

Company Registration No. 200708625C

**Healthway Medical Corporation Limited
and its Subsidiaries**

**Annual Financial Statements
31 December 2023**



Healthway Medical Corporation Limited and its Subsidiaries

General information

Directors

Sin Boon Ann (Chairman)
Abram Melkyzedeck Suhardiman (Vice Chairman)
Anand Kumar
Lee Mei Mei, Michelle
Yet Kum Meng

Company Secretaries

Chen Chuanjian, Jason
Chew Pei Tsing

Registered Office

6 Shenton Way
#10-09 OUE Downtown 2
Singapore 068809

Bankers

DBS Bank Limited
United Overseas Bank Limited
Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation Limited

Share Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.
1 Harbourfront Avenue
#14-07 Keppel Bay Tower
Singapore 098632

Auditor

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Audit Partner in charge: Philip Ng Weng Kwai (since financial year ended 31 December 2020)

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Healthway Medical Corporation Limited and its Subsidiaries

Directors' statement

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Healthway Medical Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet of the Company for the financial year ended 31 December 2023.

Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheet 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 2023 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (ii) 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.

Directors

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

Sin Boon Ann

Abram Melkyzedeck Suhardiman

Anand Kumar

Lee Mei Mei, Michelle

(Appointed 8 November 2023)

Yet Kum Meng

(Appointed 8 November 2023)

Arrangements to enable directors to acquire shares and debentures

Except as disclosed below, 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 object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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 1967 (the "Act"), an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Healthway Medical Corporation Limited and its Subsidiaries

Directors' statement

Directors' interests in shares or debentures (continued)

Name of directors	Direct interest		Deemed interest	
	At the beginning of financial year or date of appointment	At the end of financial year	At the beginning of financial year or date of appointment	At the end of financial year
Healthway Medical Corporation Limited				
Ordinary shares				
Abram Melkyzedeck Suhardiman	68,918,900	68,918,900	—	—
Union Smile Pte. Ltd.				
Ordinary shares				
Abram Melkyzedeck Suhardiman	—	—	—	152,000 ⁽¹⁾
PT Kreasi Unggul Investama				
Ordinary shares				
Abram Melkyzedeck Suhardiman	—	—	—	2,100,000 ⁽¹⁾
PT Karunia Senyum Sejahtera				
Ordinary shares				
Abram Melkyzedeck Suhardiman	—	—	—	2,100,000 ⁽¹⁾
PT Karya Senyum Nusantara				
Ordinary shares				
Abram Melkyzedeck Suhardiman	—	—	—	30,000 ⁽¹⁾

⁽¹⁾ Deemed interested in the shares held by the members of the director's family.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Options and performance shares

At the Extraordinary General Meeting held on 26 April 2019, shareholders approved the Healthway Medical Performance Share Plan (the "Performance Share Plan") that gives the rights to grant awards to full time employees of the Group at the absolute discretion of the Remuneration Committee (the "RC").

The RC, comprising Messrs Sin Boon Ann (Chairman), Abram Melkyzedeck Suhardiman and Anand Kumar, is responsible for administering the Performance Share Plan.

Directors' statement

Options and performance shares (continued)

Performance Share Plan

The Performance Share Plan applies to all full-time employees (including the Executive Directors) of the Group, including those who may be Controlling Shareholders and their Associates, who are key employees or are in key management position and have attained the age of 21 years and above on or before the relevant date of grant of the Award, provided that none shall be an undischarged bankrupt or have entered into a composition with his creditors.

The awards granted under the Performance Share Plan are conditional on Performance Targets set based on factors including but not limited to the Group's business goals and directions for each financial year, the participant's job scope and responsibilities, and the prevailing market and economic conditions. The Performance Share Plan contemplates the award of fully-paid shares to participants after certain pre-determined benchmarks have been met. Awards are released once the RC is satisfied that the prescribed target(s) have been achieved.

There were no performance shares granted to employees, directors and controlling shareholders (or their associates) and key executives of the Company during the financial year. In addition, no individual has been granted 5% or more of the total number of shares to be comprised in the awards available under the Performance Share Plan, from the commencement of the Performance Share Plan to the end of the financial year. There are no outstanding performance shares as at 31 December 2023.

Options granted/exercised

No options were granted during the financial year to subscribe for unissued shares of the Company or its related corporations.

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

There were no unissued shares of the Company or its related corporations under option at the end of the financial year.

Independent Auditor

The independent auditor, Ernst & Young LLP has expressed its willingness to accept re-appointment.

On behalf of the board of directors:



Sin Boon Ann
Director



Abram Melkyzedek Suhardiman
Director

Singapore
26 April 2024

Healthway Medical Corporation Limited and its Subsidiaries

**Independent auditor's report
For the financial year ended 31 December 2023**

Independent auditor's report to the members of Healthway Medical Corporation Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Healthway Medical Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") 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 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group 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.

Other information

Management is responsible for other information. The other information comprises the information included in the Directors' statement, 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.

Healthway Medical Corporation Limited and its Subsidiaries

Independent auditor's report For the financial year ended 31 December 2023

Independent auditor's report to the members of Healthway Medical Corporation Limited

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 SFRS(I), 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.

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.

Healthway Medical Corporation Limited and its Subsidiaries

**Independent auditor's report
For the financial year ended 31 December 2023**

Independent auditor's report to the members of Healthway Medical Corporation Limited

Auditor's responsibilities for the audit of the financial statements (continued)

- 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.

