ISEC™ HEALTHCARE

FORESEEING

GROWTH AND PROGRESSION

2016 ANNUAL REPORT

CORPORATE PROFILE

ISEC Healthcare Ltd. ("**ISEC Healthcare**" and together with its subsidiaries, the "**Group**") is an established regional provider of a comprehensive suite of medical eye care services with ambulatory surgical centres.

Backed by a solid 10-year track record, the ISEC brand possesses strong brand equity and is recognised for its world-class and high quality eye care services. In Malaysia, the Group operates medical eye care centres in Kuala Lumpur, Malacca, Penang and Sibu. In Singapore, ISEC Eye Pte. Ltd. ("**ISEC Eye**") provides specialist medical ophthalmology services to Lee Hung Ming Eye Centre located in Singapore's Gleneagles Hospital.

Led by a team of specialist doctors, who are also opinion leaders in their respective sub-specialty fields, the Group provides patients with attentive and advanced treatments at its well-equipped eye centres that are fitted with state-of-the-art ophthalmic equipment and facilities. Besides investing in the latest medical technologies, our doctors undergo continuous professional development and medical education to offer patients the highest standards of ophthalmic care.

In 2016, the Group expanded its healthcare services to include general medical services and aesthetic treatment services, with the acquisition of JLM Companies[1] comprising four clinics located in the heartlands of Singapore.

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

CONTENTS

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

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

The contact person for the Sponsor is Ms Gillian Goh, Director, Head of Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.

1 JLM Companies consist of JL Medical (Bukit Batok) Pte. Ltd., JL Medical (Sembawang) Pte. Ltd., JL Medical (Woodlands) Pte. Ltd. and JL Medical (Yew Tee) Pte. Ltd.

INTERESTING FACTS

As at 31 December 2016

NO. OF EYE CARE CENTRES

MALAYSIA
3

SINGAPORE*
1

NO. OF OPHTHALMOLOGISTS
18

NO. OF ANESTHESIOLOGIST
1

NO. OF PATIENT VISITS
94,000

NO. OF PROCEDURES PERFORMED
17,000

CONFERENCES ATTENDED BY ISEC SPECIALIST DOCTORS
70

CONFERENCES WHERE ISEC SPECIALIST DOCTORS WERE INVITED AS SPEAKERS
38

TEACHING ACTIVITIES, CLINICAL ATTACHMENTS AND OBSERVERSHIPS IN ISEC
230

NO. OF GENERAL PRACTITIONER CLINICS IN SINGAPORE
4

NO. OF GENERAL PRACTITIONERS
4

*Lee Hung Ming Eye Centre in Gleneagles Hospital, Singapore

MESSAGE TO SHAREHOLDERS

DEAR SHAREHOLDERS,

The financial year ended 31 December 2016 ("**FY2016**") was a good year for ISEC Healthcare Ltd. ("**ISEC**"), and its subsidiaries, (collectively the "**Group**").

During this financial year and probably for future years to come, our performance will be fuelled by population and economic trends that have driven the growth of Asia's private ophthalmology sector.

These trends include a rapidly aging population across Asia, which has led to more patients seeking treatment for age-related ailments, including eye disorders such as cataracts. The proliferation of "desktop diagnoses", where patients read up on their symptoms online, has also led to more patients seeking early treatment. Meanwhile, rising income has also made private ophthalmology services more affordable to patients.

Even as we observed an increasing demand for private ophthalmology services, we have also noted that the sector continued to be under-served by qualified practitioners. In Malaysia, there is only 0.01 ophthalmologist per 1,000 population[1] while in Singapore, the projected number of ophthalmologists required by the year 2040 will increase 117% from 141 in 2015 to 305 by the year 2040[2].

Such statistics and trends as well as the essential need for treatment bode well for the resilience of our business. We strive to attract and retain the best specialist doctors possible so that we can uphold our reputation for providing high quality ophthalmology services and continue to gain the confidence of patients and their families.

PERFORMANCE REVIEW

In FY2016, the Group's net profit more than doubled to S$6.5 million in FY2016 on the back of revenue that rose 15% to S$30.8 million.

The rise in our Group revenue was driven by our operations in Malaysia, which saw a higher number of patient visits to our clinics in Kuala Lumpur and Penang but mainly, the increase was from the S$4.2 million in sales from Southern Specialist Eye Centre Sdn. Bhd. ("**SSEC**"), which we had acquired in December 2015.

Altogether our clinics in Malaysia achieved a 24% year-on-year growth in revenue to S$26.0 million in FY2016. What is even more encouraging is that the growth was achieved despite the significant weakening of the Ringgit Malaysia against the Singapore dollar, which is our reporting currency. If the comparison were to be done in Ringgit Malaysia, the revenue increase would have been 31%.

Revenue contribution from our Singapore operations fell S$1.0 million to S$4.8 million in FY2016 mainly due to the cessation of clinic operations at Mount Elizabeth Novena Specialist Centre ("**ISEC Singapore**") in October 2015 and also because of intense market competition, which had led to a lower number of patient visits during the year.

In FY2016, the Group reduced its operational expenses significantly mainly because of the closure of ISEC Singapore as well as other cost control measures. Combined with higher sales, the effect was a 136% increase in net profit.

CORPORATE UPDATES

Although we remain focused on growing our ophthalmology practice, we made a bold move in FY2016 to diversify the Group's healthcare services into general (western) medical services and aesthetic treatment services which are complementary to the Group's existing business.

In December 2016, we successfully completed the acquisition of the JLM Companies[3] with four medical clinics located in Bukit Batok, Sembawang, Woodlands and Yew Tee, which was satisfied equally via cash and newly issued shares in ISEC (please refer to page 67 of the Financial Contents of this annual report for more details).

We believe that the JLM Companies share strong synergies with our existing services as it is also in the business of providing quality healthcare. This will pave the way for the Group to potentially develop and offer aesthetic treatment in these clinics by providing oculoplastic and cosmetic eyelid services.

The acquisition also opens the door for ISEC to expand our ophthalmology services into heartland areas, which will in turn expand our patient base and increase the visibility of the ISEC brand name in these locations.

With full year contribution expected from the JLM Companies starting in the financial year ending 31 December 2017 ("**FY2017**"), we are cautiously optimistic about the Group's outlook for FY2017.

Between April 2015 and October 2016, we had made announcements in respect of our intention to enter

1 Source: Frost & Sullivan report dated 20 August 2014.
2 Source: Future requirements for and supply of ophthalmologists for an aging population in Singapore (https://human-resources-health.biomedcentral.com/articles/10.1186/s12960-015-0085-4)
3 JLM Companies consist of JL Medical (Bukit Batok) Pte. Ltd., JL Medical (Sembawang) Pte. Ltd., JL Medical (Woodlands) Pte Ltd. and JL Medical (Yew Tee) Pte. Ltd.

the Vietnam market. During this period, we had disclosed our entry into two separate non-binding memorandums of understanding and also the subsequent termination of both, as we did not proceed with any formalised agreements. The Group remains interested in Vietnam and will continue to seek suitable business opportunities including partnerships to diversify our revenue streams.

SHAPING FUTURE GROWTH

Besides Vietnam, the Group has identified China, India, Indonesia, Myanmar, the Philippines and Taiwan as markets with high growth potential mainly because of their large populations.

The Group has built a robust business model over the years and we remain committed to our strategy to be asset light with strong cash flows. We intend to strengthen our brand and expand market share in new locations through accretive acquisitions, joint ventures or setting up of new subsidiaries.

For our plans to pan out, the Group will continue to grow our talent pool and stay at the forefront of the ophthalmology services industry by driving innovation and adopting cutting-edge procedures and technology to offer our patients the best possible treatments.

DIVIDEND

In line with our performance and to share the fruits of a good year, the Board is pleased to propose a final dividend of 0.11 Singapore cents per ordinary share to be approved at the upcoming Annual General Meeting in April 2017. This, together with the two interim dividends of 0.22 Singapore cents per ordinary share and 0.66 Singapore cents per ordinary share, which were paid out in September 2016 and November 2016 respectively, brings the total dividend for FY2016 to 0.99 Singapore cents per ordinary share. This represents a dividend payout ratio of 75.6% of net profit attributable to owners of the parent for the financial year.

We will do our very best to build a sustainable business and will strive to reward our shareholders regularly in years to come.

APPRECIATION

In closing, I would like to thank my fellow Directors on the Board, for their commitment towards sound corporate governance and for contributing their invaluable experience to guide the Group.

On behalf of the Group, I would like to express our appreciation to our vendors, associates and business partners for your ongoing support, which has contributed to the growth of our business over the years.

I would also like to thank our patients for your valued patronage and for placing your trust in our ability to treat you.

Last but not least, I want to commend our specialist doctors, clinical staff and management team for a job well done. Because of your dedication to your work and to patient care, ISEC has been able to deliver better standards of healthcare over the years.

SITOH YIH PIN
Non-Executive Chairman and Independent Director

FINANCIAL REVIEW

INCOME STATEMENT

For the financial year ended 31 December 2016 ("**FY2016**"), the Group recorded revenue growth of 15% to S$30.8 million compared to S$26.7 million in the preceding financial year ended 31 December 2015 ("**FY2015**"). This was achieved on the back of stronger revenue contribution from our Malaysia operations due to higher patient visits and full year revenue contribution of S$4.2 million from Southern Specialist Eye Centre Sdn. Bhd. ("**SSEC**") which was acquired in December 2015.

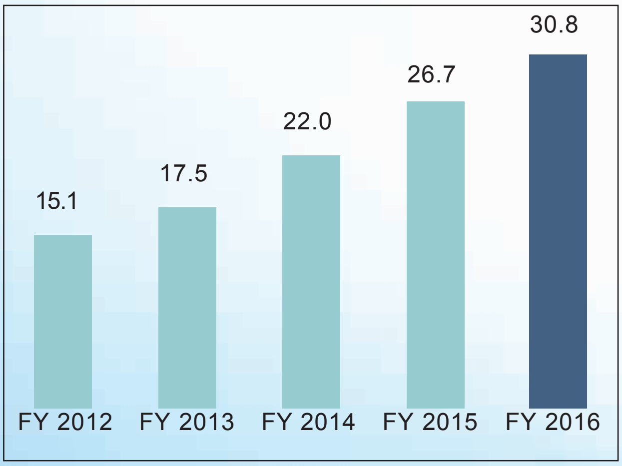
The increase was offset by a 16% dip in revenue from the Group's Singapore operations due to the closure of the clinic under International Specialist Eye Centre Pte. Ltd. ("**ISEC Singapore**") in October 2015 and a drop in revenue of S$0.4 million from ISEC Eye Pte. Ltd. ("**ISEC Eye**").

In tandem with revenue growth, gross profit increased by 24% to S$14.7 million, while gross profit margin improved 3.3 percentage points to 47.9% in FY2016 from 44.6% in FY2015. This was largely attributable to the closure of the loss-making clinic under ISEC Singapore.

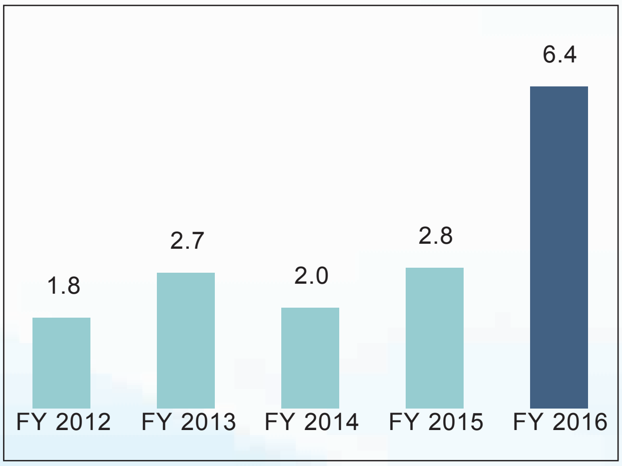
The closure of the loss-making clinic defrayed the Group's total operating expenses in FY2016. Marketing and advertising activities to promote our Singapore operations were discontinued in FY2016 and the Group's operations in Malaysia also reduced its spending by S$0.02 million, resulting in a 58% decline in selling and distribution expenses to S$0.09 million. Administrative expenses dipped 3% to S$6.7 million, partially offset by an increase from our Malaysia operations with the acquisition of SSEC. Other expenses saw a 57% decline to S$0.5 million due to the absence of the write-off of plant, equipment and inventories, and bad debt expenses incurred in FY2015.

As a result, the Group reported a healthy 136% increase in net profit to S$6.5 million in FY2016 from S$2.7 million in FY2015, while net profit margin improved 10.8 percentage points to 21.1% from 10.3% a year ago. Geographically, Singapore operations recovered from a net loss in FY2015 to a net profit of S$1.0 million in FY2016, while Malaysia operations registered a 40% jump in net profit to S$5.5 million.

REVENUE (S$'m)



PROFIT ATTRIBUTABLE TO SHAREHOLDERS (S$'m)



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

BALANCE SHEET

The Group's financial position remained healthy as at 31 December 2016, with zero debt and cash and cash equivalents of S$20.4 million.

Overall, the Group's total assets expanded to S$67.2 million as at 31 December 2016 from S$56.8 million as at 31 December 2015. Non-current assets increased to S$43.1 million on the back of higher goodwill and intangible assets arising from the acquisition of JLM Companies[1] in December 2016, and partially offset by amortisation expense on intangible assets arising from the acquisition of ISEC Eye.

There was also an increase in plant and equipment of S$0.4 million to S$4.0 million as at 31 December 2016 due to the capitalisation of renovation costs and electrical fittings incurred for the Sibu clinic and the purchase of additional medical equipment, office equipment, computer hardware and computer software for the Group's Malaysia operations, as well as additional plant and equipment arising from the acquisition of JLM Companies.

On the other hand, current assets reduced by S$3.9 million to S$24.0 million due to a decrease in cash and cash equivalents of S$4.5 million, which was partially offset by an increase in inventories of S$0.2 million and trade and other receivables of S$0.3 million arising from the consolidation of JLM Companies in FY2016.

The Group's total liabilities increased to S$6.4 million as at 31 December 2016 from S$4.8 million as at 31 December 2015 on the back of current liabilities rising 40% to S$5.4 million. This was mainly attributable to an increase in trade and other payables from the consolidation of JLM Companies and the increased purchases for Malaysia operations.

As a result of the increase in share capital of S$8.2 million, the Group's equity attributable to owners of parent improved 17% to S$60.8 million as at 31 December 2016 from S$52.0 million as at 31 December 2015.

CASH FLOW STATEMENT

In FY2016, the Group generated higher net cash from operating activities of S$7.3 million compared to S$4.8 million in FY2015. This was mainly attributable to an increase in profit before income tax of S$4.0 million in FY2016 compared to the preceding year. The increase was offset by adjustments to profit before income tax which was S$0.9 million lower in FY2016 compared to that in FY2015, mainly due to the absence of S$0.6 million of plant and equipment written-off in FY2015, and reduced net working capital inflow in FY2016 of S$0.2 million, compared to that in FY2015 of S$1.0 million.

Net cash used in investing activities amounted to S$6.4 million following the acquisition of JLM Companies and purchase of plant and equipment. This was partially mitigated by interest income of S$0.3 million from short-term bank deposits.

Dividend paid in FY2016 was S$3.9 million higher compared to S$1.5 million of dividends paid in FY2015, resulting in a higher net cash used in financing activities of S$5.4 million in FY2016, compared to S$1.4 million used in FY2015.

1 JLM Companies consist of JL Medical (Bukit Batok) Pte. Ltd., JL Medical (Sembawang) Pte. Ltd., JL Medical (Woodlands) Pte Ltd. and JL Medical (Yew Tee) Pte. Ltd.

BOARD OF DIRECTORS

MR SITOH YIH PIN, 53
NON-EXECUTIVE CHAIRMAN AND INDEPENDENT DIRECTOR

Mr Sitoh Yih Pin is our Non-Executive Chairman and Independent Director. He was appointed to our Board on 29 September 2014 and was last re-elected on 24 April 2015. He is also the Chairman of our Audit Committee and a member of both our Nominating and Remuneration Committees.

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

He is currently a director of Talkmed Group Limited. Mr Sitoh was also the director of several publicly listed companies in the preceding three years namely Allied Technologies Limited, Lian Beng Group Ltd and United Food Holdings Limited.

