difference between the carrying value of the assets and the sum of consideration receivable, which may or may not be reflective of the fair value of the assets sold.

Related party refers to a company with common directors and common shareholders.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2018

31. RELATED PARTY TRANSACTIONS (continued)

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2018	2017
	\$'000	\$'000
Wages and salaries (including post-employment benefits)	2,801	4,947
Share-based compensation	-	504
	<u>2,801</u>	<u>5,451</u>

Key management personnel include the Company's directors and senior management of its head office and respective subsidiaries.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

32. BUSINESS COMBINATIONS

(a) Acquisitions in 2018

Holding company	Fullerton Health Philippines Holding Corporation	Navitas Limited	Jobfit Health Group Pty Ltd
Acquired subsidiary	Intellicare Group ¹	I.N Surgery Group ²	Galen and Grey
Acquisition date	17-May-18	25-June-18	4-Jul-18
Equity interest acquired	60%	60%	100%
Principal activity	Managed care and network management services, Primary Care	Specialty Services	Primary Care
Purchase consideration			
Cash	114,450	5,000	2,388
Contingent consideration	57,038	-	748
Consideration transferred for the business	171,488	5,000	3,136
Effect on cashflow of the Group			
Total cash paid (as above)	114,450	5,000	2,388
Less: Cash and cash equivalents in subsidiary acquired	(18,994)	(487)	-
Cash outflow on acquisition	95,456	4,513	2,388
Identifiable assets acquired and liabilities assumed			
Cash and cash equivalents	18,994	487	-
Property, plant and equipment	5,824	-	51
Other current assets	236,727	1,053	-
Total assets	261,545	1,540	51
Trade and other payables	209,365	1,436	-
Current tax liability	13,981	104	-
Other current liabilities	2,344	-	-
Total liabilities	225,690	1,540	-
Total identifiable net assets	35,855	-	51
Add: Identified intangible assets	110,134	-	-
Add: Goodwill recognised on acquisition	103,719	5,000	3,085
Less: Deferred tax liability on acquisition	(33,040)	-	-
Less: Non-controlling interest	(45,180)	-	-
Consideration transferred for the business	171,488	5,000	3,136

¹ Intellicare Group comprises of 3 companies incorporated in the Philippines – Asalus Corporation, Avega Managed Care, Inc. and Aventus Medical Care, Inc.

² I.N Surgery Group comprises of 3 companies in Singapore – I.N. Surgery Pte Ltd, The Vein Centre Pte Ltd and I.N Medical Consultants Pte Ltd. A put option was granted as part of the acquisition. See Note 26.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2018

32. BUSINESS COMBINATIONS (continued)

Goodwill arose in the acquisition of these subsidiaries because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development of these subsidiaries. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

33. RESTATEMENTS AND RECLASSIFICATIONS TO PRIOR YEAR COMPARATIVES

(a) Restatements to prior year comparatives

In the consolidated financial statements for the previous reporting period, the Group was still in the process of completing its accounting for the acquisitions of Medisol Pte Ltd and Healthscope Medical Centres Pty Ltd. As such, provisional amounts for the fair values of identifiable assets acquired and liabilities assumed were recorded.

The acquisition accounting was completed during the current reporting period and therefore the comparative figures in these financial statements have been restated to reflect the adjusted fair values of identifiable assets acquired and liabilities assumed at the acquisition dates.

Adjustments made to the comparative figures as a result of the completion of the acquisition accounting in 2017 are as follows:

Consolidated Statement of Financial Position

	As previously reported	Adjustment	As restated
	\$'000	\$'000	\$'000
Goodwill	354,911	4,048	358,959
Right of use assets	121,196	(10,464)	110,732
Intangible assets	27,209	2,368	29,577
Trade and other payables	(113,478)	(3,401)	(116,879)
Lease liabilities	(123,739)	7,449	(116,290)

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

(b) Reclassification to prior year comparatives

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. The reclassification relates to the change in the Group's classification within the comprehensive income line items. Listed below are the items previously reported in the prior year's consolidated statement of comprehensive income.

	Previously reported \$'000
Other income	7,347
Employment compensation	(104,981)
Expenses relating to short-leases	(1,670)
Professional fees	(1,178)
Repair and maintenance on equipment	(2,697)
Impairment loss on trade receivables	(37)
Other expenses	(19,657)
Intangible assets written off	(1,865)
Transaction costs from acquisition of investments & post-acquisitions integration expenses and listing expenses	(22,074)
Performance stock grants to the co-founders	(504)

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

34. NEW ACCOUNTING STANDARDS AND IFRS INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2019 and which the Group has not early adopted:

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at FVOCI, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the consolidated financial statements of the Group.

IFRS 17 Insurance Contracts

The standard replaces IFRS 4 Insurance Contracts. It is a comprehensive standard with a fundamental overhaul of insurance accounting, covering recognition and measurement, presentation and disclosure. It requires insurance contract liabilities reported on the balance sheet using current assumptions at each reporting date. It may have an impact on profit and shareholders' funds of insurance companies. There could also be an increase in volatility in reported profit and shareholders' funds compared to today's accounting models. The new standard will have an effect on the Group's subsidiary which provides managed care plans. Management is in the process of reviewing the standard and identifying an implementation plan.

IFRS 17 should be applied retrospectively and is effective from 1 January 2021. However, if full retrospective application for a group of insurance contracts is impracticable, then the Group is required to choose either a modified retrospective approach or a fair value approach.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

**FULLERTON HEALTHCARE CORPORATION LIMITED
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
As at 31 December 2018**

35. SUBSEQUENT EVENTS

There was no material subsequent event after the balance sheet date.

36. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Fullerton Healthcare Corporation Limited on 31 May 2019.