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



Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

26 April 2024

Healthway Medical Corporation Limited and its Subsidiaries

**Consolidated statement of comprehensive income
For the financial year ended 31 December 2023**

	Note	2023 \$'000	2022 \$'000
Revenue	4	168,496	159,891
Other income	5	2,641	3,165
Expenses by nature			
- Medical supplies, consumables and laboratory expenses		(28,308)	(27,600)
- Staff costs	6	(104,505)	(93,918)
- Depreciation of property, plant and equipment	14	(16,259)	(12,106)
- Amortisation of intangible assets	15(b)	(64)	(599)
- Rental expenses		(49)	(121)
- (Provision for)/reversal of impairment loss on trade and other receivables – net	11	(562)	126
- Finance expenses	7	(1,947)	(1,753)
- Other expenses		(14,622)	(12,604)
Total expenses		(166,316)	(148,575)
Share of loss of an associate	13(b)	(224)	(300)
Profit before income tax		4,597	14,181
Income tax expense	8(a)	(900)	(1,878)
Total profit for the year		3,697	12,303
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
- Currency translation differences arising from consolidation – net		1	(2)
Other comprehensive income for the year, net of tax		1	(2)
Total comprehensive income for the year		3,698	12,301
Total profit for the year attributable to:			
Equity holders of the Company		3,247	12,513
Non-controlling interests		450	(210)
		3,697	12,303
Total comprehensive income for the year attributable to:			
Equity holders of the Company		3,248	12,511
Non-controlling interests		450	(210)
		3,698	12,301
Profit per share attributable to owners of the Company (cents per share)			
Basic and diluted profit per share	9	0.07	0.28

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

Healthway Medical Corporation Limited and its Subsidiaries

Balance sheets – Group and Company As at 31 December 2023

	Note	Group		Company	
		2023	2022	2023	2022
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Current assets					
Cash and bank balances	10	19,515	39,135	11,007	26,062
Trade and other receivables	11	27,665	23,853	72	312
Inventories	12	7,541	5,609	–	–
		54,721	68,597	11,079	26,374
Non-current assets					
Trade and other receivables	11	2,367	2,740	174	–
Investments in subsidiaries	13(a)	–	–	228,466	210,610
Investment in an associate	13(b)	906	1,130	2,108	2,108
Property, plant and equipment	14	53,534	30,532	2,116	463
Intangible assets	15	172,043	155,518	208	204
Derivative assets	16	1,116	964	–	–
Deferred income tax assets	21	1,880	1,834	46	79
		231,846	192,718	233,118	213,464
Total assets		286,567	261,315	244,197	239,838
LIABILITIES					
Current liabilities					
Trade and other payables	17	31,802	26,950	1,984	1,659
Current income tax liabilities	8(c)	1,081	2,639	–	90
Borrowings	18	–	401	–	–
Lease liabilities	19	12,038	9,392	711	395
		44,921	39,382	2,695	2,144
Non-current liabilities					
Trade and other payables	17	8,655	5,343	–	–
Borrowings	18	–	112	–	–
Lease liabilities	19	22,625	12,217	1,218	–
Provisions	20	2,393	1,999	105	105
Deferred income tax liabilities	21	913	947	–	–
		34,586	20,618	1,323	105
Total liabilities		79,507	60,000	4,018	2,249
NET ASSETS		207,060	201,315	240,179	237,589
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	22	277,630	277,630	277,630	277,630
Treasury shares	22	–	–	–	–
Other reserves	22	(4,057)	(4,058)	67	67
Accumulated losses		(70,287)	(73,613)	(37,518)	(40,108)
		203,286	199,959	240,179	237,589
Non-controlling interests		3,774	1,356	–	–
Total equity		207,060	201,315	240,179	237,589

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

Healthway Medical Corporation Limited and its Subsidiaries

Consolidated statement of changes in equity
For the financial year ended 31 December 2023

	Share capital (Note 22) \$'000	Treasury shares (Note 22) \$'000	Share-based compensation reserve (Note 22) \$'000	Currency translation reserve (Note 22) \$'000	Capital reserve (Note 22) \$'000	Accumulated losses \$'000	Equity attributable to owners of the Company, total \$'000	Non- controlling interests \$'000	Total equity \$'000
2023									
Balance at 1 January 2023	277,630	-	-	(2)	(4,056)	(73,613)	199,959	1,356	201,315
Profit for the year	-	-	-	-	-	3,247	3,247	450	3,697
Other comprehensive income	-	-	-	-	-	-	-	-	-
Foreign currency translation differences	-	-	-	1	-	-	1	-	1
Total comprehensive income for the year	-	-	-	1	-	3,247	3,248	450	3,698
<u>Contributions by and distributions to owners</u>									
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(60)	(60)
Acquisition of subsidiaries	-	-	-	-	-	-	-	2,107	2,107
Acquisition of interest in subsidiary without a change in control	-	-	-	-	-	79	79	(79)	-
Total contributions by and distributions to owners	-	-	-	-	-	79	79	1,968	2,047
Balance at 31 December 2023	277,630	-	-	(1)	(4,056)	(70,287)	203,286	3,774	207,060

Healthway Medical Corporation Limited and its Subsidiaries

Consolidated statement of changes in equity
For the financial year ended 31 December 2023

	Share capital (Note 22) \$'000	Treasury shares (Note 22) \$'000	Share-based compensation reserve (Note 22) \$'000	Currency translation reserve (Note 22) \$'000	Capital reserve (Note 22) \$'000	Accumulated losses \$'000	Equity attributable to owners of the Company, total \$'000	Non-controlling interests \$'000	Total equity \$'000
2022									
Balance at 1 January 2022	277,433	(33)	235	–	(3,153)	(86,152)	188,330	317	188,647
Profit for the year	–	–	–	–	–	12,513	12,513	(210)	12,303
Other comprehensive income	–	–	–	(2)	–	–	(2)	–	(2)
Foreign currency translation differences	–	–	–	(2)	–	–	(2)	–	(2)
Total comprehensive income for the year	–	–	–	(2)	–	12,513	12,511	(210)	12,301
<u>Contributions by and distributions to owners</u>									
Treasury shares reissued	–	33	(38)	–	5	–	–	–	–
New shares issued	197	–	(197)	–	–	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(47)	(47)
Acquisition of subsidiaries	–	–	–	–	–	–	–	792	792
Dilution of interests in subsidiaries without a change in control	–	–	–	–	(908)	26	(882)	504	(378)
Total contributions by and distributions to owners	197	33	(235)	–	(903)	26	(882)	1,249	367
Balance at 31 December 2022	277,630	–	–	(2)	(4,056)	(73,613)	199,959	1,356	201,315

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

Healthway Medical Corporation Limited and its Subsidiaries

Consolidated statement of cash flows For the financial year ended 31 December 2023