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

DR LEE HUNG MING, 53
EXECUTIVE VICE CHAIRMAN

Dr Lee Hung Ming is our Executive Vice Chairman. He was appointed on 2 January 2014 and was last re-elected on 24 April 2015. Dr Lee was an ex-officio member of our Medical Board, and Centre Director of Lee Hung Ming Eye Centre since 2007.

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

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

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

DR WONG JUN SHYAN, 51
EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Dr Wong Jun Shyan is our Executive Director and Chief Executive Officer. He was appointed on 2 January 2014 and was last re-elected on 28 April 2016. Dr Wong was an ex-officio member of our Medical Board, and also one of the founding members of ISEC KL. He has been a Consultant Ophthalmologist at ISEC KL since 2007. He is considered a key opinion leader in his fields of subspecialty and Honorary Part Time Lecturer for the Department of Optometry, Faculty of Allied Health Sciences in Universiti Kebangsaan Malaysia.

Dr Wong previously sat on the Board of various professional associations, amongst others, as Vice-Chairman of the Ophthalmologic Society of Malaysian Medical Association and Chairman of the Malaysian Small Incision Surgery (MASIS) Panel. He was also a recipient of the American Academy of Ophthalmology Leadership Development Programme in 2006. Dr Wong has been a Fellow of the Royal College of Surgeons of Edinburgh since 1996 and a member of The Retina Society of the USA since 2007. He was awarded the APAO Prevention of Blindness Award for his contributions to the community by the Asia Pacific Academy of Ophthalmology in 2017.

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

PROFESSOR LOW TECK SENG, 62
INDEPENDENT DIRECTOR

Professor Low Teck Seng is our Independent Director. He was appointed to our Board on 29 September 2014 and was last re-elected on 24 April 2015. He is also the Chairman of our Nominating Committee and a member of both our Audit and Remuneration Committees.

Professor Low is currently the Chief Executive Officer of the National Research Foundation, Singapore. He is a tenured Professor at the National University of Singapore and Nanyang Technological University, and sits on the Board of publicly listed companies, namely Singapore Post Limited and Excelpoint Technology Ltd..

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

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

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

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

MR LIM WEE HANN, 50
INDEPENDENT DIRECTOR

Mr Lim Wee Hann is our Independent Director. He was appointed to our Board on 29 September 2014 and was last re-elected on 28 April 2016. He is also the Chairman of our Remuneration Committee and a member of both our Audit and Nominating Committees.

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

Mr Lim has over 26 years of experience in the legal sector and specialises in cross-border investments, private mergers and acquisitions and other corporate transactions, labour and employment law, and also has significant biotechnology, health and pharmaceutical practice background.

He currently also sits on the Board of A. Menarini Asia-Pacific Holdings Pte. Ltd., part of Menarini group, the largest Italian multinational biopharmaceutical company. Mr Lim is a member of the Law Society of Singapore, the Singapore Academy of Law and the Bar Council of Malaysia. He graduated from the National University of Singapore with a Bachelor of Law (Honours) in 1990.

EXECUTIVE OFFICERS

DR FANG SENG KHEONG
CHAIRMAN OF MEDICAL BOARD

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

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

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

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

DR CHOONG YEE FONG
KUALA LUMPUR CENTRE DIRECTOR

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

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

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

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

DR ALAN ANG JIN SOON
PENANG CENTRE DIRECTOR

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

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

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

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

EXECUTIVE OFFICERS

DR ROBERT YEO KIM CHUAN
MALACCA CENTRE DIRECTOR

Dr Robert Yeo is the Medical Director and the founder of our Malacca Centre, Southern Specialist Eye Centre Sdn. Bhd. ("**SSEC**"). He was appointed as Malacca Centre Director of the Group on 25 January 2017. Dr Yeo started his ophthalmology practice in K.C. Yeo Eye Specialist Clinic Sdn. Bhd. in 2006, which was subsequently acquired under SSEC following an internal restructuring exercise in 2014. Dr Yeo plays a pivotal role in charting the course and direction of our Malacca Centre.

Before starting his own practice, Dr Yeo served in various medical and surgical capacities including ophthalmology postings at Melaka Hospital and University Hospital, Kuala Lumpur, as well as a brief stint with the Singapore National Eye Centre and two years in the United Kingdom.

In 1995, he returned to Malaysia to take up the post of Clinical Specialist in the Eye Department of Hospital Kuala Lumpur, and was assigned to Hospital Kuala Terengganu as Consultant and Head of the Eye Department. From 1996 to 2005, Dr Yeo served as Consultant Eye Surgeon with Southern Hospital Melaka and Mahkota Medical Centre.

Dr Yeo obtained his MBBS from the University of Malaya in 1987 and completed his FRCS Fellowship from the Royal College of Edinburgh, Scotland and Masters of Medicine, Singapore (Ophthalmology) in 1993.

MS MACY THONG
CHIEF FINANCIAL OFFICER

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

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

Ms Thong is a Fellow member of the Association of Chartered Certified Accountants, United Kingdom and a member of the Malaysia Institute of Accountants and the Institute of Singapore Chartered Accountants.

CORPORATE SOCIAL RESPONSIBILITY

As a responsible corporate citizen, ISEC believes in giving back to the community. Many of our doctors volunteer their time and medical knowledge to help those who may not be able to afford to seek treatment for their eye-related ailments. Our other objective is to educate the public about the importance of proper eye care.

COMMITMENT TO THE COMMUNITY

In FY2016, our doctors actively participated in charitable events organised by external organisations as well as those set up by our own doctors and partners. These events include eye screening and free educational talks such as the Charity Eye Camp organised by Ayudana Hospital in Mandalay, Myanmar; free Eye Screening for World Sight Day and Glaucoma Week 2016 at ISEC KL, ISEC Penang and SSEC; and eye screening and cataract surgery for Orang Asli Charity Clinic & Surgery.

In line with our corporate citizenship, our specialist doctors provide pro bono teaching and training to optometrist students from the Faculty of Allied Health Universiti Kebangsaan Malaysia and SEGi University & Colleges. In addition, we also provide placements and attachments for international students.

COMMITMENT TO THE ENVIRONMENT

To support the local government's sustainability efforts, ISEC KL introduced bag-free Saturdays in FY2016 where patients are not given plastic bags for their medication. ISEC KL also provides recycling bins for paper, glass and plastics in the patient waiting areas at its clinics. All newspapers and magazines are recycled.

COMMITMENT TO PATIENTS

ISEC KL was the first eye care centre in the Southeast Asia and Far East region to obtain the prestigious Joint Commission International ("**JCI**") accreditation in 2009, which was subsequently renewed in 2012 and last renewed on 23 September 2015.

The commitment to uphold the highest standards of our profession is an ongoing quest for our doctors. In FY2016, many of our doctors attended professional conferences both as speakers and presenters as well as participants. We also sent our doctors to courses to upgrade their skills whenever new technology and methods become available so that they are always equipped with the most advanced knowledge available. Some of our doctors are involved in clinical trials in areas such as glaucoma intervention and some of our specialist doctors are also actively involved in the development of eye care equipment and technology by sitting on advisory boards of key corporations including Novartis and Allergan Inc.

Events our doctors have participated included the European Society Cataract & Refractive Surgeons and European Retina, Macula and Vitreous Society Congress, Copenhagen, Denmark; Asia Pacific Academy of Ophthalmology Congress, Taipei, Taiwan; Asia Pacific Association of Cataract & Refractive Surgeons Congress, Bali, Indonesia; Asia-Pacific Vitreo-retina Society congress, Bangkok, Thailand; World Congress of Ophthalmology, Mexico; Asia Pacific Society of Ophthalmic Plastic and Reconstructive Surgery, Osaka; European Society of Ophthalmic Plastic and Reconstructive Surgery, in Athens, Greece and the Annual Scientific Congress 2016, Queensland, Australia.

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

For its professional commitment, ISEC Malaysia was named Ophthalmology Service Provider for two years running in 2015 and 2016 by Frost & Sullivan.

COMMITMENT TO EMPLOYEES

As a business that is dedicated to the care of patients, we recognise that our people are critical to our ability to provide the highest standard of care. We have a human resource framework that is designed to ensure that our staff are equipped with the skills they need to do their jobs properly and responsibly.

We send our staff for regular training and skills upgrading to equip them with up-to-date knowledge and skills needed to serve our patients and support the activities of the Group. In FY2016 one of the courses attended by our staff included Basic Life Support Training (conducted by St John Ambulance Malaysia), and we also organised a teambuilding retreat in Tadom Hill Resort in August 2016.

COMMITMENT TO SHAREHOLDERS

We are committed to transparency and good corporate governance. Our announcements and disclosures are updated on various channels such as SGXnet and our website in a timely manner. We maintain a dedicated investor relations section on our corporate website with easy access to our latest corporate announcements, press releases and presentation slides. We also hold 1-on-1 meetings and small group meetings with the investment community such as analysts and investors upon request.

FINANCIAL CONTENTS

REPORT ON CORPORATE GOVERNANCE

The Board of Directors (the "**Board**") and the management (the "**Management**") of ISEC Healthcare Ltd. (the "Company", and together with its subsidiaries, the "**Group**") are committed to maintain a high degree of corporate governance and transparency for the benefit of all its stakeholders. For the financial year ended 31 December 2016 ("**FY2016**"), the Board and Management are pleased to confirm that the Company has adhered to the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**") where applicable, pursuant to Rule 710 of Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

This report outlines the Company's corporate governance processes and structure that were in place during FY2016, with specific reference to the principles and guidelines of the Code and the disclosure guide developed by the SGX-ST in January 2015 (the "**Guide**"). Where there is a deviation from the Code and/or the Guide, proper explanation has been provided.

(A) BOARD MATTERS

Principal 1 – The Board's Conduct of its Affairs

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

- Overseeing the overall strategic plans including sustainability and environmental issues as part of its strategic formulation, strategic human resources framework, and financial objectives of the Group; and

- Overseeing and safeguarding shareholders' interest and the Company's assets through a robust system of effective internal controls, risk management, financial reporting and compliance.

The Board is the highest authority of approval and specific functions of the Board are either carried out by the Board or through various committees established by the Board, namely, the Audit Committee (the "**AC**"), the Nominating Committee (the "**NC**") and the Remuneration Committee (the "**RC**") (collectively, the "**Board Committees**"). Each committee has the authority to examine issues relevant to their term of references and to make fair, proper and appropriate recommendations to the Board when required. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board. While the Board does not have a formal Board Charter, the Board has also adopted a risk governance and internal controls framework manual which sets out the Board's approval guidelines. Matters that require the Board's approval include, amongst others, the following:

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

REPORT ON CORPORATE GOVERNANCE

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

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

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

The attendance record of each Director at meetings of the Board and Board Committees during the FY2016 is disclosed below:

	Board	**AC**	**NC**	**RC**
Number of meetings held in FY2016	6	4	2	1
Name of Director	**Number of meetings attended in FY2016**			
Sitoh Yih Pin	6	4	2	1
Dr Lee Hung Ming	6	–	–	–
Dr Wong Jun Shyan	6	–	–	–
Professor Low Teck Seng	6	4	2	1
Lim Wee Hann	6	4	2	1

Newly appointed directors will be given briefings and orientation by the Executive Directors and Management to familiarise them with the businesses and operations of the Group. The newly appointed directors will also be provided with an opportunity to conduct a site visit at the Group's medical centers. Upon appointment, the Director will receive a letter of appointment setting out his/her duties and responsibilities. The Company will arrange and fund the relevant training for any newly appointed directors who do not possess any prior experience as a director of a listed company. There were no new directors appointed in FY2016.

The Board values on-going professional development and recognises that it is important that all Directors receive regular training so as to be able to serve effectively on and contribute to the Board. While there is currently no formal continuous professional development policy in place, Management monitors the availability of on-going relevant courses and seminars and keeps the Directors apprised accordingly and will make the arrangements for Directors who are keen to attend any such courses or seminars.

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

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

REPORT ON CORPORATE GOVERNANCE

For FY2016, briefings, updates and trainings for the Directors include:

- briefing by the external auditors ("**EA**") on changes or amendments to accounting standards at the AC meetings;
- course conducted by the Singapore Institute of Directors on "Financial Reporting Essentials"; and
- updates by the Company Secretary on amendments to the Companies Act, and Catalist Rules, from time to time.

Principle 2 – Board Composition and Guidance

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

Director	Designation	Date of Initial Appointment as Director	Date of Last Re-Election	AC	NC	RC
Sitoh Yih Pin	Non-Executive Chairman and Independent Director	29 September 2014	24 April 2015	Chairman	Member	Member
Dr Lee Hung Ming(1)	Executive Vice Chairman	2 January 2014	24 April 2015	–	–	–
Dr Wong Jun Shyan	Executive Director and Chief Executive Officer	2 January 2014	28 April 2016	–	–	–
Professor Low Teck Seng(2)	Independent Director	29 September 2014	24 April 2015	Member	Chairman	Member
Lim Wee Hann	Independent Director	29 September 2014	28 April 2016	Member	Member	Chairman

Notes:

(1) *Dr Lee Hung Ming will retire pursuant to Article 114 of the Constitution of the Company and is subject to re-election as a director at the forthcoming AGM of the Company to be held on 26 April 2017.*

(2) *Professor Low Teck Seng will retire pursuant to Article 114 of the Constitution of the Company and is subject to re-election as a director at the forthcoming AGM of the Company to be held on 26 April 2017.*

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

In accordance with the Companies' Act requirements, Directors are required to and will declare any personal interest in transactions or contracts involving the Group; and other directorships or shareholdings in other companies. In addition, Directors are also required to declare any corporate developments relating to their external appointments which may affect their independence. This ensures that Directors continually meet the stringent requirements of independence under the Code.

The NC evaluates on an annual basis whether or not a Director is independent in accordance with the Code. The NC assessed the independence of each Director and had considered Mr Sitoh Yih Pin, Professor Low Teck Seng and Mr Lim Wee Hann to be independent. The current Independent Directors have also confirmed their independence in accordance with the Code. Each member of the NC has abstained from deliberations in respect of the assessment of his own independence.

REPORT ON CORPORATE GOVERNANCE

The Board takes into account the existence of relationships or circumstances, including those identified by the Code, that are relevant in its determination as to whether a Director is independent. In addition, the NC reviews the individual directors' declaration in its assessment of independence.

During FY2016, the Group had made payments in excess of S$200,000 to Rajah & Tann LLP ("**R&T**") and its Malaysia member firm Christopher & Lee Ong ("**CLO**") for legal services rendered to the Group. Mr Lim Wee Hann, an Independent Director of the Company, is a partner of R&T and CLO. Notwithstanding, the NC with the concurrence of the Board (save for Mr Lim Wee Hann), is of the opinion that Mr Lim Wee Hann remains independent after taking into consideration the following:

- Mr Lim Wee Hann is a partner in R&T and CLO but does not have an equity stake of 10% or more;
- Mr Lim Wee Hann is not the managing partner nor part of the executive committee of R&T and is not involved in the management of R&T. He is also not involved in the management of CLO;
- The partners in charge of the Group's projects are Ms Evelyn Wee and Ms Yon See Ting, who are not related to Mr Lim Wee Hann and does not have any reporting line to Mr Lim Wee Hann; and
- The fees paid and/or payable to R&T and CLO for FY2016 for the Group's projects are non-recurring.

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

For FY2016, the NC had reviewed the size and composition of the Board for effective decision making, taking into account factors such as the scope and nature of the operations of the Group and the core competencies of Board members in the fields of medical, accounting and finance, and professional legal services. The Non-Executive Directors are able to constructively challenge and assist in the development of the business strategies and in reviewing and monitoring of the Management's performance against set targets.

The Independent Directors may at any time meet separately without the presence of Management. For FY2016, the Independent Directors have met in February 2016 without the presence of Management together with the internal and external auditors.

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

Balance and Diversity of the Board		
	Number of Directors	**Proportion of Board**
Core Competencies		
– Accounting or finance-related	1	20%
– Business and management experience	5	100%
– Engineering & research and development	1	20%
– Legal or corporate governance	3	60%
– Relevant industry knowledge	2	40%
– Strategic planning experience	5	100%

REPORT ON CORPORATE GOVERNANCE

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

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

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

Principle 3 – Chairman and Chief Executive Officer

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

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

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

Principle 4 – Board Membership

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

(a) making recommendations to the Board on relevant matters relating to (i) the review of Board succession plans for Directors, in particular, the Chairman and the CEO, (ii) the review of training and professional development programs for the Board and (iii) the appointment and re-appointment of Directors (including alternate Directors, if applicable);

(b) reviewing and determining annually, and as and when circumstances require, if a Director is independent, in accordance with the Code and any other salient factors;

(c) reviewing the composition of the Board annually to ensure that the Board and its committees comprise Directors who as a group provide an appropriate balance and diversity of skills, expertise, gender and knowledge of the Group and provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge; and

(d) where a Director has multiple board representations, deciding whether the Director is able to and has been adequately carrying out his duties as a Director, taking into consideration the Director's number of listed company board representations and other principal commitments.