		Group	
	Note	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Profit before income tax		4,597	14,181
Adjustments for:			
- Depreciation of property, plant and equipment	14	16,259	12,106
- Amortisation of intangible assets	15(b)	64	599
- Gain on disposal of property, plant and equipment		(12)	(9)
- Property, plant and equipment written off		8	213
- Fair value gain on derivative assets	16	(152)	(342)
- Provision for/(reversal of) impairment loss on trade and other receivables – net	11	562	(126)
- Finance expenses	7	1,947	1,753
- Interest income		(767)	(251)
- Share of loss of an associate	13(b)	224	300
- Unrealised currency translation differences – net		1	(2)
Operating cash inflows before changes in working capital		22,731	28,422
Changes in working capital:			
- Inventories		(1,686)	(2,065)
- Trade and other receivables		(2,556)	(321)
- Trade and other payables		(551)	815
- Provisions		–	(33)
Cash flows generated from operations		17,938	26,818
Income tax paid	8(c)	(2,685)	(298)
Net cash flows generated from operating activities		15,253	26,520
Cash flows from investing activities			
Purchase of property, plant and equipment		(7,466)	(3,890)
Purchase of intangible assets		(59)	(198)
Acquisition of clinics	25	(2,422)	(196)
Acquisition of subsidiaries, net of cash acquired	25	(12,069)	(6,435)
Proceeds from dilution of subsidiaries' shares		–	513
Proceeds on disposal of property, plant and equipment		10	131
Interest received		767	251
Net cash flows used in investing activities		(21,239)	(9,824)
Cash flows from financing activities			
Bank deposits pledged		(70)	(43)
Dividends paid to non-controlling interests		(60)	(47)
Loans from non-controlling interests		200	284
Repayment of other secured borrowings		(513)	(905)
Principal payment of lease liabilities		(11,629)	(9,470)
Interest paid		(1,632)	(975)
Net cash flows used in financing activities		(13,704)	(11,156)

Healthway Medical Corporation Limited and its Subsidiaries

Consolidated statement of cash flows (continued)
For the financial year ended 31 December 2023

	Note	Group 2023 \$'000	2022 \$'000
Net (decrease)/increase in cash and cash equivalents		(19,690)	5,540
Cash and cash equivalents at the beginning of financial year		38,417	32,877
Cash and cash equivalents at the end of financial year	10	<u>18,727</u>	<u>38,417</u>

Reconciliation of liabilities arising from financing activities

	1 January 2023 \$'000	Acquisition of subsidiaries (Note 25) \$'000	Cash flows \$'000	Non-cash changes			31 December 2023 \$'000
				Addition \$'000	Interest expenses \$'000	Disposal \$'000	
Other secured borrowings	513	—	(524)	—	11	—	—
Lease liabilities	21,609	392	(13,229)	24,403	1,600	(112)	34,663
Loans from non-controlling interests	284	—	181	—	19	—	484

	1 January 2022 \$'000	Acquisition of subsidiaries (Note 25) \$'000	Cash flows \$'000	Non-cash changes			31 December 2022 \$'000
				Addition \$'000	Interest expenses \$'000	Disposal \$'000	
Other secured borrowings	1,418	—	(951)	—	46	—	513
Lease liabilities	15,108	652	(10,391)	15,656	921	(337)	21,609
Loans from non-controlling interests	—	—	280	—	4	—	284

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

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

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

1. General information

Healthway Medical Corporation Limited (the "Company") is a public company limited by shares, incorporated and domiciled in Singapore. The Company was delisted from the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 8 November 2023. The address of its registered office and principal place of business is 6 Shenton Way, #10-09, OUE Downtown 2, Singapore 068809.

The principal activities of the Company are those of an investment holding company and to carry on the business of healthcare management. The principal activities of its subsidiaries and associate are set out in Note 13.

2. Material accounting policy information

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

2.2 Adoption of new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2023. The adoption of these standards did not have any material 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 SFRS(I) 1-1: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to SFRS(I) 16: <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to SFRS(I) 1-1: <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to SFRS(I) 1-7 and SFRS(I) 7: <i>Supplier Finance Arrangements</i>	1 January 2024
Amendments to SFRS(I) 1-21: <i>Lack of Exchangeability</i>	1 January 2025
Amendments to SFRS(I) 10 and SFRS(I) 1-28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

2. Material accounting policy information (continued)

2.4 Revenue

(a) Provision of medical services

The Group operates clinics and provides medical services in two different business segments. The types of medical services the Group provides are disclosed in Note 29. Revenue from the provision of these medical services is recognised over time in the accounting period in which the services are rendered. Deferred income is recognised on the balance sheet when cash is collected upfront for services which have yet to be rendered. Revenue is recognised based on the fair value of the consideration received or receivable for the provision of medical services and presented at net of goods and services tax.

(b) Rental income

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

(c) Interest income

Interest income, including income arising from other financial instruments, is recognised using the effective interest method.

2.5 Group accounting

(a) Subsidiaries

(i) 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 preparation of the consolidated financial statements are prepared for the same reporting date as the Company.

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

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Consistent accounting policies are applied to like transactions and events in similar circumstances.

2. Material accounting policy information (continued)

2.5 Group accounting (continued)

(a) *Subsidiaries* (continued)

(ii) *Acquisitions*

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

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is an asset or liability are recognised in profit or loss.

Acquisition-related costs are expensed as incurred.

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

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to Note 2.7(a) for the accounting policy on goodwill.

(iii) *Disposals*

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

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

Please refer to Note 2.9 for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

2. Material accounting policy information (continued)

2.5 Group accounting (continued)

(b) Associate

An associate is an entity over which the Group has significant influence, but not control.

Investment in associate is accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisition

Investment in associate is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associate represents the excess of the cost of acquisition of the associate over the Group's share of the fair value of the identifiable net assets of the associate, and is included in the carrying amount of the investment.

(ii) Equity method of accounting

Under the equity method of accounting, the investment is initially recognised at cost and adjusted thereafter to recognise Group's share of its associate's post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associate is recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associate equals to or exceeds its interest in the associate, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in an associate includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Please refer to the Note 2.9 for the accounting policy on the investment in an associate in the separate financial statements of the Company.

(iii) Disposals

Investment in associate is derecognised when the Group loses significant influence. If the retained equity interest in the former associates is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

2. Material accounting policy information (continued)

2.5 Group accounting (continued)

(c) Non-controlling interests

Non-controlling interests represent 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.