REPORT ON CORPORATE GOVERNANCE

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

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

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

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

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

Name of Director	Designation	Retiring Pursuant to Constitution's Article No.
Dr Lee Hung Ming	Executive Vice Chairman	114
Professor Low Teck Seng	Independent Director	114

The NC had reviewed and recommended that Dr Lee Hung Ming who will retire via rotation pursuant to the Article 114 of the Constitution, being eligible and having consented, be nominated for re-election as Director at the forthcoming AGM, and subject to being duly re-elected, Dr Lee Hung Ming will remain as the Executive Vice Chairman.

Pursuant to Article 114 of the Constitution, Professor Low Teck Seng will retire at the forthcoming AGM. The NC, with Professor Low Teck Seng having abstained from the deliberations, had recommended Professor Low Teck Seng for re-election at the forthcoming AGM.

Upon re-election as Director, Professor Low Teck Seng will remain as an Independent Director, the NC Chairman and a member of the AC and RC. Professor Low Teck Seng will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

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

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

REPORT ON CORPORATE GOVERNANCE

As a broad-based NC policy, the board nomination process for evaluating an Executive Director vis-a-vis a Non-Executive or Independent Director is different. For an Executive Director, the nomination process would in general be tied to his ability to contribute through his acumen and thinking process of the businesses. As for a Non-Executive or Independent Director, his nominations are hinged on myriad of criteria whereby he should possess the independence of mind despite confirmation via in writing, as evaluated by the NC. The existing Independent Directors were selected from contacts as recommended to Management, where Management had in their opinion, deemed that these professionals will be able to give an independent view to take the Group's businesses to a higher level as the Executive Directors do not have listed company directorship experience apart from their current directorship in the Company.

Furthermore, the NC also had considered, and is of the opinion, that based on the following considerations evaluated, they had not impeded any Director's performance in FY2016 from carrying out their duties to the Company:

(a) expected and/or competing time commitments of each Director;

(b) number of board representation held by each Director;

(c) size and composition of the Board; and

(d) nature and scope of the Group's operations and size.

For FY2016, the Board did not set any cap on the number of listed company directorships given that all Independent Non-Executive Directors were able to dedicate their time to the business of the Company. Nevertheless, if the Board finds that time commitment is lacking from any particular Director, they may consider imposing a cap in future.

The Company currently has no alternate director. Alternate directors will be appointed as and when the Board deems necessary. Circumstances which warrant such appointments may include health, age-related concerns as well as Management succession plans. The proposed appointment of alternate directors, if any, shall be subject to rigorous review and recommendation of the NC on a case-by-case basis, before it is recommended to the Board for approval.

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

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

(b) Page 33 – Shareholdings, if any, in the Company and its subsidiaries.

Principle 5 – Board Performance

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

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

The NC meets once a year, and as warranted by circumstances, to discharge its functions. In FY2016, two NC meetings were held in February 2016 and August 2016.

REPORT ON CORPORATE GOVERNANCE

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

The NC had at a meeting held in February 2017 assessed the performance of the Board, the Board Committees and individual Directors (including the Chairman). The assessment of the Board and the Board Committees is done via a confidential questionnaire, covering areas such as Board composition, Board processes managing the Group's performance and the effectiveness of the Board in its monitoring role and the effectiveness of the respective Committees. The assessment of the individual Directors is done through peer assessments through a confidential questionnaire completed by each Director. The assessment parameters include attendance and contributions during Board and Board Committee meetings as well as commitment to their role as Directors.

The NC, in consultation with the Chairman of the Board, would review the criteria on a periodic basis to ensure that the criteria are able to provide an accurate and effective performance assessment taking into consideration industry standards and the economic climate with the objective to enhance long term shareholders value, thereafter propose amendments if any, to the Board for approval.

The NC, having reviewed the performance of the Board in terms of its roles and responsibilities and the conduct of its affairs as a whole, is of the view that the Board and the Board Committees have operated effectively and each Director (including the Chairman) has contributed to the overall effectiveness of the Board in FY2016. No external facilitator was used in the evaluation process.

Principle 6 – Access to Information

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

As soon as practicable and before each meeting, Management would provide the Board members with sufficient relevant information relating to matters to be brought before the Board. The Management also provides the Board with quarterly updates on financial results, operational performance, business development and other important and relevant information. On an ongoing basis, all Board members have separate and independent access to Management should they have any queries or require additional information on the affairs of the Group.

Management will also on best endeavours, encrypt documents which bear material price sensitive information when circulating documents electronically.

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

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

REPORT ON CORPORATE GOVERNANCE

(B) REMUNERATION MATTERS

Principle 7 – Procedures for Developing Remuneration Policies

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

(a) reviewing and recommending to the Board, in consultation with the Chairman of the Board for endorsement, a comprehensive remuneration policy framework and guidelines for remuneration of Directors, the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of our Company ("**Key Management Personnel**");

(b) reviewing and recommending to the Board for endorsement, the specific remuneration packages for each Director and Key Management Personnel;

(c) reviewing and approving the design of all share option plans, performance share plans and/or other equity based plans;

(d) in the case of service contracts, reviewing the Company's obligations arising in the event of termination of the Directors' or Key Management Personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with a view to being fair and avoiding the reward of poor performance; and

(e) approving performance targets for assessing the performance of each of the Key Management Personnel and recommend such targets for each of such Key Management Personnel, for endorsement by the Board.

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

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

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

Principle 8 – Level and Mix of Remuneration

The RC recommends to the Board the quantum of Directors' fees and the Board in turn endorses the recommendation for shareholders' approval at each AGM. To facilitate timely payment of directors' fees, the Company has recommended for the directors' fees amounting to S$210,000 to be paid on a quarterly basis in arrears for the financial year ending 31 December 2017 once approval is obtained from shareholders at the forthcoming AGM.

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

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

REPORT ON CORPORATE GOVERNANCE

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

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

During FY2016, the RC had reviewed the compensation and remuneration packages and believes that the remuneration of Directors and Key Management Personnel commensurate with their respective roles and responsibilities, after taking into consideration the referencing of Directors' and Key Management Personnel's remuneration against comparable benchmarks and giving due regard to prevailing market conditions as well as the financial, commercial health and business needs of the Group. For FY2016, the Company did not engage any external remuneration consultant to assist in the review of compensation and remuneration packages as there is no significant change in the size and scope of the Group's core business. Notwithstanding, the Company shall consider the engagement of external remuneration consultants should the Group's business or operations expand to the extent where expert advice from such external remuneration consultants is deemed more beneficial than its cost.

There are no termination, retirement and post-employment benefits that may be granted to the Directors, the CEO and top 4 Key Management Personnel.

Principle 9 – Disclosure on Remuneration

The breakdown (in percentage terms) of the remuneration of Directors of the Company for FY2016 is set out below:

Remuneration and Name of Director	Salary and allowance(1) (%)	Fixed Bonus(1) (%)	Variable Bonus(1) (%)	Director's Fees(2) (%)	Total (%)
From S$0 to S$250,000					
Lim Wee Hann	0	0	0	100	100
Professor Low Teck Seng	0	0	0	100	100
Sitoh Yih Pin	0	0	0	100	100
From S$750,001 to S$1,000,000					
Dr Lee Hung Ming	69	31	0	0	100
From S$1,000,001 to S$1,250,000					
Dr Wong Jun Shyan	100	0	0	0	100

REPORT ON CORPORATE GOVERNANCE

The breakdown (in percentage terms) of the remuneration of the 4 top Key Management Personnel of the Group for FY2016 is set out below:

Remuneration and Name of Key Executives	Designation	Salary and allowance[1] (%)	Variable Bonus[1] (%)	Others[3] (%)	Total (%)
From S$0 to S$250,000					
Macy Thong	Chief Financial Officer	93%	7%	0%	100%
From S$250,001 to S$500,000					
Dr Alan Ang Jin Soon	Penang Centre Director	62%	38%	0%	100%
From S$500,001 to S$750,000					
Dr Fang Seng Kheong	Medical Board Chairman	100%	0%	0%	100%
From S$750,001 to S$1,000,000					
Dr Choong Yee Fong	Kuala Lumpur Centre Director	94%	5%	1%	100%

Notes:

1. *The salary, allowance, fixed and variable bonus amounts shown are inclusive of Central Provident Funds and Employees Provident Funds contributions respectively.*
2. *The Director's fees are subject to shareholders' approval at the forthcoming Annual General Meeting.*
3. *Dr Choong Yee Fong ("**Dr Choong**") is a director of the Company's subsidiary, ISEC Sdn. Bhd. ("**ISEC KL**"). There are Director's fees payable to Dr Choong from ISEC KL for FY2016.*

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

The Company only had 4 Key Management Personnel in FY2016. In aggregate, the total remuneration paid to the 4 top Key Management Personnel was S$2,128,000 in FY2016.

REPORT ON CORPORATE GOVERNANCE

Dr Lee Yeng Fen, who is the spouse of Dr Lee Hung Ming, the Group's Executive Vice Chairman, received a remuneration of between S$0 to S$50,000 in FY2016. Dr Lee Yeng Fen joined the Group on 1 December 2016 following the completion of the Group's acquisition of the entire issued and fully-paid share capital of JL Medical (Bukit Batok) Pte. Ltd., JL Medical (Sembawang) Pte. Ltd., JL Medical (Woodlands) Pte. Ltd. and JL Medical (Yew Tee) Pte. Ltd (the "**JLM Companies**"), as announced on SGXNet on 1 December 2016. Save for Dr Lee Yeng Fen, there is no family relationship between any of our Directors, CEO and/or Key Management Personnel, and there is also no employee who is an immediate family member of a Director and/or CEO whose remuneration exceeded S$50,000 during FY2016.

The remuneration received by the Executive Directors and Key Management Personnel takes into consideration his or her individual performance and contribution toward the overall performance of the Group for FY2016. Their remuneration is made up of fixed and variable compensations. The fixed compensation consists of an annual base salary and fixed allowance. The variable compensation is determined based on the level of achievement of corporate and individual performance objectives. The RC has reviewed and is satisfied that the Executive Directors and Key Management Personnel have met their performance conditions in FY2016.

SHARE OPTION SCHEME

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

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

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

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

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

REPORT ON CORPORATE GOVERNANCE

No share has been awarded to any Participant under the Share Option Scheme since adoption including in FY2016. The options that are granted under the Share Option Scheme may have exercise prices that are, at the discretion of the Committee:

(a) set at a discount to a price equal to the average of the last dealt prices for the shares on the SGX-ST for the five (5) consecutive market days, on which transactions in the shares were recorded, immediately preceding the relevant date of grant of the relevant option (the "**Market Price**") subject to a maximum discount of 20% (the "**Incentive Options**"); or

(b) fixed at the Market Price (the "**Market Price Options**").

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

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

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

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

PERFORMANCE SHARE PLAN

On 28 April 2016, the shareholders adopted the "ISEC Healthcare Performance Share Plan" (the "**PSP**"). The PSP has been assigned by the Board of Directors to be administered by the RC, or such other committee comprising Directors duly authorised, appointed and nominated by the Board to administer the PSP. At the date of this annual report, the RC comprises Mr Lim Wee Hann, Mr Sitoh Yih Pin and Professor Low Teck Seng.

The adoption of the PSP in 2016 was in line with the Company's continuing efforts to increase the Company's flexibility and effectiveness in rewarding, retaining and motivating the Group's employees (including Executive Directors of the Company, its subsidiaries and/or associated companies) as well as Non-Executive Directors whose contributions are essential to the Company's long-term growth and prosperity.

The PSP allows for participation by the Group's employees (including executive directors of the Company, its subsidiaries and/or associated companies) as well as Non-Executive Directors, subject to the absolute discretion of the RC, provided that such persons have attained the age of 21 years on or before the relevant date of grant of the award and are not undischarged bankrupts or have not entered into any composition with their creditors. Eligible participants (the "**Participants**") under the PSP will have the opportunity to participate in the equity of the Company, thereby aligning their interests with the interests of the Company and shareholders, motivating them towards long-term growth and profitability of the Group and better performance through increased dedication and incentives.

The PSP gives the Company greater flexibility to align the interest of its key directors and executives with those of shareholders. The PSP would also incentivise Participants to excel in their performance and encourage greater dedication and loyalty to the Company by introducing a variable component in their remuneration package. The PSP contemplates the award of fully-paid shares after certain pre-determined performance targets have been met (the "**Awards**"). The Company believes that the PSP will be more effective than pure cash bonuses in motivating employees to work towards determined goals.

REPORT ON CORPORATE GOVERNANCE

Under the PSP, the size of the Award granted to a Participant will be determined based on, amongst others, his rank, past performance, length of service, potential for future development and his contribution to the success and development of the Group as determined by the RC prior to the date of grant. The performance period is a period prescribed by the RC during which the performance conditions and targets shall be satisfied. Awards may only be vested, and consequently any shares comprised in such Award shall only be delivered, upon the RC being satisfied, at its absolute discretion, that the Participant has achieved the performance target(s), service conditions and/or such other conditions such as vesting period(s) or vesting schedules applicable for the release of the Award and/or all or any of the Shares or cash equivalent or both to which that Award relates, and/or upon the RC being satisfied that due recognition should be given for good work performance and/or significant contribution to the Company.

The RC shall decide, amongst others, the Participant, date of grant of the Award, the number of shares which are the subject of an Award, the performance target(s), the performance period and vesting period in relation to each Award.

The Company had also obtained the specific approval of shareholders for the participation of Dr Lee Hung Ming, the Executive Vice Chairman and controlling shareholder of the Company, in the PSP. The aggregate number of shares which may be delivered to Participants who are controlling shareholders and their respective associates under the PSP shall not exceed 25% of the aggregate number of new shares issued and/or issuable under the PSP, the Share Option Scheme and any other share scheme which the Company may implement from time to time, with the number of aggregate number of shares which may be issued pursuant to Awards granted to each controlling shareholder or his respective associate not exceeding 10% of the aggregate number of new shares issued and/or issuable under the PSP, the Share Option Scheme and any other share scheme which the Company may implement from time to time.

The aggregate number of shares which may be issued pursuant to Awards granted under the PSP, when added to the number of new shares issued and issuable in respect of all Awards granted under the PSP, the Share Option Scheme and any other share scheme which the Company may implement from time to time, shall not exceed 15% of the total number of issued shares (excluding treasury shares) of the Company on the day preceding the date of grant of the Award.

Further details on the Company's PSP are set out in the Company's circular to shareholders dated 13 April 2016.

No share award has been granted to any Participant under the PSP since its adoption.

Pursuant to Rule 851 of the Catalist Rules, in FY2016, there were no Awards granted to (i) the Directors; (ii) the controlling shareholder of the Company or his associates; and (iii) Participants (other than those in (i) and (ii), who receive Awards comprising shares representing 5% or more of the total number of new shares available under the PSP).