2.6 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

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

(ii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (refer to Note 2.8 on borrowing costs). The projected cost of restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the restoration is incurred as a consequence of either acquiring the asset or using the asset for purpose other than to produce inventories. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Notes to the financial statements
For the financial year ended 31 December 2023

2. **Material accounting policy information** (continued)

2.6 **Property, plant and equipment** (continued)

(b) *Depreciation*

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

	<u>Useful lives</u>
Leasehold improvements	2 to 10 years
Medical equipment	5 to 10 years
Computers	1 to 3 years
Furniture, fittings and equipment	5 to 10 years
Signboards	2 to 10 years
Right-of-use assets	1 to 10 years

Assets in progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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

(c) *Subsequent expenditure*

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

(d) *Disposal*

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

2. Material accounting policy information (continued)

2.7 Intangible assets

(a) Goodwill

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

Goodwill on acquisitions of associates represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associates is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries and associated company include the carrying amount of goodwill relating to the entity sold.

(b) Acquired brand names

Acquired brand names with indefinite lives are initially recognised at cost and are subsequently carried at cost less accumulated impairment losses.

The 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.

(c) Computer software, including licences

Computer software, including licences are initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred.

Computer software, including licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of one to five years and assessed for impairment whenever there is an indication that it may be impaired.

The amortisation period and amortisation method of intangible assets are reviewed at least at each balance sheet date. The effects of any revision in the expected useful life or the expected pattern of consumption of future economic benefits are recognised in profit or loss when the changes arise.

2. Material accounting policy information (continued)

2.7 Intangible assets (continued)

(d) Computer software in progress

Costs that are directly associated with identifiable and unique software products are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use, its intention to complete and its ability to use the asset, how the asset will generate future economic benefits beyond one year, the availability of resources to complete and the ability to measure reliably the expenditures during the development.

Software developments-in-progress is recognised at cost. Amortisation of the intangible asset begins when development is complete and the asset is available for use.

2.8 Borrowing costs

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

2.9 Investments in subsidiaries and an associate

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

2.10 Impairment of non-financial assets

(a) Goodwill and acquired brand names

Goodwill and acquired brand names which have indefinite useful lives, are recognised separately as an intangible asset, are tested for impairment annually and whenever there is an indication that the goodwill and acquired brand names may be impaired.

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

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

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

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

2. Material accounting policy information (continued)

2.10 Impairment of non-financial assets (continued)

- (b) *Intangible assets - Computer software, including licences*
Property, plant and equipment
Investments in subsidiaries and an associate
Right-of-use assets

Intangible assets (computer software, including licences), property, plant and equipment, investments in subsidiaries and associate and right-of-use assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

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

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

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

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

A reversal of impairment loss for an asset is recognised in profit or loss.

2.11 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.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

2. Material accounting policy information (continued)

2.11 Financial instruments (continued)

(a) Financial assets (continued)

Subsequent measurement

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVPL"). The Group only has debt instruments at amortised cost and derivatives at FVPL.

- **Amortised cost:** Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.
- **Derivatives at FVPL:** Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") associated with its debt financial assets carried at amortised cost.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For cash and bank balances, deposits and other receivables, the general 3-stage approach is applied. Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognised.

Derecognition

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

2. Material accounting policy information (continued)

2.11 Financial instruments (continued)

(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 derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.12 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-Group transactions are eliminated on consolidation.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

- (a) the amount initially recognised, less where appropriate, the cumulative amount of income recognised over the period of the guarantee; and
- (b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

2.13 Borrowings

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

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

2. Material accounting policy information (continued)

2.14 Leases

(a) When the Group is the lessee:

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

(i) Right-of-use assets

The Group recognised a right-of-use asset and lease liability at the commencement date of the lease (i.e. the date which the underlying asset is available for use). Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets are presented within "Property, plant and equipment".

(ii) Lease liabilities

The lease term used in the initial measurement of a lease liability is the non-cancellable period of the lease period of a lease together with both the periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The initial measurement of lease liability at the commencement date of the lease is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

2. Material accounting policy information (continued)

2.14 Leases (continued)

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

(ii) *Lease liabilities* (continued)

For contracts that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There are modifications in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) *Short-term and low value leases*

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and low value leases. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

(iv) *Variable lease payments*

Variable lease payments that are not based on an index or rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that triggered those lease payments.

2. Material accounting policy information (continued)

2.14 Leases (continued)

(b) When the Group is the lessor:

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

When the sublease is assessed as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognises the net investment in the sublease within "Trade and other receivables". Any difference between the right-of-use asset derecognised and the net investment in sublease is recognised in profit or loss. The lease liability relating to the head lease is retained in the balance sheet, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Group recognises lease income from sublease in profit or loss within "Other income". The right-of-use asset relating to the head lease is not derecognised. For contracts which contain lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

2.15 Inventories

Inventories comprising pharmacy, medical and surgical supplies are measured at the lower of cost and net realisable value. The cost of inventories is determined based on the weighted average basis and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Allowance is made for all damaged, expired and slow-moving items.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.16 Taxes

(a) Current income tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

2. Material accounting policy information (continued)

2.16 Taxes (continued)

(b) Deferred income tax

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

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

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

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

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

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 date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

2. Material accounting policy information (continued)

2.17 Provisions

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

The Group recognises the estimated costs of restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value of money.

Changes in the estimated timing or amount of the expenditure or discount rate for asset restoration costs are adjusted against the cost of the related property, plant and equipment, unless the decrease in the liability exceeds the carrying amount of the assets or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in profit or loss immediately.

The provision for restoration costs relates to the estimated costs of dismantling, removing and restoring the commercial premises to its original condition at the expiration of the lease period.

2.18 Employee compensation

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

(a) Defined contribution plans

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

(b) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(c) Employee leave entitlement

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

2. Material accounting policy information (continued)

2.18 Employee compensation (continued)

(d) Share-based compensation

The Group operates an equity-settled, share-based compensation plan for certain employees. The value of the employee services received in exchange for the award of shares is recognised as an expense with a corresponding increase in the share-based compensation reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the shares granted on grant date.