(C) ACCOUNTABILITY AND AUDIT

Principle 10 – Accountability

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

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

REPORT ON CORPORATE GOVERNANCE

Principle 11 – Risk Management and Internal Controls

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

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

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

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

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

For FY2016, the AC had received assurance from the CEO and the Chief Financial Officer that:

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

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

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

REPORT ON CORPORATE GOVERNANCE

Principle 12 – Audit Committee ("AC")

The terms of reference of the AC include the following:

(a) assisting the Board in discharging its statutory responsibilities on financing and accounting matters;

(b) reviewing significant financial reporting issues and judgments to ensure the integrity of the financial statements and any formal announcements relating to financial performance;

(c) reviewing the external auditor's audit plan ("Audit Plan") and the auditor's report ("Audit Report") on the annual financial statements of the Group and the Company before submission to the Board. Review the cost effectiveness, independence and objectivity of the external auditors;

(d) reviewing the quarterly results announcement of the Group and the Company;

(e) reviewing the key financial risk areas, the risk management structure and any oversight of the risk management process and activities to mitigate and manage risks at acceptable levels determined by the Board;

(f) reviewing the statements to be included in the annual report concerning the adequacy and effectiveness of our risk management and internal controls systems, including financial, operational, compliance controls, and information technology controls;

(g) reviewing any interested person transactions and monitoring the procedures established to regulate interested person transactions, including ensuring compliance with the Company's internal control system and the relevant provisions of the Catalist Rules, as well as all conflicts of interests to ensure that proper measures to mitigate such conflicts of interests have been put in place;

(h) reviewing the internal audit program and reports on a periodic basis and monitor Management's responsiveness to the findings and recommendations by internal auditors;

(i) approving the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced;

(j) appraising and reporting to the Board on the audits undertaken by the external auditors and internal auditors and the adequacy of disclosure of information;

(k) making recommendations to the Board on the proposals to shareholders on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;

(l) undertaking such other reviews and projects as may be requested by the Board, and report to the same on its findings from time to time on matters arising and requiring the attention of the AC; and

(m) undertaking generally such other functions and duties as may be required by law or the Catalist Rules, and by amendments made thereto from time to time.

The members of the AC are:

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

All members of the AC are independent and non-executive Directors who do not have any management and business relationships with the Company or any substantial shareholder of the Company. None of the AC members were previous partners or directors of the Company's external audit firm within the last twelve months and none of the AC members hold any financial interest in the external audit firm.

REPORT ON CORPORATE GOVERNANCE

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

The external auditors were also, as and when required, invited to be present at AC meetings held during FY2016 to, *inter-alia*, answer or clarify any matter on accounting, audit or internal controls.

An extraordinary general meeting ("**EGM**") of the Company was held on 7 October 2016 for a change in auditors from BDO LLP to Ernst &Young LLP ("**EY**"). Shareholders may refer to the circular to shareholders dated 22 September 2016 for more details on the change in auditors.

The aggregate amount of expense paid or payable to EY for FY2016 is as disclosed in Note 19 to the financial statements.

The AC has reviewed the non-audit services which amounted to 21.8% of total audit fees. The Board, with the concurrence of the AC, is of the opinion that the independence and objectivity of the external auditors have not been affected.

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

The AC has recommended to the Board the re-appointment of EY as external auditors of the Company at the forthcoming AGM of the Company to be held on 26 April 2017.

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

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

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

REPORT ON CORPORATE GOVERNANCE

For FY2016, the Board had concluded, with the help of the NC, that the members of the AC are appropriately qualified to discharge their duties and responsibilities. The Board's view is that adequate and reasonable assistance and support has been properly rendered by the Management to the AC and that the AC has effectively and efficiently contributed to the Board and the Group. The AC chairman is a Chartered Accountant and is currently, the Chairman of Nexia TS Public Accounting Corporation, an accounting firm in Singapore. In FY2016, the AC was provided with information such as updates on the changes to the Singapore's Financial Reporting Standards by the external auditors in the course of their report to AC.

Principle 13 – Internal Audit

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

For FY2016, the Group had outsourced its internal audit function to Crowe Horwath Governance Sdn Bhd (the "**IA**" or "**Crowe Horwath**") which reports directly to the AC. The IA has an administrative reporting function to Management where planning, co-ordinating, managing and implementing internal audit work cycle are concerned.

The IA will report their audit findings, any material non-compliance or failures in internal control and recommendations for improvements directly to the AC.

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

The AC is satisfied that the IA is able to discharge its duties effectively as it:

- is adequately qualified, given that Crowe Horwath is a corporate member of the Malaysian Institute of Internal Auditors and the internal audit work carried out by Crowe Horwath is guided by The Institute of Internal Auditors Inc. International Professional Practice Framework;
- is adequately resourced as there is a team of 4 members assigned to the Company's internal audit, led by Amos Law, a Certified Internal Auditor who has 19 relevant years of audit experience in diverse areas across healthcare/technology/financial, manufacturing & trading, construction and F&B; and
- has the appropriate standing in the Company, given, *inter-alia*, its involvement in certain AC meetings and its unfettered access to all the Group's documents, records, properties and personnel, including direct access to the AC.

The AC approves the appointment, removal, evaluation and compensation of IA.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14 – Shareholder Rights

Principle 15 – Communication with Shareholders

Principle 16 – Conduct of Shareholder Meetings

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

– annual reports – the Board strives to include all relevant information about the Group, including future developments and disclosures required by the Companies Act, Financial Reporting Standards and the Catalist Rules;

REPORT ON CORPORATE GOVERNANCE

– presentation slides accompanying quarterly results announcement; and

– SGXNet and press releases on major developments of the Group.

SGXNet disclosures, presentation slides and press releases of the Group are also available on the Company's website at http://isechealthcare.com. A copy of the annual report for FY2016 will also be made available on the Company's website and published via SGXNet. As the Company does not have a formal investor relations policy, part of the Company's efforts to communicate continuously with its shareholders included the conduct and participation in more than 10 investor and analyst meeting sessions, attended by investors in FY2016.

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

A polling agent together with independent scrutineers are appointed by the Company for all general meetings of shareholders who will explain the rules, including the voting procedures that govern the general meeting.

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

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

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

The Board has proposed a final tax exempt (one-tier) dividend of S$0.0011 per ordinary share for FY2016 which will be subject to shareholders' approval at the forthcoming AGM. The Company had declared a first interim tax exempt (one-tier) dividend of S$0.0022 per ordinary share for the 3 months ended 30 June 2016 and a second interim tax exempt (one-tier) dividend of S$0.0066 per ordinary share for the 3 months ended 30 September 2016 in FY2016.

(E) DEALINGS IN SECURITIES

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

REPORT ON CORPORATE GOVERNANCE

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

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

(ii) the period commencing one month before the announcement of the Company's financial statements for its full financial year.

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

(F) INTERESTED PERSON TRANSACTIONS ("IPT")

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

The Company does not have any IPT general mandate.

The details of the interested person transaction transacted in FY2016 are as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000.00)
Dr. Lee Yeng Fen[(1)]	S$12.95 million[(2)]	Not applicable

Notes:

(1) Dr. Lee Yeng Fen is the spouse, and accordingly an associate, of Dr. Lee Hung Ming, the Executive Vice Chairman and a controlling shareholder of the Company.

(2) The Company had on 1 December 2016 completed the acquisition of the JLM Companies for an aggregate consideration of S$13.94 million, of which S$12.95 million was paid to Dr. Lee Yeng Fen who was one of the vendors.

Please refer to the announcements made on 27 May 2016, 6 September 2016, 6 October 2016, 7 October 2016 and 1 December 2016 and the circular dated 22 September 2016 for more details on the acquisition.

Other than the above, there were no IPTs with value more than S$100,000 transacted in FY2016.

REPORT ON CORPORATE GOVERNANCE

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

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

	Amount allocated S$'000	Amount allocated pursuant to reallocation of unutilised listing expenses S$'000	Amount utilised S$'000	Balance S$'000
Business expansion in the Asia Pacific region (including Malaysia and Singapore)	13,800	300	(12,565)(1)	1,535
General working capital	2,500	–	(2,500)(2)	–
Total	16,300	300	(15,065)	1,535

(1) Utilised for:

	Acquisition of Southern Specialist Eye Centre Sdn. Bhd. (S$'000)	Acquisition of the JLM Companies (S$'000)	Total (S$'000)
Cash consideration	5,204	6,971	12,175
Administrative expenses	122	268	390
Total	5,326	7,239	12,565

(2) Utilised for:

	S$'000
Cost of sales	1,028
Administrative expenses	1,378
Selling and distribution expenses	94
	2,500

(H) MATERIAL CONTRACTS

Save for the service agreements entered with the Executive Directors as disclosed on page 140 and 141 of the Offer Document dated 14 October 2014, there was no other material contract involving the interests of the CEO, any Director or controlling shareholders of the Company which has been entered into by the Group, which are either still subsisting at the end of FY2016 or if not then subsisting, entered into since the end of the previous financial year.

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

For FY2016, non-sponsor fees of S$25,000 was paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of ISEC Healthcare Ltd. (the "Company") and its subsidiaries (the "Group") and the statement of financial position of the Company for the financial year ended 31 December 2016.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year then ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

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

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

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of directors	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares				
The Company				
Sitoh Yih Pin	400,000	400,000	–	–
Professor Low Teck Seng	400,000	400,000	–	–
Dr Lee Hung Ming	83,609,200	83,609,200	78,390,800	104,283,058
Dr Wong Jun Shyan	27,585,705	27,710,705	15,000,000	15,000,000

DIRECTORS' STATEMENT

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

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2017.

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

5. SHARE OPTIONS AND PERFORMANCE SHARES

There were no share options or share awards granted by the Company or its subsidiaries during the financial year.

There were no unissued shares of the Company or of its subsidiaries under options or share awards as at the end of the financial year and no shares were issued during the financial year by virtue of the exercise of options or the vesting of share awards to take up unissued shares of the Company or its subsidiaries.

Share Option Scheme ("SOS")

The Company has implemented a share option scheme known as ISEC Healthcare SOS. The ISEC Healthcare SOS was approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 26 September 2014.

Since the commencement of the SOS and for FY2016, no share options were granted by the Company.

Performance Share Plan ("PSP")

The Company has also implemented a performance share plan known as ISEC Healthcare Performance Share Plan. The ISEC Healthcare Performance Share Plan was approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 28 April 2016.

No share has been awarded under the PSP since the PSP was adopted for FY2016.

6. AUDIT COMMITTEE

The Audit Committee performed the functions specified in the Singapore Companies Act, Chapter 50. The functions performed are detailed in the Corporate Governance Report.

7. AUDITOR

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors:

Dr Lee Hung Ming
Director

Dr Wong Jun Shyan
Director

Singapore
3 April 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ISEC HEALTHCARE LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of ISEC Healthcare Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2016, the statements of changes in equity of the Group and the Company and consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ISEC HEALTHCARE LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (cont'd)

Acquisition of JLM Companies

During the year, the Company completed the acquisition of 100% interest in JL Medical (Bukit Batok) Pte. Ltd., JL Medical (Sembawang) Pte. Ltd., JL Medical (Woodlands) Pte. Ltd. and JL Medical (Yew Tee) Pte. Ltd. (collectively, "JLM Companies") for a consideration of S$15.2 million payable in cash and with issuance of new shares. The acquisition of the JLM Companies was accounted for using the acquisition method where the Group performed a purchase price allocation ("PPA") exercise as disclosed in Note 6 of the financial statements.

Significant judgement and estimates were made in the PPA exercise on the identification of intangible assets, valuation of the acquired assets and liabilities, and measurement of the fair value of the new shares issued as part of the purchase consideration. Given the quantitative materiality of this acquisition, the significant management judgement required in the PPA exercise and the adjustments made to align the accounting policies of JLM Companies with those of the Group, we considered the accounting for the acquisition of JLM Companies to be a key audit matter.

In auditing the accounting of the acquisition, we read the sale and purchase agreement and supplemental agreement to obtain an understanding of the transaction and the key terms. An important element of our audit relates to the identification of the acquired assets and ascertaining their fair values based on valuation models. We corroborated this identification based on our discussion with management and our understanding of the business of JLM Companies. Given the complexity, we have engaged our internal valuation specialists to assist us in reviewing the nature and basis of the valuation adjustments to the purchase consideration and the acquired assets. We reviewed the appropriateness of the valuation methodologies used by management in the fair valuation of acquired assets and liabilities, including determining whether the assumptions used in valuing the acquired intangible assets were consistent with what a market participant would use. We have also assessed the adequacy and appropriateness of the disclosures in the financial statements in Note 5 of the financial statements.

Impairment assessment of intangible assets and cost of investment in subsidiaries

As at 31 December 2016, the Group's intangible assets comprised goodwill of $34.6 million, which are allocated to ISEC Eye Pte. Ltd. ("ISEC Eye"), Southern Specialist Eye Centre Sdn. Bhd. ("SSEC") and JLM Companies cash generating units ("CGU"), contractual relationship of $4.1 million arising from acquisition of ISEC Eye and customer relationship of $0.2 million arising from acquisition of JLM Companies.

The Company has cost of investment in these subsidiaries amounting to $48.4 million as at 31 December 2016.

As part of the requirement under FRS36 to assess goodwill impairment annually, management has prepared a discounted cash flow model to determine the recoverable value of each CGU. In particular, for contractual relationship, customer relationship and cost of investment in subsidiaries, impairment assessment was performed to assess whether indicators of impairment are present, such as a decline in cash flows or operating profit flowing from the asset. Any shortfall of the recoverable value against the carrying amounts of these assets will be recognised as impairment losses.

The recoverable value is determined based on a number of significant operational and predictive assumptions such as forecasted revenue, growth rate, profit margin and discount rate. Given that these estimates require significant judgement and estimates, we considered the impairment assessment of intangible assets and cost of investment in subsidiaries to be a key audit matter.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ISEC HEALTHCARE LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (cont'd)

Impairment assessment of intangible assets and cost of investment in subsidiaries (cont'd)

Our audit procedures included, amongst others, assessing the appropriateness of management's assumptions applied in the value-in-use models based on our knowledge of the CGUs' operations, performance and industry benchmarks. This included obtaining an understanding of management's planned strategies on revenue growth and cost initiatives. Given the complexity of the valuation, we have engaged our internal valuation specialists to assist us in reviewing the valuation model, discount rates and terminal growth rates used. We also considered the robustness of management's budgeting process by comparing the actual results versus previously forecasted figures. In addition, we reviewed management's analysis of the sensitivity of the recoverable amount to changes in the respective assumptions. We have also assessed the adequacy and appropriateness of the disclosures in the financial statements in Note 3(a) of the financial statements.

Other information

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ISEC HEALTHCARE LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ISEC HEALTHCARE LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

Other matter

The financial statements of ISEC Healthcare Ltd. and its subsidiaries for the year ended 31 December 2015 were audited by another auditor who expressed an unmodified opinion on those financial statements on 31 March 2016.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tan Peck Yen.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
3 April 2017

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
ASSETS					
Non-current assets					
Plant and equipment	4	3,966,629	3,639,032	117,864	152,603
Intangible assets	5	39,111,342	25,161,926	5,517	7,662
Investment in subsidiaries	6	–	–	48,385,621	34,388,977
Deferred tax assets	7	30,234	38,764	–	–
		43,108,205	28,839,722	48,509,002	34,549,242
Current assets					
Inventories	8	1,217,820	982,128	–	–
Trade and other receivables	9	2,171,332	1,903,980	4,718,356	2,599,146
Prepayments		176,830	107,346	13,614	8,617
Current tax assets		102,876	–	–	–
Cash and cash equivalents	10	20,375,707	24,924,432	8,266,291	16,073,380
		24,044,565	27,917,886	12,998,261	18,681,143
Total assets		67,152,770	56,757,608	61,507,263	53,230,385
EQUITY AND LIABILITIES					
Equity					
Share capital	11	59,672,457	51,461,751	59,672,457	51,461,751
Other reserves	12	(5,306,913)	(4,824,905)	–	–
Retained earnings		6,424,306	5,361,870	1,501,117	1,406,111
Equity attributable to owners of the Company		60,789,850	51,998,716	61,173,574	52,867,862
Non-controlling interests		(30,280)	(74,018)	–	–
Total equity		60,759,570	51,924,698	61,173,574	52,867,862
Non-current liabilities					
Provisions	13	197,951	113,772	19,187	18,827
Deferred tax liabilities	7	761,027	842,429	–	–
		958,978	956,201	19,187	18,827
Current liabilities					
Trade and other payables	14	4,918,839	3,409,708	313,498	342,780
Current income tax payable		515,383	467,001	1,004	916
		5,434,222	3,876,709	314,502	343,696
Total liabilities		6,393,200	4,832,910	333,689	362,523
Total equity and liabilities		67,152,770	56,757,608	61,507,263	53,230,385

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 $	2015 $
Revenue		30,780,154	26,690,338
Cost of sales		(16,047,120)	(14,773,169)
Gross profit		14,733,034	11,917,169
Other item of income			
Other income	15	550,134	385,615
Other items of expense			
Selling and distribution expenses	16	(91,767)	(218,616)
Administrative expenses		(6,664,640)	(6,837,206)
Other expenses	17	(538,099)	(1,255,800)
Finance costs	18	(4,226)	(6,284)
Profit before income tax	19	7,984,436	3,984,878
Income tax expense	20	(1,497,189)	(1,241,177)
Profit for the year		6,487,247	2,743,701
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation of subsidiaries		(481,750)	(946,341)
Other comprehensive income for the year, net of tax		(481,750)	(946,341)
Total comprehensive income for the year		6,005,497	1,797,360
Profit for the year attributable to:			
Owners of the Company		6,443,767	2,759,868
Non-controlling interests		43,480	(16,167)
		6,487,247	2,743,701
Total comprehensive income attributable to:			
Owners of the Company		5,961,759	1,803,211
Non-controlling interests		43,738	(5,851)
		6,005,497	1,797,360
Earnings per share	21		
– basic (in cents)		1.31	0.60
– diluted (in cents)		1.31	0.60

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Group	Note	Share capital $	Foreign currency translation reserve $	Merger reserve $	Retained earnings $	Equity attributable to owners of the Company $	Non-controlling interests $	Total equity $
At 1 January 2016		51,461,751	(1,252,905)	(3,572,000)	5,361,870	51,998,716	(74,018)	51,924,698
Profit for the year		–	–	–	6,443,767	6,443,767	43,480	6,487,247
Other comprehensive income								
Foreign currency translation		–	(482,008)	–	–	(482,008)	258	(481,750)
Total comprehensive income for the year		–	(482,008)	–	6,443,767	5,961,759	43,738	6,005,497
Contributions by and distributions to owners of the Company								
Issuance of ordinary shares	11	8,225,706	–	–	–	8,225,706	–	8,225,706
Share issue expenses	11	(15,000)	–	–	–	(15,000)	–	(15,000)
Dividends	22	–	–	–	(5,381,331)	(5,381,331)	–	(5,381,331)
Total transactions with owners of the Company		8,210,706	–	–	(5,381,331)	2,829,375	–	2,829,375
At 31 December 2016		59,672,457	(1,734,913)	(3,572,000)	6,424,306	60,789,850	(30,280)	60,759,570

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Group	Note	Share capital $	Foreign currency translation reserve $	Merger reserve $	Retained earnings $	Equity attributable to owners of the Company $	Non-controlling interests $	Total equity $
At 1 January 2015		43,630,212	(296,248)	(3,572,000)	4,115,052	43,877,016	(197,240)	43,679,776
Profit for the year		–	–	–	2,759,868	2,759,868	(16,167)	2,743,701
Other comprehensive income								
Foreign currency translation		–	(956,657)	–	–	(956,657)	10,316	(946,341)
Total comprehensive income for the year		–	(956,657)	–	2,759,868	1,803,211	(5,851)	1,797,360
Contributions by and distributions to owners of the Company								
Issuance of ordinary shares	11	7,831,539	–	–	–	7,831,539	–	7,831,539
Dividends	22	–	–	–	(1,513,050)	(1,513,050)	–	(1,513,050)
Total transactions with owners of the Company		7,831,539	–	–	(1,513,050)	6,318,489	–	6,318,489
Transaction with non-controlling interests								
Subscription of shares in subsidiaries by non-controlling interests		–	–	–	–	–	129,073	129,073
Total transaction with non-controlling interests		–	–	–	–	–	129,073	129,073
At 31 December 2015		51,461,751	(1,252,905)	(3,572,000)	5,361,870	51,998,716	(74,018)	51,924,698

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Share capital $	Retained earnings $	Total equity $
Company				
2016				
At 1 January 2016		51,461,751	1,406,111	52,867,862
Profit for the year, representing total comprehensive income for the year		–	5,476,337	5,476,337
Contributions by and distributions to owners of the Company				
Issuance of ordinary shares	11	8,225,706	–	8,225,706
Share issue expenses	11	(15,000)	–	(15,000)
Dividends	22	–	(5,381,331)	(5,381,331)
Total transactions with owners of the Company		8,210,706	(5,381,331)	2,829,375
At 31 December 2016		59,672,457	1,501,117	61,173,574
2015				
At 1 January 2015		43,630,212	2,078,097	45,708,309
Profit for the year, representing total comprehensive income for the year		–	841,064	841,064
Contributions by and distributions to owners of the Company				
Issuance of ordinary shares	11	7,831,539	–	7,831,539
Dividends	22	–	(1,513,050)	(1,513,050)
Total transactions with owners of the Company		7,831,539	(1,513,050)	6,318,489
At 31 December 2015		51,461,751	1,406,111	52,867,862

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Profit before income tax		7,984,436	3,984,878
Adjustments for:			
Allowance for doubtful debts, net	17	6,021	14,236
Amortisation of intangible assets	17/19	586,436	582,612
Bad debts written-off	17	–	22,461
Depreciation of plant and equipment	19	847,492	799,277
Intangible assets written-off	19	–	838
Interest income	15	(345,278)	(192,226)
Interest expense	18	4,226	6,284
Inventories written-off	17/19	–	75,744
Loss on disposal of plant and equipment	17	–	738
Plant and equipment written-off	17/19	4,982	637,529
Provision for restoration costs written-back	15	–	(125,323)
Provision for closure costs written-back	15	(32,081)	–
Reversal of accrual for unutilised leave	15	–	(24,210)
Other adjustments	15	(127,768)	–
Operating cash flows before changes in working capital		8,928,466	5,782,838
Changes in working capital:			
Inventories		21,902	(237,287)
Trade and other receivables		170,169	794,475
Prepayments		(69,484)	74,135
Trade and other payables		40,426	325,818
Cash flows from operations		9,091,479	6,739,979
Income tax paid		(1,792,016)	(1,939,438)
Net cash flows from operating activities		7,299,463	4,800,541
Cash flows from investing activities			
Proceeds from disposal of plant and equipment		1,937	36,387
Acquisition of subsidiary, net of cash acquired	6	(5,607,278)	(4,487,229)
Purchase of plant and equipment		(1,029,962)	(673,298)
Purchase of intangible assets		(82,519)	(179,928)
Interest received		339,605	183,181
Net cash flows used in investing activities		(6,378,217)	(5,120,887)
Cash flows from financing activities			
Dividends paid	22	(5,381,331)	(1,513,050)
Subscription of shares in subsidiaries by non-controlling interests		–	129,073
Net cash flows used in financing activities		(5,381,331)	(1,383,977)
Net decrease in cash and cash equivalents		(4,460,085)	(1,704,323)
Cash and cash equivalents at beginning of year		24,924,432	27,266,816
Effect of exchange rate changes on cash and cash equivalents		(88,640)	(638,061)
Cash and cash equivalents at end of year	10	20,375,707	24,924,432

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. CORPORATE INFORMATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollar (SGD or $), except when otherwise indicated.

The Accounting Standards Council announced on 29 May 2014 that Singapore-incorporated companies listed on the SGX will apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS"). The Group will adopt the new financial reporting framework on 1 January 2018.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 January 2016. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 7 *Disclosure Initiative*	1 January 2017
Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
Amendments to FRS 102 *Classification and Measurement of Share-Based Payment Transactions*	1 January 2018
Amendments to FRS 115 *Clarifications to FRS 115 Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.3 Standards issued but not yet effective (cont'd)

Except for FRS 109 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policies on adoption of FRS 109 and FRS 116 are described below.

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on the statement of financial position to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expenses and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;

– de-recognises the carrying amount of any non-controlling interest;

– de-recognises the cumulative translation differences recorded in equity;

– recognises the fair value of the consideration received;

– recognises the fair value of any investment retained;

– recognises any surplus or deficit in profit or loss;

– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2.5 Business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.5 Business combinations (cont'd)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

Acquisition under common control

Business combinations involving entities under common control are accounted for by applying the "pooling-of-interest" method which involves the following:

– the assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company;

– no adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities;

– no additional goodwill is recognised as a result of the combination;

– any difference between the consideration paid/transferred and the equity 'acquired' is reflected within the equity as merger reserve;

– the statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.

Comparatives are restated to reflect the combination as if it had occurred from the beginning of the earliest period presented in the financial statements or from the date the entities had come under common control, if later.

In 2014, there was a restructuring exercise that involved acquisition of companies which are under common control, namely ISEC Sdn. Bhd. and its subsidiaries. The consolidated financial statements of the Group included that of ISEC Sdn. Bhd. and its subsidiaries by applying the "pooling-of-interest" method. Such manner of presentation reflects the economic substance of the combining companies as a single economic enterprise, although the legal parent-subsidiary relationship was not established until after 26 September 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.6 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

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

2.7 Foreign currencies

The financial statements are presented in Singapore dollar, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.8 Plant and equipment

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Computer equipment	–	5 years
Electrical equipment	–	6 – 13 years
Motor vehicles	–	5 years
Medical equipment	–	5 – 8 years
Office equipment, furniture and fittings	–	5 – 6 years
Renovation	–	6 – 13 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

2.9 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

a) Intangible assets with finite useful lives

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.9 Intangible assets (cont'd)

a) *Intangible assets with finite useful lives (cont'd)*

Computer software and software under development

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

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

Contractual relationships

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

Customer relationships

Customer relationships acquired in a business combination are measured at its fair value as at the date of acquisition. Following initial recognition, customer relationships are carried at cost less accumulated amortisation and accumulated impairment losses. The customer relationships are amortised over the estimated useful life of 5 years.

b) *Intangible assets with indefinite useful lives*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.9 Intangible assets (cont'd)

b) Intangible assets with indefinite useful lives (cont'd)

Goodwill

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

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

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

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss.

Except for goodwill, a previously recognised impairment loss 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.11 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.12 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

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

Subsequent measurement

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired, and through the amortisation process.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

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

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.13 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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

2.14 Cash and cash equivalents

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

2.15 Inventories

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

Cost is determined on a weighted average basis and includes all costs incurred in bringing the inventories to their present location and condition.

Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price at which inventories can be realised in the ordinary course of business, less estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.16 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 an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

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

2.17 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments. Where the government grant relates to income, government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income is presented as a credit in profit or loss, under a general heading such as "Other income".

Where loans or similar assistance are provided by the government or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

2.18 Employee benefits

a) Defined contribution plans

As required by law, the Group makes contributions to the state pension scheme, the Central Provident Fund ("CPF") in Singapore and Employees Provident Fund ("EPF") in Malaysia. CPF and EPF contributions are recognised as compensation expenses in the same period as the employment that gives rise to the contributions.

b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when the Group has a present legal or constructive obligation to pay as a result of services rendered by employees up to the end of the reporting period.

c) Employee share option plans

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense. The employee share option reserve is transferred to retained earnings upon expiry of the share option.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.19 Leases

As lessee

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.20 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at fair value of the consideration received or receivable, taking into account contractually defined terms of payment and presented, net of rebates, discounts and sales-related taxes.

Revenue from the provision of medical care, consultancy, treatment and surgery is recognised when the services have been rendered.

Revenue of a subsidiary from profit-sharing for specialist ophthalmology services rendered is recognised every period in accordance with the terms of the service agreement with the external service provider.

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

2.21 Finance costs

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

2.22 Taxes

a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.22 Taxes (cont'd)

b) Deferred tax (cont'd)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

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

c) Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.23 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

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

a) Impairment of intangible assets and cost of investments in subsidiaries

The Group's intangible assets mainly comprised goodwill, contractual relationships and customer relationships arising from acquisitions of subsidiaries. Management assesses goodwill impairment annually. For contractual relationships, customer relationships and cost of investment in subsidiaries, management performs an assessment to ascertain whether indicators of impairment are present. Management also exercises significant judgement in estimating the recoverable values of these assets. Any shortfall of the recoverable values against the carrying amounts of these assets will be recognised as impairment losses. The recoverable values determined require a number of significant operational and predictive assumptions such as forecasted revenue, growth rate, profit margin and discount rate. These key assumptions which require significant judgements and estimates are applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 5 to the financial statements.

The carrying amounts of the Group's intangible assets and the Company's cost of investment in subsidiaries as at 31 December 2016 were $39,111,342 (2015: $25,161,926) and $48,385,621 (2015: $34,388,977) respectively.

b) Acquisition of JLM Companies

The acquisition of JLM Companies was accounted for by using the acquisition method involving a purchase price allocation ("PPA") exercise.

Significant judgements and estimates are made in the PPA exercise on the identification of intangible assets, ascertaining the fair values of the acquired assets and liabilities as well as the new shares issued as part of the purchase consideration as disclosed in Note 6 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. PLANT AND EQUIPMENT

Group	Computer equipment $	Electrical equipment $	Motor vehicles $	Medical equipment $	Office equipment, furniture and fittings $	Renovation $	Total $
Cost							
At 1 January 2015	358,843	540,884	65,824	5,119,449	318,772	2,256,421	8,660,193
Additions	61,997	–	–	566,660	26,520	18,121	673,298
Acquisition of subsidiary	17,344	38,469	–	230,749	113,496	49,222	449,280
Disposals	–	–	–	(12,920)	(4,914)	(42,380)	(60,214)
Written-off	(2,435)	–	–	(72,440)	(8,991)	(720,043)	(803,909)
Currency translation differences	(35,483)	(69,486)	(8,478)	(533,252)	(38,166)	(174,003)	(858,868)
At 31 December 2015 and 1 January 2016	400,266	509,867	57,346	5,298,246	406,717	1,387,338	8,059,780
Additions	64,907	60,993	–	397,841	65,869	440,352	1,029,962
Acquisition of subsidiaries	5,979	13,055	–	26,337	547	59,972	105,890
Disposals	(1,415)	–	–	–	(2,044)	(2,798)	(6,257)
Written-off	(40,619)	–	–	(86,451)	(4,978)	–	(132,048)
Currency translation differences	(7,768)	(13,304)	(1,219)	(115,371)	(9,882)	(41,994)	(189,538)
At 31 December 2016	421,350	570,611	56,127	5,520,602	456,229	1,842,870	8,867,789
Accumulated depreciation							
At 1 January 2015	136,436	144,327	39,494	2,945,836	170,077	938,525	4,374,695
Depreciation charge for the year	61,276	46,496	12,305	450,270	34,738	194,192	799,277
Disposals	–	–	–	(1,547)	(1,215)	(8,885)	(11,647)
Written-off	(690)	–	–	(13,166)	(2,524)	(150,000)	(166,380)
Currency translation differences	(18,404)	(21,683)	(5,923)	(388,217)	(23,851)	(117,119)	(575,197)
At 31 December 2015 and 1 January 2016	178,618	169,140	45,876	2,993,176	177,225	856,713	4,420,748
Depreciation charge for the year	69,277	52,811	11,605	516,439	94,522	102,838	847,492
Disposals	(1,415)	–	–	–	(2,044)	(861)	(4,320)
Adjustments*	–	–	–	(127,768)	–	–	(127,768)
Written-off	(40,615)	–	–	(86,451)	–	–	(127,066)
Currency translation differences	(3,557)	(5,283)	(1,354)	(72,407)	(5,432)	(19,893)	(107,926)
At 31 December 2016	202,308	216,668	56,127	3,222,989	264,271	938,797	4,901,160
Carrying amount							
At 31 December 2015	221,648	340,727	11,470	2,305,070	229,492	530,625	3,639,032
At 31 December 2016	219,042	353,943	–	2,297,613	191,958	904,073	3,966,629

* Adjustments relate to accumulated depreciation of medical equipment disposed of in prior years which were omitted upon reversal of the corresponding costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. PLANT AND EQUIPMENT (CONT'D)

Company	Computer equipment $	Office equipment, furniture and fittings $	Renovation $	Total $
Cost				
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	40,760	13,483	144,243	198,486
Accumulated depreciation				
At 1 January 2015	2,437	776	7,932	11,145
Depreciation charge for the year	8,152	2,546	24,040	34,738
At 31 December 2015	10,589	3,322	31,972	45,883
Depreciation charge for the year	8,152	2,546	24,041	34,739
At 31 December 2016	18,741	5,868	56,013	80,622
Carrying amount				
At 31 December 2015	30,171	10,161	112,271	152,603
At 31 December 2016	22,019	7,615	88,230	117,864

In 2015, as a result of the cessation of operations of International Specialist Eye Centre Pte. Ltd., the management specifically carried out a review of plant and equipment. The review resulted in plant and equipment written-off in 2015 amounted to $24,222 and $613,307 which was recognised in "administrative expenses" and "other expenses" line items in profit or loss respectively.