At each balance sheet date, the Group revises its estimate of the number of shares that are expected to be awarded on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share-based compensation reserve.

When the awarded shares are issued, the related balance previously recognised in the share-based compensation reserves are credited to the share capital account, when new ordinary shares are issued, or to the “treasury shares” account, when treasury shares are re-issued to the employees.

2.19 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The financial statements are presented in Singapore Dollars, which is the functional currency of the Company. All information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

(b) Transactions and balances

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

All foreign exchange gains and losses impacting profit or loss are presented in the income statement within “other expenses”.

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

2. Material accounting policy information (continued)

2.19 Currency translation (continued)

(c) Translation of Group entities' financial statements

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

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

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

2.20 Segment reporting

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

2.21 Cash and cash equivalents

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

2.22 Share capital and treasury shares

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

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

2. Material accounting policy information (continued)

2.22 Share capital and treasury shares (continued)

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in capital reserve.

2.23 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.24 Government grants

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

Government grants are 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.

2.25 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. Significant accounting estimates, assumptions and judgements

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 accompanying disclosure, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Use of indefinite useful lives assumption on acquired brand names

Brand names arise from the acquisition of subsidiaries. In the assessment of the useful lives of the brand names, management has performed an analysis on the relevant factors including the strength and durability of the brands in the industry. Management has also considered the Group's market share, stability and profitability of the market sectors that are of similar risk profiles that the brands relate to, and concluded that the risk of market-related factors causing a reduction in the useful lives of the brand names is relatively low. The Group is not aware of any material legal, regulatory, contractual, competitive, economic or other factors which could limit the brand names' useful lives.

Based on the above mentioned factors, Management has applied its judgement in concluding that there is no foreseeable limit to the period over which the brand names are expected to generate net cash inflows for the Group and hence, brand names are not amortised.

The useful lives of the brand names are reviewed annually to determine whether events and circumstances continue to support an indefinite useful life assessment.

(b) Determination of purchase price allocation

During the financial year, the Group acquired subsidiaries and businesses for a total consideration of \$15,295,000 (2022: \$7,642,000) and \$3,650,000 (2022: \$Nil) respectively.

SFRS(I) 3 *Business Combinations* requires the Group to recognise the identifiable assets, liabilities and contingent liabilities at fair value at the date of acquisition, with the excess of the acquisition cost over the identified fair values recognised as goodwill. The assets, liabilities and contingent liabilities were identified and valued through a purchase price allocation ("PPA"). A significant degree of judgement is required in the PPA in identifying all intangible assets and determining the fair values of all identifiable assets acquired and liabilities assumed as at the date of acquisition. As such, management engaged an external professional firm to perform the PPA for material acquisitions.

In assessing the fair value of all identifiable assets and liabilities, recent market transactions for identical assets and liabilities are considered, if available. If no such transactions can be identified, internal information that is consistent with what market participants will assume as at the measurement date is used. The key assumptions applied in the determination of the purchase price allocation are disclosed and further explained in Note 25 to the financial statements.

3. Significant accounting estimates, assumptions and judgements (continued)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment assessment of goodwill and acquired brand names with indefinite useful lives

Goodwill and acquired brand names with indefinite useful lives are tested for impairment annually and whenever there is an indication that they may be impaired.

The recoverable amounts of each cash generating unit ("CGU") to which goodwill and acquired brand names with indefinite useful lives belong to, have been determined based on value-in-use calculations. The determination of the recoverable amounts requires significant estimation by management, particularly management's view of key internal inputs and external market conditions which impacts (1) the forecasted revenue growth rates and (2) the determination of the discount rate and terminal growth rate which are key assumptions underlying the estimate of the future cash flows and deriving the recoverable amounts. Management has also considered its past performance in developing its estimates.

The key assumptions applied in the determination of the value-in-use including a sensitivity analysis, are disclosed and further explained in Note 15 to the financial statements.

The carrying amount of goodwill and brand names with indefinite useful lives as at 31 December 2023 is \$171,831,000 (2022: \$155,301,000).

(b) Impairment assessment of the Company's investments in subsidiaries

The Company assesses at the end of each reporting period whether there are indicators that its investments in subsidiaries are impaired. The recoverable amount is determined by an estimation of the value in use of the subsidiaries. The Company evaluates the value-in-use which is supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate.

The key assumptions applied in the determination of the value-in-use are as disclosed in Note 3.2(a) above.

The carrying amount of the Company's investments in subsidiaries as at 31 December 2023 is \$228,466,000 (2022: \$210,610,000).

(c) Fair value of derivatives

The Group carries its derivatives at fair value, with changes in fair value recognised in profit or loss. The Group engaged an independent valuation expert to assess the fair value using a valuation model. The key assumptions applied in the determination of the fair value are disclosed and further explained in Note 16 to the financial statements.

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

4. Revenue

The Group derives revenue from the provision of medical services which is recognised over time as the services are rendered.

	Group	
	2023	2022
	\$'000	\$'000
Medical services	168,496	159,891

Contract balances

	Group		
	31 December	2022	1 January
	2023	2022	2022
	\$'000	\$'000	\$'000
Trade receivables (Note 11)	24,550	22,106	20,680
Deferred income (Note 17)	638	793	345

Deferred income relates to the Group's obligation to provide fixed-price medical services to customers for which the Group has received advances from customers. Deferred income is recognised as revenue in the accounting period in which the services are rendered.

Revenue recognised in relation to deferred income:

	Group	
	2023	2022
	\$'000	\$'000
Revenue recognised in current period that was included in deferred income at the beginning of the period		
- Medical services	488	241

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

5. Other income

	Group	
	2023	2022
	\$'000	\$'000
Interest income	763	235
Government grant income	1,105	1,571
Finance income on net investment in the sublease (Note 11)	4	16
Rental income	268	294
Fair value gain on derivative assets (Note 16)	152	342
Others	349	707
	<u>2,641</u>	<u>3,165</u>

6. Staff costs

	Group	
	2023	2022
	\$'000	\$'000
Wages and salaries	99,030	88,985
Employer's contribution to defined contribution plans including Central Provident Fund	5,475	4,933
	<u>104,505</u>	<u>93,918</u>

Share-based compensation

On 27 March 2020, the Company had granted share awards to the eligible participants under the Performance Share Plan which was approved by the shareholders of the Company on 26 April 2019. A total of 24,344,800 ordinary shares were granted at \$0.029 per share, which approximated the fair value of the shares on the date of grant. The share awards will vest in three equal tranches on the date of grant, first anniversary and second anniversary from the date of grant when the Performance Targets are achieved, subjected to approval by the Remuneration Committee. There is no vesting period beyond the performance periods. There has been no cancellation or modification to the Performance Share Plan during the year.