5. INTANGIBLE ASSETS

Group	Computer software $	Software under development $	Goodwill $	Contractual relationships $	Customer relationships $	Total $
Cost						
At 1 January 2015	356,913	–	7,969,861	5,300,000	–	13,626,774
Additions	143,136	36,792	–	–	–	179,928
Arising from acquisition of subsidiary	8,098	–	12,388,473	–	–	12,396,571
Written-off	(1,226)	–	–	–	–	(1,226)
Currency translation differences	(62,905)	–	(23,761)	–	–	(86,666)
At 31 December 2015 and 1 January 2016	444,016	36,792	20,334,573	5,300,000	–	26,115,381
Additions	55,003	27,516	–	–	–	82,519
Arising from acquisition of subsidiaries	–	–	14,565,789	–	155,000	14,720,789
Reclassification	45,992	(45,992)	–	–	–	–
Currency translation differences	(11,526)	(964)	(262,759)	–	–	(275,249)
At 31 December 2016	533,485	17,352	34,637,603	5,300,000	155,000	40,643,440

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. INTANGIBLE ASSETS (CONT'D)

Group	Computer software $	Software under development $	Goodwill $	Contractual relationships $	Customer relationships $	Total $
Accumulated amortisation						
At 1 January 2015	275,575	–	–	132,500	–	408,075
Amortisation for the year	52,612	–	–	530,000	–	582,612
Written-off	(388)	–	–	–	–	(388)
Currency translation differences	(36,844)	–	–	–	–	(36,844)
At 31 December 2015 and 1 January 2016	290,955	–	–	662,500	–	953,455
Amortisation for the year	56,436	–	–	530,000	–	586,436
Currency translation differences	(7,793)	–	–	–	–	(7,793)
At 31 December 2016	339,598	–	–	1,192,500	–	1,532,098
Carrying amount						
At 31 December 2015	153,061	36,792	20,334,573	4,637,500	–	25,161,926
At 31 December 2016	193,887	17,352	34,637,603	4,107,500	155,000	39,111,342
Remaining useful life as at 31 December 2016 (years)	1 to 5	–	–	7.75	5	–

Company	Computer software $
Cost	
At 1 January 2015	1,225
Additions	6,808
At 31 December 2015, 1 January 2016 and 31 December 2016	8,033
Accumulated amortisation	
At 1 January 2015	126
Amortisation for the year	245
At 31 December 2015 and 1 January 2016	371
Amortisation for the year	2,145
At 31 December 2016	2,516
Carrying amount	
At 31 December 2015	7,662
At 31 December 2016	5,517
Remaining useful life as at 31 December 2016 (years)	2.5 to 3

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

Computer software written-off in 2015 amounted to $838 was recognised in "administrative expenses" line item in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. INTANGIBLE ASSETS (CONT'D)

Goodwill

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

	2016 $	2015 $
Goodwill		
ISEC Eye Pte. Ltd. ("ISEC Eye")	7,969,861	7,969,861
Southern Specialist Eye Centre Sdn. Bhd. ("SSEC")	12,101,953	12,364,712
JLM Medical (Bukit Batok) Pte. Ltd. ("JLMBB")	4,323,165	–
JLM Medical (Sembawang) Pte. Ltd. ("JLMS")	3,779,768	–
JLM Medical (Woodlands) Pte. Ltd. ("JLMW")	4,188,872	–
JLM Medical (Yew Tee) Pte. Ltd. ("JLMYT")	2,273,984	–
	34,637,603	20,334,573

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

	Revenue growth rate		Terminal growth rate		Discount rate	
	2017 to 2020 %	2016 to 2019 %	2016 %	2015 %	2016 %	2015 %
ISEC Eye	5 – 6	5	1.1	0	17	21 – 26
SSEC	6 – 15	10 – 13	3.5	0	11	8
JLMBB	6 – 13	–	2	–	9	–
JLMS/JLMW/JLMYT	6 – 8	–	2	–	9	–

Management estimates the discount rate using post-tax rates that reflect current market assessment of the time value of money and the risks specific to the CGUs. The revenue and terminal growth rates are based on management's estimates and expectations from historical trends and industry indices.

Key assumptions used in the value in use calculations

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

Budgeted gross margins – Gross margins are based on average values achieved in the three years preceding the start of the budget period. Management expects the respective CGUs' gross margins as percentage of revenue to remain generally consistent over the budget period.

Growth rates – The forecasted growth rates are based on management's expectations for each CGU from historical trends and planned price revisions, as well as long-term average growth rates of the healthcare industry in the respective countries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. INTANGIBLE ASSETS (CONT'D)

Key assumptions used in the value in use calculations (cont'd)

Post-tax discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its CGUs and derived from its weighted average cost of capital ("WACC"). The Group had not incurred any debt as at 31 December 2016. The WACC takes into account the future targeted debt and equity structure. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the expected interest rate that Group will be obliged to service had it entered into interest-bearing borrowings.

As at the reporting date, the Group has re-evaluated and lowered the company-specific risks for ISEC Eye, and this in turn resulted in a reduced discount rate of 17% (2015: 21% – 26%).

Sensitivity analysis

Management believes that no reasonably possible changes of up to ±1% in any key assumptions would cause the carrying values of the respective CGUs to materially exceed their recoverable amounts.

Contractual relationships

ISEC Eye

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

Customer relationships

JLMBB, JLMS, JLMW, JLMYT

Customer relationships arise from clinical and medical services to recurring customers.

Management has applied the Multi-Period Excess Earning Method ("MEEM") to estimate the fair value of the intangible asset at acquisition date based on a useful life of 5 years and an attrition rate of 20% yearly.

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2016 $	2015 $
Unquoted equity shares, at cost	35,286,745	20,090,101
Deemed capital contribution	16,765,940	17,965,940
	52,052,685	38,056,041
Less: Allowance for impairment	(3,667,064)	(3,667,064)
	48,385,621	34,388,977
Movement in allowance account:		
At 1 January	(3,667,064)	–
Additions	–	(3,667,064)
At 31 December	(3,667,064)	(3,667,064)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

Deemed capital contribution

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

During the year, $1,200,000 out of the total $4,930,605 deemed capital contribution in International Specialist Eye Centre Pte. Ltd. ("ISEC SG") was reclassified as an interest-free loan repayable to the Company. This arrangement was made as there has been no suitable business opportunity identified for the utilisation of the cash and bank balances retained by the subsidiary since the cessation of its clinic operations. $1,100,000 of the loan was repaid subsequently during the year.

Impairment of subsidiary – ISEC SG

As at 31 December 2015, the Company recognised an impairment loss of $3,667,064 in the Company's profit or loss due to cessation of operations of the subsidiary.

a) Composition of the Group

The Group has the following significant investment in subsidiaries:

Name of company	Principal place of business	Principal activities	Proportion of ownership interest held (%) 2016	2015
Held by the Company:				
ISEC Sdn. Bhd[(2)]	Malaysia	Medical eye care services	100	100
ISEC Eye Pte. Ltd.[(1)]	Singapore	Medical eye care services	100	100
International Specialist Eye Centre Pte. Ltd.[(1)]	Singapore	Medical eye care services	100	100
ISEC Global Pte. Ltd.[(1)]	Singapore	Investment holding	100	100
JLM Medical (Bukit Batok) Pte. Ltd.[(1)]	Singapore	General medical services	100	–
JLM Medical (Sembawang) Pte. Ltd.[(1)]	Singapore	General medical services	100	–
JLM Medical (Woodlands) Pte. Ltd.[(1)]	Singapore	General medical services	100	–
JLM Medical (Yew Tee) Pte. Ltd.[(1)]	Singapore	General medical services	100	–
Held through ISEC Sdn. Bhd.:				
ISEC (Penang) Sdn. Bhd.[(2)] ("ISEC Penang")	Malaysia	Medical eye care services	66	66
ISEC (Sibu) Sdn. Bhd.[(2)] ("ISEC Sibu")	Malaysia	Medical eye care services	55	55
Southern Specialist Eye Centre Sdn. Bhd.[(2)] ("SSEC")	Malaysia	Medical eye care services	100	100

(1) Audited by Ernst & Young LLP, Singapore
(2) Audited by Ernst & Young Malaysia, a member firm of Ernst & Young Global

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

b) *Interest in subsidiary with material non-controlling interest ("NCI")*

The Group has the following subsidiary that has NCI that is material to the Group.

	ISEC (Penang) 2016	ISEC (Penang) 2015
Proportion of ownership interest held by non-controlling interest (%)	34	34
Profit after taxation allocated to NCI during the reporting period ($)	116,315	3,467
Accumulated NCI at the end of reporting period ($)	14,827	(66,789)

c) *Summarised financial information about subsidiary with material NCI*

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

Summarised statement of financial position

	ISEC (Penang) 2016 $	ISEC (Penang) 2015 $
Assets and liabilities		
Non-current assets	1,001,062	1,151,356
Current assets	701,220	559,284
Non-current liabilities	(51,308)	(8,111)
Current liabilities	(1,556,057)	(1,898,969)
Net asset/(liabilities)	94,917	(196,440)

Summarised statement of comprehensive income

	ISEC (Penang) 2016 $	ISEC (Penang) 2015 $
Revenue	3,121,342	2,284,230
Profit for the financial year	342,103	10,198
Total comprehensive income	317,199	51,223

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

c) *Summarised financial information about subsidiary with material NCI (cont'd)*

Other summarised information

	ISEC (Penang)	
	2016	**2015**
	$	**$**
Net cash generated from/(used in) operating activities	596,836	(39,680)
Net cash used in investing activities	(45,203)	(125,809)
Net cash (used in)/generated from financing activities	(430,178)	291,319
Net change in cash and cash equivalents	121,455	125,830

d) *Acquisition of subsidiaries*

Acquisition of JLMBB, JLMS, JLMW, and JLMYT

On 1 December 2016, the Company acquired the entire issued and fully paid-up share capital of JLMBB, JLMS, JLMW and JLMYT, companies incorporated in Singapore, for an aggregate fair value consideration of $15,196,644, which was satisfied by the cash consideration of $6,970,938 and issuance of 27,883,750 ordinary shares of the Company with a fair value of $8,225,706. The acquisition serves to diversify the Group's service into general (western) medical services and aesthetic treatment services, including oculoplastic and cosmetic eye lid services. The medical clinics may also serve as channels for the Group to expand ophthalmology services into heartland areas, which may in turn expand the Group's patient base.

From the date of acquisition, JLMBB, JLMS, JLMW and JLMYT have contributed $36,167 and $292,682 to the Group's profit for the financial year and revenue respectively. If the combination has taken place at the beginning of the financial year, the Group's net profit after tax for the financial year would have been $7,449,117 and revenue would have been $34,491,850.

The net fair value of identifiable assets and liabilities of JLMBB, JLMS, JLMW, and JLMYT at the date of acquisition was $630,855, thus, resulting in total goodwill on acquisition of $14,565,789.

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

d) *Acquisition of subsidiaries (cont'd)*

Acquisition of JLMBB, JLMS, JLMW, and JLMYT (cont'd)

The fair values of the identifiable assets and liabilities of JLMBB, JLMS, JLMW, and JLMYT as at the date of acquisition were:

	JLMBB	JLMS	JLMW	JLMYT	Total	
	Fair value recognised on date of acquisition	Fair value recognised on date of acquisition	Fair value recognised on date of acquisition	Fair value recognised on date of acquisition	Fair value recognised on date of acquisition	Carrying amount before combination
	$	$	$	$	$	$
Plant and equipment	32,667	13,587	15,519	44,117	105,890	105,890
Intangible assets	45,294	37,736	47,517	24,453	155,000	–
Inventories	154,768	30,613	21,641	50,572	257,594	257,594
Trade and other receivables	57,144	110,929	93,748	171,137	432,958	432,958
Cash and cash equivalents	552,994	200,396	307,091	303,179	1,363,660	1,363,660
Deferred tax liabilities	(10,300)	(6,815)	(8,378)	(8,857)	(34,350)	(8,000)
Long-term provisions	(7,990)	(5,430)	(9,922)	(8,597)	(31,939)	(31,939)
Trade and other payables	(496,472)	(254,621)	(372,027)	(371,815)	(1,494,935)	(1,494,935)
Current income tax payable	(49,440)	(21,434)	(30,567)	(21,582)	(123,023)	(123,023)
Net identifiable net assets acquired at fair value	278,665	104,961	64,622	182,607	630,855	502,205
Goodwill arising from acquisition	4,323,165	3,779,768	4,188,872	2,273,984	14,565,789	
Total purchase consideration	4,601,830	3,884,729	4,253,494	2,456,591	15,196,644	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

d) Acquisition of subsidiaries (cont'd)

Acquisition of JLMBB, JLMS, JLMW, and JLMYT (cont'd)

Trade and other receivables acquired

Trade and other receivables acquired comprise gross trade and other receivables amounting to $432,958 which approximates fair value. It is expected that full contractual amount of the receivables can be collected.

Goodwill arising from acquisition

Goodwill of $14,565,789 arising from the acquisition is attributable to the expected synergies from combining the operations of the subsidiaries with the Group in expanding ophthalmology services to Housing and Development Board neighbourhoods, the brand name of the clinics and an assembled workforce. These intangibles identified are subsumed into goodwill as they do not meet the recognition criteria for identifiable intangible assets.

Transaction costs

Transaction costs related to the acquisition of JLMBB, JLMS, JLMW, and JLMYT amounting to $267,785 are recognised in the "administrative expenses" line item in the profit or loss for the financial year ended 31 December 2016. Share issue expenses of $15,000 has been deducted against share capital (Note 11) in the same financial year.

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

	2016 $
Total purchase consideration	15,196,644
Less: issuance of ordinary shares of the Company	(8,225,706)
Purchase consideration to be fulfilled by cash	6,970,938
Less: Cash and cash equivalents of subsidiaries acquired	(1,363,660)
Net cash outflow on acquisition of subsidiaries	5,607,278

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

7. DEFERRED TAX

Movement in deferred tax of the Group during the year are as follows:

	At 1 January 2016 $	Recognised in profit or loss $	Acquisitions through business combination $	Currency translation differences $	At 31 December 2016 $
Deferred tax assets					
Provisions and other temporary differences	38,764	(7,797)	–	(733)	30,234
Total	38,764	(7,797)	–	(733)	30,234
Deferred tax liabilities					
Differences in depreciation for tax purposes	54,054	(24,792)	8,000	(860)	36,402
Differences in amortisation of intangible assets	788,375	(90,100)	26,350	–	724,625
Total	842,429	(114,892)	34,350	(860)	761,027
Deferred tax credit, net		(107,095)			

	At 1 January 2015 $	Recognised in profit or loss $	Acquisitions through business combination $	Currency translation differences $	At 31 December 2015 $
Deferred tax assets					
Provisions and other temporary differences	–	38,658	–	106	38,764
Total	–	38,658	–	106	38,764
Deferred tax liabilities					
Differences in depreciation for tax purposes	30,190	31,149	5,611	(12,896)	54,054
Differences in amortisation of intangible assets	878,475	(90,100)	–	–	788,375
Total	908,665	(58,951)	5,611	(12,896)	842,429
Deferred tax credit, net		(97,609)			

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. INVENTORIES

	Group	
	2016	2015
	$	$
Medical and surgical supplies	1,217,820	982,128

Inventories of $6,474,340 (2015: $5,353,531) were recognised as an expense and included in “cost of sales” line item in profit or loss for the financial year ended 31 December 2016.

Inventories of $686 and $75,058 were written-off and included in “cost of sales” and “other expenses” line items respectively in profit or loss for the financial year ended 31 December 2015. There are no inventories written-off in 2016.

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Trade receivables	1,588,010	1,395,504	–	–
Accrued revenue	176,196	227,065	30,322	18,309
Total trade receivables	1,764,206	1,622,569	30,322	18,309
Less: allowance for doubtful debts	(18,560)	(14,236)	–	–
	1,745,646	1,608,333	30,322	18,309
Other receivables	23,618	33,153	14,045	–
Amounts due from subsidiaries (non-trade)	–	–	4,620,633	2,527,481
Deposits	402,068	262,494	53,356	53,356
Total trade and other receivables	2,171,332	1,903,980	4,718,356	2,599,146
Add: Cash and cash equivalents	20,375,707	24,924,432	8,266,291	16,073,380
Total loans and receivables	22,547,039	26,828,412	12,984,647	18,672,526

Trade receivables are unsecured, non-interest bearing and generally on 60 to 90 days’ (2015: 60 to 90 days’) credit terms.

Accrued revenue relates to professional fees for consultancy services provided and interest income accrued by the Group.

Amounts due from subsidiaries (non-trade) are unsecured, non-interest bearing and repayable on demand.

Deposits mainly relate to the refundable rental deposits of premises upon termination and/or expiry of the respective tenancy agreements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. TRADE AND OTHER RECEIVABLES (CONT'D)

Amount due from subsidiaries denominated in foreign currencies are as follows:

	Company	
	2016	2015
	$	$
Ringgit Malaysia	3,127,280	–

Other than the above, there are no trade and other receivables which are denominated in foreign currencies other than the respective functional currencies of the subsidiaries as at 31 December 2016 and 2015.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $286,644 (2015: $378,472) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging as at the end of the reporting period is as follows:

	Group	
	2016	2015
	$	$
Trade receivables past due but not impaired:		
Lesser than 30 days	132,221	129,857
30 – 60 days	60,809	111,461
61 – 90 days	8,871	30,240
More than 90 days	84,743	106,914
	286,644	378,472

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that have significant delay on payments. These receivables are not secured by any collateral or credit enhancements.

Receivables that are impaired

The movement of the allowance account used to record the impairment is as follows:

	Group	
	2016	2015
	$	$
Movement in allowance account:		
At 1 January	14,236	–
Charge for the year	7,612	14,236
Written-back	(1,591)	–
Written-off	(1,697)	–
At 31 December	18,560	14,236

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Cash and bank balances	13,053,307	12,889,388	1,266,291	4,071,276
Fixed deposits with banks	7,322,400	12,035,044	7,000,000	12,002,104
Total cash and cash equivalents	20,375,707	24,924,432	8,266,291	16,073,380

Fixed deposits mature on varying dates. The effective interest rates on the fixed deposits range from 1.03% to 3.80% (2015: 0.8% to 1.5%) per annum.

There is no cash and cash equivalent which is denominated in foreign currencies other than the respective functional currencies of the Company and its subsidiaries as at 31 December 2016 and 2015.

11. SHARE CAPITAL

	Group and Company			
	2016	2015	2016	2015
	Number of ordinary shares		$	$
Issued and fully-paid:				
At 1 January	489,211,919	458,500,000	51,461,751	43,630,212
Issuance of shares pursuant to payment for acquisition of 100% equity interest in SSEC	–	30,711,919	–	7,831,539
Issuance of shares pursuant to payment for acquisition of 100% equity interest in JLMBB, JLMS, JLMW and JLMYT (Note 6)	27,883,750	–	8,225,706	–
Share issue expenses	–	–	(15,000)	–
At 31 December	517,095,669	489,211,919	59,672,457	51,461,751

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

On 8 December 2015, the Company issued 30,711,919 ordinary shares to vendors of SSEC amounting to $7,831,539 (equivalent to RM 23,729,564).

On 1 December 2016, the Company issued 27,883,750 ordinary shares to vendors of JLMBB, JLMS, JLMW and JLMYT amounting to $8,225,706. Incremental costs of $15,000 directly attributable to the issuance of ordinary shares are deducted against the share capital.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

12. OTHER RESERVES

	Group 2016 $	Group 2015 $
Foreign currency translation reserve	1,734,913	1,252,905
Merger reserve	3,572,000	3,572,000
	5,306,913	4,824,905

Foreign currency translation reserve

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

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

Merger reserve

Merger reserve represents the difference between the consideration paid and the share capital value of the subsidiaries acquired under common control.

13. PROVISIONS

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
Provision for step-up rent	49,528	–	–	–
Provision for restoration costs	148,423	113,772	19,187	18,827
	197,951	113,772	19,187	18,827

Provision for restoration costs

The provision for restoration costs is the estimated costs to dismantle, remove or restore plant and equipment arising from the return of rented operating premises leased to the landlords pursuant to lease agreements.

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

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
At 1 January	113,772	246,568	18,827	18,475
Acquisition of subsidiaries	31,939	–	–	–
Utilised	–	(125,323)	–	–
Amortisation of discount	4,226	6,284	360	352
Currency translation differences	(1,514)	(13,757)	–	–
At 31 December	148,423	113,772	19,187	18,827

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
Trade payables	943,973	1,404,425	–	–
Other payables	800,724	391,105	98,678	17,273
Goods and services tax (“GST”) payable	39,231	6,471	–	–
Amount due to a director	2,040	–	–	–
Amount due to vendors*	935,000	–	–	–
Amounts due to subsidiaries	–	–	46,955	10,097
Deferred interest income	–	17,877	–	17,877
Advances from customers	142,586	77,220	–	–
Accrued expenses	2,055,285	1,512,610	167,865	297,533
Total trade and other payables	4,918,839	3,409,708	313,498	342,780
Less: GST payable	(39,231)	(6,471)	–	–
Less: Advances from customers	(142,586)	(77,220)	–	–
Less: Deferred interest income	–	(17,877)	–	(17,877)
Total financial liabilities carried at amortised cost	4,737,022	3,308,140	313,498	324,903

* Vendors refers to the previous shareholders of JLM Companies prior to 1 December 2016.

Trade and other payables are unsecured, non-interest bearing and are normally settled on 30 to 90 days’ (2015: 30 to 90 days’) terms.

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

Deferred interest income were interest from fixed deposits in bank received in advance.

Amounts due to subsidiaries denominated in foreign currencies are as follows:

	Company	
	2016 $	2015 $
Ringgit Malaysia	46,955	–

Other than the above, there are no trade and other payables which are denominated in foreign currencies other than the respective functional currencies of the subsidiaries as at 31 December 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. OTHER INCOME

	Group 2016 $	Group 2015 $
Provision for restoration costs written-back	–	125,323
Provision for closure costs written-back	32,081	–
Reversal of accrual for unutilised leave	–	24,210
Other adjustments (Note 4)	127,768	–
Interest income	345,278	192,226
Government grant	22,615	23,083
Others	22,392	20,773
	550,134	385,615

16. SELLING AND DISTRIBUTION EXPENSES

	Group 2016 $	Group 2015 $
Advertisements	48,279	56,645
Marketing campaign expenses	43,488	161,971
	91,767	218,616

17. OTHER EXPENSES

	Group 2016 $	Group 2015 $
Allowance for doubtful debts, net	6,021	14,236
Amortisation of intangible assets	530,000	530,000
Bad debts written-off	–	22,461
Inventories written-off	–	75,058
Loss on disposal of plant and equipment	–	738
Plant and equipment written-off	–	613,307
Others	2,078	–
	538,099	1,255,800

18. FINANCE COSTS

	Group 2016 $	Group 2015 $
Interest expense on amortisation of discount on provision	4,226	6,284

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19. PROFIT BEFORE INCOME TAX

Other than as disclosed in Notes 15 to 18, the following items have been included in arriving at profit before income tax:

	Group	
	2016	**2015**
	$	**$**
Cost of inventories	6,474,340	5,353,531
Inventories written-off	–	686
Depreciation of plant and equipment	847,492	799,277
Doctors' consultancy fees	264,434	903,520
Directors' fees	218,155	218,213
Employee benefits expense		
– salaries, bonus and other benefits	10,791,244	10,320,307
– defined contribution plans	1,133,075	937,567
Audit fees		
– auditors of the Company	82,000	56,000
– other auditors	53,875	19,884
Non-audit fees		
– auditors of the Company	22,800	41,660
– other auditors	48,100	57,054
Amortisation of intangible assets	56,436	52,612
Foreign exchange loss, net	108,049	108,792
Intangible assets written-off	–	838
Plant and equipment written-off	4,982	24,222
Operating lease expenses	917,807	1,044,899

20. INCOME TAX EXPENSE

	Group	
	2016	**2015**
	$	**$**
Current income tax		
– current financial year	1,923,966	1,426,608
– over-provision in prior financial years	(319,682)	(87,822)
	1,604,284	1,338,786
Deferred tax		
– current financial year	(161,565)	(101,082)
– under-provision in prior financial years	54,470	3,473
	(107,095)	(97,609)
Total income tax expense recognised in profit or loss	1,497,189	1,241,177

There is no deferred tax expense related to other comprehensive income or charged directly in equity during the year (2015: nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

20. INCOME TAX EXPENSE (CONT'D)

Relationship between tax expense and profit before income tax

A reconciliation between tax expense and the product of profit before income tax multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 2015 is as follows:

	Group	
	2016	**2015**
	$	**$**
Profit before income tax	7,984,436	3,984,878
Income tax calculated at Singapore's statutory income tax rate of 17% (2015: 17%)	1,357,354	677,429
Adjustments:		
Effect of different tax rate in other country	436,047	376,565
Income not subject to income tax	(61,002)	(74,146)
Non-deductible expenses	197,784	259,911
Deferred tax assets not recognised	81,698	123,441
Benefits from previously unrecognised deferred tax assets	(117,758)	(20,784)
Over-provision of current income tax in respect of previous years	(319,682)	(87,822)
Under-provision of deferred tax in previous years	54,470	3,473
Tax effect of tax exemption	(131,722)	(16,890)
	1,497,189	1,241,177

As at 31 December 2016, the Group has unutilised tax losses and unabsorbed capital allowances of approximately $2,890,000 (2015: $3,522,000) and $35,000 (2015: $267,000) respectively available for offset against future taxable profits subject to the agreement by the tax authorities and provisions of the tax legislations of the respective countries in which the Group operates.

These deferred tax assets have not been recognised as it is not certain whether future taxable profits will be available against which the Group can utilise these benefits in accordance with the accounting policy in Note 2.22(b) to the financial statements.

Tax consequence of proposed dividends

There are no income tax consequences (2015: nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 22).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21. EARNINGS PER SHARE

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

The following table reflect the profit and share data used in the computation of basic and dilutive earnings per share for the years ended 31 December:

	Group	
	2016 $	2015 $
Profit for the year attributable to owners of the Company	6,443,767	2,759,868
Weighted average number of ordinary shares in issue during the financial year applicable to basic earnings per share	491,580,128	460,519,414
Earnings per share (in cents) – basic and diluted	1.31	0.60

22. DIVIDENDS

	Group	
	2016 $	2015 $
Dividends on ordinary shares:		
– Final tax-exempt dividend for 2015: 0.22 cents (2014: 0.11 cents) per share	1,076,266	504,350
– Interim tax-exempt dividend for 2016: 0.22 cents (2015: 0.22 cents) per share	1,076,266	1,008,700
– Interim tax-exempt dividend for 2016: 0.66 cents (2015: nil) per share	3,228,799	–
	5,381,331	1,513,050
Proposed but not recognised as a liability as at 31 December:		
– Final tax-exempt dividends on ordinary shares for 2016 of 0.11 cents (2015: 0.22 cents) per share, subject to shareholders' approval at the Annual General Meeting	568,805	1,076,266

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

23. RELATED PARTY TRANSACTIONS

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

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
With firm and member firm related to director of the Company				
Professional fees charged by	262,878	72,260	261,209	68,900
With directors of the subsidiaries				
Consultancy fees paid	–	294,586	–	–
With subsidiaries				
Deemed capital contribution to	–	–	–	7,831,539
Assignment of receivables from	–	–	–	1,243,494
Dividend income from	–	–	6,217,340	5,149,750
Management service fee charged to subsidiaries	–	–	908,718	966,996
Repayment of deemed capital contribution by subsidiary	–	–	1,100,000	–
Reclassification of deemed capital contribution	–	–	100,000	–

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

The remuneration of key management personnel of the Group during the financial year is as follows:

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
Directors of the Company				
– Directors' fee	210,000	210,000	210,000	210,000
– short-term employee benefits	1,851,913	2,223,452	180,000	315,000
– post employment benefits	131,690	129,630	10,200	9,600
Key management personnel of the Group				
– consultancy fees paid	–	92,919	–	–
– Directors' fee	6,524	6,570	–	–
– short-term employee benefits	1,910,507	2,363,224	217,948	286,923
– post employment benefits	213,952	190,294	10,845	5,100
Other key management personnel of the subsidiaries, including directors				
– Directors' fee	1,631	1,643	–	–
– short-term employee benefits	1,446,679	670,985	–	–
– post employment benefits	171,896	80,593	–	–
	5,944,792	5,969,310	628,993	826,623

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

24. COMMITMENTS

a) Capital commitment

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

	Group	
	2016	**2015**
	$	**$**
Software under development	45,136	86,813

b) Operating lease commitments

The Group as lessee

The Group leases office spaces, clinic premises and office equipment under non-cancellable operating leases. The operating lease commitments are based on existing rental rates. The leases have lease terms ranging from 1 to 15 years and rentals are fixed at variable amounts during the lease term.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2016 amounted to $917,807 (2015: $1,044,899).

Future minimum rental payable under non-cancellable operating leases in accordance with lease agreements at the end of the reporting period are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Not later than one year	1,248	447	73	109
Later than one year but not later than five years	2,306	684	3	76
Later than five years	377	616	–	–
	3,931	1,747	76	185

25. SEGMENT INFORMATION

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

Management monitors the operating results of the segment separately for the purposes of making decisions about resources to be allocated and assessing performance. The information reported to the chief operating decision maker does not include an analysis of assets and liabilities. Segment performance is evaluated based on operating profit or loss which is similar to the accounting profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

25. SEGMENT INFORMATION (CONT'D)

Subsequent to the acquisition of the JLM Companies which was completed on 1 December 2016, the Group has two reportable segments as described below.

Business segments information

– Specialised health services: provision of medical care, consultancy, treatment and surgery in the field of ophthalmology

– General health services: provision of general medical services

	Group	
	2016	**2015**
	$	**$**
Segment revenue		
Specialised health services	30,487,472	26,690,338
General health services	292,682	–
Total	30,780,154	26,690,338
Segment profit after tax		
Specialised health services	6,451,080	2,743,701
General health services	36,167	–
Total	6,487,247	2,743,701

Geographical information

Revenue and operating result is based on the country in which the services are provided and country where the customers are located.

	Group	
	2016	**2015**
	$	**$**
Segment revenue		
Singapore	4,825,981	5,753,342
Malaysia	25,954,173	20,936,996
Total	30,780,154	26,690,338
Segment profit/(loss) after tax		
Singapore	1,033,220	(1,138,864)
Malaysia	5,454,027	3,882,565
Total	6,487,247	2,743,701

Major customers

Revenue are mainly derived from the walk-in patients which are general public. Due to the diverse base of customers to which the Group renders services, the Group is generally not reliant on any customer for its sales and no one single customer accounted for 5% or more of the Group's total revenue except for two customers, which in total had contributed to 12.5% (2015: 6.0%) of the Group's total revenue for financial year ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

a) Credit risks

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

Excessive risk concentration and exposure to credit risk

The Group does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except trade receivables from 2 (2015: 2) customers which represent 38% (2015: 38%) of total trade receivables balance at year end.

As at 31 December 2016, the Company has significant credit exposure arising from the non-trade amounts due from subsidiaries amounting to $4,620,633 (2015: $2,527,481).

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

Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are substantially from companies with good credit track record with the Group and the Company. Bank deposits are mainly deposits with reputable banks with minimum risk of default.

Financial assets that are either past due or impaired

Information regarding the financial assets that are either past due or impaired is disclosed in Note 9.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Market risks

Foreign currency risks

The Group is exposed to currency translation risk arising from its intercompany balances with its foreign operations in Malaysia. The intercompany balances in Malaysia are not hedged as currency positions in Ringgit Malaysia ("RM") are repayable upon demand.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before income tax to a reasonably possible change in the RM exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	Group		Company	
	2016 $'000 Increase/ (decrease)	2015 $'000 Increase/ (decrease)	2016 $'000 Increase/ (decrease)	2015 $'000 Increase/ (decrease)
RM/SGD – strengthened 5% (2015: 5%)	125	–*	154	–
– weakened 5% (2015: 5%)	(125)	–*	(154)	–

* Less than $1,000

(c) Liquidity risks

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

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

Contractual maturity analysis

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Liquidity risks (cont'd)

	Group		Company	
	2016 $	2015 $	2016 $	2015 $
Within one financial year				
Financial assets				
Trade and other receivables	2,171,332	1,903,980	4,718,356	2,599,146
Cash and cash equivalents	20,375,707	24,924,432	8,266,291	16,073,380
Total undiscounted financial assets	22,547,039	26,828,412	12,984,647	18,672,526
Financial liabilities				
Trade and other payables, representing total undiscounted financial liabilities	4,737,022	3,308,140	313,498	324,903
Total net undiscounted assets	17,810,017	23,520,272	12,671,149	18,347,623

27. CAPITAL MANAGEMENT

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

The Group and the Company are not subject to any externally imposed capital requirements for the financial years ended 31 December 2016 and 31 December 2015.