During the financial year ended 31 December 2022, the Performance Share Plan has fully vested and issued to eligible participants.

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

7. Finance expenses

	Group	
	2023	2022
	\$'000	\$'000
Interest expenses:		
- Other secured borrowings	11	46
- Lease liabilities	1,600	921
- Interest expense on other payables to non-controlling interests	276	779
- Discounting of non-current deposits	39	–
- Others	21	7
	<u>1,947</u>	<u>1,753</u>

8. Income taxes

(a) *Income tax expense*

	Group	
	2023	2022
	\$'000	\$'000
<i>Current income tax</i>		
- Current income tax charge	836	2,283
- Under/(over) provision in respect of prior years	144	(93)
	<u>980</u>	<u>2,190</u>
<i>Deferred income tax</i>		
- Origination and reversal of temporary differences (Note 21)	(80)	(312)
	<u>900</u>	<u>1,878</u>

(b) *Relationship between tax expense and accounting profit*

A reconciliation of the tax expense and the product of accounting profit multiplied by the applicable tax rate is as follows:

	Group	
	2023	2022
	\$'000	\$'000
Profit before income tax	4,597	14,181
Tax calculated at tax rate of 17% (2022: 17%)	781	2,411
Effects of:		
- under/(over) provision in respect of prior years	144	(93)
- expenses not deductible for tax purposes	358	491
- income not subject to tax	(14)	(48)
- utilisation of tax losses and temporary differences previously not recognised	(294)	(95)
- income tax relief	(108)	(110)
- recognition of tax losses and temporary differences previously not recognised	(318)	(933)
- deferred tax assets not recognised	351	255
Income tax expense	<u>900</u>	<u>1,878</u>

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

8. Income taxes (continued)

(c) Movement in current income tax liabilities

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Beginning of financial year	2,639	613	90	141
Acquisition of subsidiaries (Note 25)	147	134	—	—
Income tax paid	(2,685)	(298)	(62)	(141)
Current income tax charge	980	2,190	(28)	90
End of financial year	1,081	2,639	—	90

9. Profit per share

Basic profit per share is calculated by dividing the net profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2023	2022
Net profit attributable to equity holders of the Company (\$'000)	3,247	12,513
Weighted average number of ordinary shares outstanding for basic profit per share ('000)	4,535,571	4,533,637
Weighted average number of ordinary shares outstanding for diluted profit per share ('000)	4,535,571	4,535,571
Basic and diluted profit per share (cents per share)	0.07	0.28

10. Cash and bank balances

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	15,006	21,408	8,458	8,734
Short-term bank deposits	4,509	17,727	2,549	17,328
	19,515	39,135	11,007	26,062

The bank deposits of the Group include \$788,000 (2022: \$718,000) pledged as security for a certain banker's guarantee.

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

10. Cash and bank balances (continued)

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

	Group	
	2023	2022
	\$'000	\$'000
Cash and bank balances (as above)	19,515	39,135
Less: Bank deposits pledged as security	(788)	(718)
Cash and cash equivalents per consolidated statement of cash flows	<u>18,727</u>	<u>38,417</u>

11. Trade and other receivables

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Current				
Trade receivables	28,069	25,243	–	–
Less: Allowance for impairment loss	(3,519)	(3,137)	–	–
Net trade receivables	<u>24,550</u>	<u>22,106</u>	<u>–</u>	<u>–</u>
Other receivables from:				
- related parties	104	116	–	–
- non-related parties	463	393	6	76
Less: Allowance for impairment loss	–	(81)	–	–
	<u>567</u>	<u>428</u>	<u>6</u>	<u>76</u>
Finance lease receivables	42	40	–	–
Deposits	1,678	703	8	182
Prepayments	828	576	58	54
	<u>27,665</u>	<u>23,853</u>	<u>72</u>	<u>312</u>
Non-current				
Finance lease receivables	14	57	–	–
Deposits	2,353	2,683	174	–
	<u>2,367</u>	<u>2,740</u>	<u>174</u>	<u>–</u>

Trade receivables are non-interest bearing and are generally on 30-90 days' terms.

Other receivables are unsecured, interest-free and repayable on demand.

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

11. Trade and other receivables (continued)

The movement in the allowance for impairment loss for trade and other receivables is as follows:

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Beginning of financial year	3,218	3,486	—	—
Acquisition of subsidiaries (Note 25(c))	8	13	—	—
Provision for/(reversal of) impairment loss	562	(126)	—	—
Utilised	(269)	(155)	—	—
End of financial year	3,519	3,218	—	—

(a) Finance lease receivables

Finance lease receivables relate to subleases which were classified as finance lease, as disclosed in Note 14. Finance income on the net investment in sublease during the financial year is \$4,000 (2022: \$16,000).

The fair values of non-current finance lease receivables approximate their carrying amounts and are computed based on cash flows discounted at market borrowing rates of 4.5% (2022: 4.5%). The fair values are within level 2 of the fair value hierarchy.

The following table shows the maturity analysis of the undiscounted lease payments to be received:

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Less than one year	44	44	—	—
Between one to two years	14	58	—	—
	58	102	—	—
Less: Unearned finance income	(2)	(5)	—	—
Net investment in finance leases	56	97	—	—
Current	42	40	—	—
Non-current	14	57	—	—
	56	97	—	—

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

12. Inventories

	Group	
	2023	2022
	\$'000	\$'000
<u>At cost</u>		
Pharmacy, medical and surgical supplies	7,541	5,609

13. Investments in subsidiaries and an associate

(a) Investment in subsidiaries

	Company	
	2023	2022
	\$'000	\$'000
Equity investments at cost	37,353	37,343
Amounts due from subsidiaries (non-trade)	235,173	221,027
Less: Allowance for impairment loss	(44,060)	(47,760)
	228,466	210,610

During the financial year ended 31 December 2023, the Company incorporated Healthway Investment SEA Pte. Ltd. with a cost of investment of \$10,000.

Non-trade amounts due from subsidiaries are unsecured, interest-free and repayable at the discretion of the subsidiaries, only when the cash flows of the subsidiaries permit. As these amounts are, in substance, a part of the Company's net investments in these subsidiaries, they are stated at cost less accumulated impairment loss.

The Company carried out a review of the recoverable amounts of its investment in subsidiaries during the current financial year. As at 31 December 2023, the recoverable amount of the subsidiary was determined to be \$124,100,000. Due to improved performance, the recoverable amount of the subsidiary exceeded the carrying amount and the Company recorded a reversal of impairment loss amounting to \$3,700,000. The recoverable amount has been determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period.

Key assumptions used in the value-in-use calculations:

- The compound annual revenue growth rate for each CGU included in the cash flow projections ranged between 2.0% to 4.5% (2022: 2.0% to 4.5%) per annum for years 2024 to 2028.
- The pre-tax discount rate for each CGU included in the cash flow projections was approximately 9.7% to 9.8% (2022: 9.6% to 9.8%).
- The anticipated terminal growth rate for each CGU was approximately 1.7% (2022: 1.7%).

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

13. Investments in subsidiaries and an associate (continued)

(a) Investment in subsidiaries (continued)

As at 31 December, the Group had the following subsidiaries:

Name of subsidiaries	Principal activities	Country of incorporation	Equity holding 2023 %	Equity holding 2022 %
<i>Held by the Company</i>				
Healthway Medical Group Pte Ltd ⁽¹⁾	Practice of general medical practitioners	Singapore	100	100
Unimedic Pte. Ltd. ⁽¹⁾	Investment holding	Singapore	100	100
Vista Medicare Pte. Ltd. ⁽²⁾	Provision of managed healthcare	Singapore	100	100
Healthway Investment SEA Pte. Ltd. ⁽⁵⁾	Investment holding	Singapore	100	–
<i>Held by Healthway Medical Group Pte Ltd</i>				
Healthway Medical Enterprises Pte Ltd ⁽¹⁾	Provision of medical services and sale of drugs and medical supplies	Singapore	100	100
EBH Capital Pte. Ltd. ⁽²⁾	Investment holding	Singapore	51	51
The Clinic @ Tai Seng Pte. Ltd. ⁽²⁾	Practice of general medical practitioners	Singapore	20.8	20.8
The Clinic @ Campus Pte. Ltd. ⁽²⁾	Practice of general medical practitioners	Singapore	20.8	20.8
Lily Aw Medical Services Pte Ltd ⁽⁶⁾	Practice of general medical practitioners	Singapore	100	–
HSC Health Pte. Ltd. ^{(2) (5)}	Provision of day surgical services	Singapore	100	–

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

13. Investments in subsidiaries and an associate (continued)

(a) Investment in subsidiaries (continued)

Name of subsidiaries	Principal activities	Country of incorporation	Equity holding 2023 %	Equity holding 2022 %
Held by Unimedic Pte. Ltd.				
Island Orthopaedic Consultants Pte Ltd ⁽¹⁾	Provision of orthopaedic services and operation of medical clinics	Singapore	100	100
SBCC Clinic Pte Ltd ⁽¹⁾	Provision of paediatric services and operation of medical clinics	Singapore	100	100
Silver Cross Healthcare Pte Ltd ⁽¹⁾	Practice of general medical practitioners	Singapore	100	100
Healthway Dental Pte. Ltd. ⁽¹⁾	Practice of dental surgery and operation of dental clinics	Singapore	60	60
Straits Podiatry Pte. Ltd. ⁽²⁾	Provision of podiatry services	Singapore	52	52
Ten Surgery Group Pte. Ltd. ⁽²⁾	Provision of general surgery services	Singapore	70	70
Ascension Therapy Grp Pte. Ltd. ⁽³⁾	Investment holding	Singapore	50.1	50.1
Galen Health Pte. Ltd. ⁽³⁾	Development of software	Singapore	100	100
Urohealth Pte. Ltd. ⁽⁶⁾	Provision of medical and surgical treatments for urology conditions	Singapore	60	—
Held by EBH Capital Pte. Ltd.				
The Clinic @ Tai Seng Pte. Ltd. ⁽²⁾	Practice of general medical practitioners	Singapore	59.2	59.2
The Clinic @ Campus Pte. Ltd. ⁽²⁾	Practice of general medical practitioners	Singapore	59.2	59.2
The Clinic @ Aperia Pte. Ltd. ⁽²⁾	Practice of general medical practitioners	Singapore	100	100
The Clinic @ Business City Pte. Ltd. ⁽²⁾	Practice of general medical practitioners	Singapore	100	100
The Clinic @ Capitagreen Pte. Ltd. ⁽²⁾	Practice of general medical practitioners	Singapore	100	100
The Clinic @ Fusionopolis Pte. Ltd. ⁽²⁾	Practice of general medical practitioners	Singapore	100	100
The Clinic @ Marina One Pte. Ltd. ⁽²⁾	Practice of general medical practitioners	Singapore	100	100
The Clinic @ One George Street Pte. Ltd. ⁽²⁾	Practice of general medical practitioners	Singapore	100	100
The Clinic@ HF Pte. Ltd. ⁽²⁾	Practice of general medical practitioners	Singapore	100	100

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

13. Investments in subsidiaries and an associate (continued)

(a) Investment in subsidiaries (continued)