The management reviews the capital structure to ensure that the Group and the Company are able to service any debt obligations (including principal repayment and interest) based on operating cash flows. Upon review, the Group and the Company will balance the overall capital structure through new share issues and the issue of new debt or the redemption of existing debt, if necessary. The Group's overall strategy remains unchanged during the financial year ended 31 December 2016 and 31 December 2015.

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

The gearing ratio is not disclosed as the Group does not have any external borrowings as at 31 December 2016 and 31 December 2015.

28. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 16 January 2017, ISEC Sibu has increased its share capital from $3,747 (equivalent to RM10,000) to $636,800 (equivalent to RM2,000,000) through issuance of shares allotted to the existing shareholders of the subsidiary in equal proportion to their existing shareholdings.

29. COMPARATIVE FIGURES

The financial statements for the financial year ended 31 December 2015 were audited by another firm of Chartered Accountants.

30. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 3 April 2017.

STATISTICS OF SHAREHOLDINGS

as at 17 March 2017

Number of Ordinary Shares in Issue (excluding treasury shares)	:	517,095,669
Number of Treasury Shares held	:	Nil
Number of Subsidiary holdings	:	Nil
Class of Shares	:	Ordinary
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
0 – 99	0	0.00	0	0.00
100 – 1,000	25	4.07	16,900	0.01
1,001 – 10,000	205	33.39	1,558,100	0.30
10,001 – 1,000,000	358	58.31	32,539,480	6.29
1,000,001 AND ABOVE	26	4.23	482,981,189	93.40
TOTAL	**614**	**100.00**	**517,095,669**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	LEE HUNG MING	83,609,200	16.17
2	HSBC (SINGAPORE) NOMINEES PTE LTD	67,862,400	13.12
3	RAFFLES NOMINEES (PTE) LIMITED	56,731,190	10.97
4	MAYBANK KIM ENG SECURITIES PTE LTD	53,700,095	10.38
5	CITIBANK NOMINEES SINGAPORE PTE LTD	32,419,958	6.27
6	WONG JUN SHYAN	27,710,705	5.36
7	LEE YENG FEN	25,892,258	5.01
8	ANNE MARIE LOH FOONG HAN	18,234,895	3.53
9	CHOONG YEE FONG OR HERA LUKMAN	17,436,699	3.37
10	MICHAEL LAW SIE HAUR OR CHRISTINE AGNES CHEAH HOR KWAN	16,504,339	3.19
11	FANG SENG KHEONG OR CAROLINE HO MEI LI	16,023,245	3.10
12	CIMB SECURITIES (SINGAPORE) PTE LTD	15,864,445	3.07
13	DBS NOMINEES (PRIVATE) LIMITED	8,034,000	1.55
14	LIM CHEOK PENG	6,850,000	1.32
15	CHAN MEI LAN CORDELIA	5,342,400	1.03
16	OCBC SECURITIES PRIVATE LIMITED	4,974,800	0.96
17	DBSN SERVICES PTE LTD	4,957,000	0.96
18	PHILLIP SECURITIES PTE LTD	4,530,800	0.88
19	KOK HOWE SEN	3,679,578	0.71
20	UOB KAY HIAN PRIVATE LIMITED	3,610,100	0.70
	TOTAL	**473,968,107**	**91.65**

STATISTICS OF SHAREHOLDINGS

as at 17 March 2017

PUBLIC FLOAT

Based on the information available to the Company as at 17 March 2017, approximately 39.03% of the issued ordinary shares of the Company are held by the public. Accordingly the Company has complied with Rule 723 of the Listing Manual Section B: Rules of Catalist issued by the Singapore Exchange Securities Trading Limited.

SUBSTANTIAL SHAREHOLDERS

As recorded in the Register of Substantial Shareholders

		Direct Interest		Deemed Interest	
No.	**Name of Substantial Shareholder**	**No. of Shares**	**%[1]**	**No. of Shares**	**%[1]**
1	Dr Lee Hung Ming[2],[5]	83,609,200	16.17	104,283,058	20.17
2	Dr Wong Jun Shyan[3]	27,710,705	5.36	15,000,000	2.90
3	Oh Chin Beng[4]	–	–	26,615,680	5.15
4	Dr Lee Yeng Fen[5]	25,892,258	5.01	–	–

Notes:

1. *Based on the total issued share capital of 517,095,669 ordinary shares of the Company as at 17 March 2017.*

2. *Dr Lee Hung Ming is deemed to have an interest in the 18,390,800 ordinary shares and 60,000,000 ordinary shares held through his nominees, Raffles Nominee Pte Ltd and HSBC (Singapore) Nominees Pte Ltd respectively. Dr Lee Hung Ming is also deemed interested in the 25,892,258 ordinary shares held by his spouse.*

3. *Dr Wong Jun Shyan is deemed to have an interest in the 15,000,000 ordinary shares held through his nominee, CIMSEC Nominees (Tempatan) Sdn Bhd CIMB.*

4. *Mr Oh Chin Beng is deemed interested in 26,615,680 ordinary shares of the Company held by Tandilion International Ltd, a company in which Mr Oh Chin Beng exercises ultimate control of. The 26,615,680 ordinary shares of the Company held by Tandilion International Ltd is in turn held through Citibank Nominees Singapore Pte Ltd.*

5. *Dr Lee Yeng Fen is the spouse of Dr Lee Hung Ming, Executive Vice Chairman of the Company.*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **ISEC HEALTHCARE LTD.** will be held at Arthur Lim Auditorium, Level 2, Alumni Medical Centre, 2 College Road, Singapore 169850 on Wednesday, 26 April 2017 at 10.30 a.m. to transact the following business:–

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2016 together with the Independent Auditor's Report thereon. **(Resolution 1)**

2. To declare a final dividend of 0.11 Singapore cents (S$0.0011) per ordinary share tax exempt (one-tier) for the financial year ended 31 December 2016 (FY2015: S$0.0022 per ordinary share). **(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to Article 114 of the Constitution of the Company, and who have, being eligible, offered themselves for re-election as Directors:

   Dr Lee Hung Ming **(Resolution 3)**
   Professor Low Teck Seng **(Resolution 4)**

   The profiles of the above mentioned directors can be found under the sections entitled "Board of Directors" and the "Report on Corporate Governance" in the Annual Report 2016.
   [See Explanatory Note (i)]

4. To approve the payment of Directors' fees of S$210,000 for the financial year ending 31 December 2017, payable quarterly in arrears. (FY2016: S$210,000) **(Resolution 5)**
   [See Explanatory Note (ii)]

5. To re-appoint Ernst & Young LLP as the Independent Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

7. **Authority to allot and issue shares**

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

   (a) (i) allot and issue shares in the capital of the Company ("Shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

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

provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) to be issued other than on a pro rata basis to shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares) in the capital of the Company shall be based on the total number of issued Shares (excluding treasury Shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

    (a) new Shares arising from the conversion or exercise of any convertible securities;

    (b) new Shares arising from the exercising of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

    (c) any subsequent bonus issue, consolidation or subdivision of shares;

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

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)] **(Resolution 7)**

NOTICE OF ANNUAL GENERAL MEETING

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

That pursuant to Section 161 of the Singapore Companies Act, Cap. 50, of Singapore, the Directors of the Company be authorised to offer and grant options in accordance with the provisions of the Share Option Scheme and to allot and issue from time to time such number of Shares in the capital of the Company as may be required to be allotted and issued pursuant to the exercise of options under the Share Option Scheme, provided always that the aggregate number of new Shares to be allotted and issued pursuant to the Share Option Scheme, when added to the aggregate number of Shares issued and issuable in respect of all options granted under the Share Option Scheme and any other share option, share incentive, performance share or restricted share plan implemented by the Company, shall not exceed 15% of the total number of issued Shares (excluding treasury shares) in the capital of the Company on the day preceding the date of grant of the option, as determined in accordance with the provisions of the Share Option Scheme. **(Resolution 8)**
[See Explanatory Note (iv)]

9. **Authority to issue Shares under the ISEC Healthcare Performance Share Plan (the "Performance Share Plan")**

That pursuant to Section 161 of the Singapore Companies Act, Cap. 50, of Singapore, the Directors of the Company be authorised and empowered to grant awards in accordance with the provisions of the Performance Share Plan and to allot and issue from time to time, such number of Shares in the capital of the Company as may be required to be allotted and issued pursuant to the vesting of awards under the Performance Share Plan, provided always that the aggregate number of Shares issued and issuable in respect of all awards granted under the Performance Share Plan, when added to all Shares issued and issuable in respect of the ISEC Healthcare Share Option Scheme and any other share scheme implemented by the Company for the time being in force, shall not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares) of the Company on the day preceding the date of grant of the award. **(Resolution 9)**
[See Explanatory Note (v)]

10. **Proposed Renewal of the Share Buyback Mandate**

THAT

(a) for the purposes of Sections 76C and 76E of the Singapore Companies Act, Cap. 50, of Singapore (the "**Act**"), the Directors of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire Shares not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchases transacted on Catalist through the ready market, and which may be transacted through one or more duly licensed stockbrokers appointed by the Company for the purpose of the share buyback ("**Market Purchases**"); and/or

(ii) off-market purchases effected pursuant to an equal access scheme as defined in Section 76C of the Act ("**Off-Market Purchase**"),

and otherwise in accordance with all other laws and regulations, including but not limited to, the Company's Constitution, the provisions of the Act and the the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") as may for the time being be applicable (the "**Share Buyback Mandate**");

NOTICE OF ANNUAL GENERAL MEETING

(b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buyback Mandate shall, at the discretion of the Directors of the Company, either be cancelled or held in treasury and dealt with in accordance with the Act;

(c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next AGM of the Company is held or is required by law to be held;

(ii) the date on which the purchases or acquisitions of the shares pursuant to the Share Buyback Mandate is carried out to the full extent mandated; or

(iii) the date on which the authority conferred in the Share Buyback Mandate is varied or revoked by the shareholders in a general meeting,

whichever is the earliest ("**Relevant Period**").

(d) for purposes of this Resolution:

"**Prescribed Limit**" means 10% of the total number of issued ordinary shares of the Company ("**Shares**") as at the date of passing of this Resolution unless the Company has, at any time during the Relevant Period, effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Act, in which event the total number of Shares shall be taken to be the total number of Shares as altered (excluding any treasury shares that may be held by the Company from time to time); and

"**Maximum Price**" in relation to a Share to be purchased, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase, 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price,

where:

(iii) "**Average Closing Price**" means the average of the closing market prices of a Share over the last five market days, on which transactions in the Shares were recorded, before the day on which the purchase or acquisition of Shares was made, or as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5)-day period;

(iv) "**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for an Off-Market Purchase, stating the purchase price (which shall not be more than the Maximum Price) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(v) "**market day**" means a day on which the SGX-ST is open for trading in securities.

NOTICE OF ANNUAL GENERAL MEETING

(e) any of the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this Resolution. **(Resolution 10)**

[See Explanatory Note (vi)]

By Order of the Board

Leong Chee Meng Kenneth
Company Secretary
Singapore,
11 April 2017

Explanatory Notes:

(i) Dr Lee Hung Ming, upon re-election as a Director of the Company, will remain as the Executive Vice Chairman.

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

(ii) Ordinary Resolution 5, if passed, will facilitate the payment of Directors' fees during the financial year ending 31 December 2017 in which the fees incurred are payable quarterly in arrears.

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

(v) The Ordinary Resolution 9 in item 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to grant awards under the Performance Share Plan in accordance with the provisions of the Performance Share Plan and to allot and issue from time to time such number of fully-paid Shares as may be required to be issued pursuant to the vesting of the awards under the Performance Share Plan subject to the maximum number of Shares prescribed under the terms and conditions of the Performance Share Plan.

The aggregate number of Shares which may be allotted and issued pursuant to the Performance Share Plan and under any other share incentive scheme or share plan adopted by the Company for the time being in force, is limited to fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares) of the Company on the day preceding the date of grant of the option and/or award. This authority is in addition to the general authority to issue Shares sought under Ordinary Resolution 7.

(vi) The Ordinary Resolution 10 in item 10 above, if passed, will empower the Directors of the Company, effective period commencing from the date on which the ordinary resolution in relation to the proposed renewal of the Share Buyback Mandate is passed in a general meeting and expiring on the earliest of the date on which the next Annual General Meeting is held or is required by law to be held, the date the said mandate is revoked or varied by the Company in a general meeting, or the date on which the purchases of shares pursuant to the Share Buyback Mandate are carried out to the full extent mandated, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per cent (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the Maximum Price as defined in this Notice of Annual General Meeting.

The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Buyback Mandate on the audited consolidated financial statements of the Group for the financial year ended 31 December 2016 are set out in greater detail in the Addendum to the Annual Report.

Notes:

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the annual general meeting (“Meeting”) of the Company.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the annual general meeting of the Company, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

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

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the Company’s Share Registrar and Share Transfer office at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the AGM of the Company.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company:

(i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “Purposes”);

(ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and

(iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.

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ISEC HEALTHCARE LTD.

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

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT

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

PROXY FORM

*I/We ____ (Name)

of ____ (Address)

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

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

and/or (delete as appropriate)

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

or the Chairman of the meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the annual general meeting of the Company (the "Meeting"), to be held at Arthur Lim Auditorium, Level 2, Alumni Medical Centre, 2 College Road, Singapore 169850 on Wednesday, 26 April 2017 at 10.30 a.m. and at any adjournment thereof. *I/we direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specified direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/her/they will on any other matters arising at the Meeting.

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

No.	Resolutions relating to:	For	Against
1	Receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016.		
2	Declaration of a final dividend (one tier tax exempt) of 0.11 Singapore cents per ordinary share for the financial year ended 31 December 2016.		
3	Re-election of Dr Lee Hung Ming as a Director of the Company.		
4	Re-election of Professor Low Teck Seng as a Director of the Company.		
5	Approval of Directors' fees amounting to S$210,000 for the financial year ending 31 December 2017, payable quarterly in arrears.		
6	Re-appointment of Ernst & Young LLP as Independent Auditors of the Company.		
7	Authority to allot and issue new shares.		
8	Authority to allot and issue shares under the ISEC Healthcare Share Option Scheme.		
9	Authority to allot and issue shares under the ISEC Healthcare Performance Share Plan.		
10	Renewal of the Share Buyback Mandate.		

Dated this ______ day of __________________ 2017

Total Number of Shares Held	
CDP Register	
Register of Members	

____

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

* *Delete accordingly*

IMPORTANT: PLEASE READ NOTES ON THE REVERSE

Notes:–

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the Company's Share Registrar and Share Transfer office at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the annual general meeting, in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2017.

General:

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

AFFIX
STAMP

The Company Secretary

ISEC HEALTHCARE LTD.

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

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CORPORATE INFORMATION

REGISTERED OFFICE
101 Thomson Road
#09-04 United Square
Singapore 307591

BOARD OF DIRECTORS
MR SITOH YIH PIN
Non-Executive Chairman and Independent Director

DR LEE HUNG MING
Executive Vice Chairman

DR WONG JUN SHYAN
Executive Director and Chief Executive Officer

PROFESSOR LOW TECK SENG
Independent Director

MR LIM WEE HANN
Independent Director

AUDIT COMMITTEE
MR SITOH YIH PIN (Chairman)
PROFESSOR LOW TECK SENG
MR LIM WEE HANN

NOMINATING COMMITTEE
PROFESSOR LOW TECK SENG (Chairman)
MR SITOH YIH PIN
MR LIM WEE HANN

REMUNERATION COMMITTEE
MR LIM WEE HANN (Chairman)
MR SITOH YIH PIN
PROFESSOR LOW TECK SENG

COMPANY SECRETARY
LEONG CHEE MENG KENNETH

SPONSOR
PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318

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

INDEPENDENT AUDITORS
Ernst & Young LLP
Public Accountants and
Chartered Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583

Partner-in-charge: Tan Peck Yen
(Appointed from the financial year ended 31 December 2016)

INVESTOR RELATIONS
ir@isechealthcare.com

WEBSITE
http://www.isechealthcare.com

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

101 Thomson Road
#09-04 United Square
Singapore 307591
www.isechealthcare.com