Name of subsidiaries	Principal activities	Country of incorporation	Equity holding 2023 %	Equity holding 2022 %
Held by SBCC Clinic Pte Ltd				
SBCC Women's Clinic Pte. Ltd. ⁽¹⁾	Provision of gynaecology services and operation of medical clinics	Singapore	100	100
Held by Ascension Therapy Grp Pte. Ltd.				
Amazing Speech Therapy Pte. Ltd. ⁽³⁾	Provision of allied health services	Singapore	100	100
Amazing Early Intervention Pte. Ltd. ⁽⁷⁾	Provision of allied health services	Singapore	—	100
HeadStart for Life Pte. Ltd. ^{(3) (7)}	Provision of allied health services	Singapore	100	100
Telehope Speech Therapy Pte. Ltd. ⁽³⁾	Provision of allied health services	Singapore	50	50
Amazing Speech Therapy Sdn. Bhd. ⁽⁴⁾	Provision of allied health services	Malaysia	70	70
Held by Healthway Investment SEA Pte. Ltd.				
Union Smile Pte. Ltd. ⁽⁵⁾	Investment holding	Singapore	51	—
PT Karya Senyum Nusantara ⁽⁶⁾	Practice of dental surgery and operation of dental clinics	Indonesia	51	—
Held by Union Smile Pte. Ltd.				
PT Kreasi Unggul Investama ⁽⁶⁾	Investment holding	Indonesia	99.9	—
Held by PT Kreasi Unggul Investama				
PT Karunia Senyum Sejahtera ⁽⁶⁾	Practice of dental surgery and operation of dental clinics	Indonesia	99.9	—

(1) Audited by Ernst & Young LLP, Singapore

(2) Audited by Nexia Singapore PAC

(3) Audited by Stone Ray & Associates

(4) Audited by Philip Wong & Co

(5) Incorporated during the year

(6) Acquired during the financial year (Note 25)

(7) Amazing Early Intervention Pte. Ltd. amalgamated with HeadStart for Life Pte. Ltd. during the financial year and continued as one company thereafter under the name of Headstart for Life Pte. Ltd.

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

13. Investments in subsidiaries and an associate (continued)

(a) Investment in subsidiaries (continued)

Acquisition of interest in subsidiary without a change in control

On 19 September 2023, the Healthway Medical Group Pte Ltd acquired additional 51% equity interest in Lily Aw Medical Services Pte Ltd upon satisfaction of the conditions as set out in the Sale and Purchase Agreement (Note 25). Accordingly, the Group obtained 100% equity interest in Lily Aw Medical Services Pte Ltd and recorded an increase of \$79,000 in equity attributable to the owners of the Company.

Dilution of interest in subsidiaries without a change in control

(i) Healthway Dental Pte. Ltd.

On 1 January 2022, Healthway Dental Pte. Ltd. ("Healthway Dental"), a wholly-owned subsidiary of the Company, issued new shares to its non-controlling party, diluting the Group's interest by 40% without the loss of control. The difference between the consideration and fair value is recognised directly in equity.

The following summarises the effect of the change in the Group's ownership in interest in subsidiary on the equity attributable to the owners of the Company:

	\$'000
Proceeds from dilution of subsidiary's shares	369
Increase in equity attributable to non-controlling interest	360
Increase in equity attributable to the owners of the Company	<u>9</u>

(ii) Straits Podiatry Pte. Ltd.

On 2 March 2022, the Company through its wholly-owned subsidiary incorporated a Singapore subsidiary known as Straits Podiatry Pte. Ltd. ("Straits"). The Group holds 52% equity interest in Straits, with the remaining 48% being held by the individuals who are the practitioners of the Straits' business.

The following summarises the effect of the change in the Group's ownership in interest in subsidiary on the equity attributable to the owners of the Company:

	\$'000
Proceeds from dilution of subsidiary's shares	144
Increase in equity attributable to non-controlling interests	<u>144</u>

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

13. Investments in subsidiaries and an associate (continued)

(b) Investment in an associate

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
<i>Equity investments</i>				
Beginning of financial year	1,130	1,430	2,108	2,108
Share of loss of an associate	(224)	(300)	–	–
End of financial year	906	1,130	2,108	2,108

The associate of the Group as at 31 December is as follows:

Name of company	Principal place of business	Principal activities	Proportion (%) of ownership interest	
			2023	2022
			%	%
<i>Held by the Company</i>				
Mednefits Holdings Pte.Ltd.	Singapore	Investment holding	14.77	14.77

Mednefits Holdings Pte. Ltd. is an investment holding company with three wholly-owned subsidiaries. The principal activities of the subsidiaries are the provision of an all-in-one employee benefits platform for small and medium-sized enterprises that offers personalised healthcare coverage for employees and simplifies benefits administration for business owners and provision of corporate insurance sales to small and medium-sized enterprises. Mednefits Holdings Pte. Ltd. is considered to be an associated company as the Group can exercise significant influence through board representation.

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

13. Investments in subsidiaries and an associate (continued)

(b) *Investment in an associate* (continued)

During the year ended 31 December 2022, the Company's shareholding percentage in Mednefits Holdings Pte. Ltd. decreased from 14.81% to 14.77% due to the issuance of new ordinary shares. There was no issuance of new ordinary shares for the financial year ended 31 December 2023.

There are no contingent liabilities relating to the Group's interest in the associate.

The summarised financial information of the associated company and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Unaudited	
	2023	2022
	\$'000	\$'000
Current assets	1,192	3,029
Current liabilities	(5,010)	(5,351)
Non-current assets	13	34

Summarised statement of comprehensive income

Revenue	7,537	2,788
Loss for the year	(1,517)	(2,031)
Total comprehensive income for the year	(1,517)	(2,031)

Reconciliation of summarised financial information

	Unaudited	
	2023	2022
	\$'000	\$'000
Net liabilities	(3,805)	(2,288)
Group's equity interest	14.77%	14.77%
Group's share of net liabilities	(562)	(338)
Goodwill	1,468	1,468
Carrying value	906	1,130

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

14. Property, plant and equipment

Group	Leasehold improvements \$'000	Medical equipment \$'000	Computers \$'000	Furniture, fittings and equipment \$'000	Signboards \$'000	Assets in progress \$'000	Right-of- use assets \$'000	Total \$'000
2023								
<i>Cost</i>								
Beginning of financial year	11,943	6,371	2,082	1,267	268	—	35,973	57,904
Acquisition of subsidiaries (Note 25)	386	2,902	3	100	1	—	341	3,733
Additions	1,884	968	165	122	54	7,919	24,534	35,646
Disposals/write-off	(64)	(1)	(2)	—	—	—	(6,543)	(6,610)
End of financial year	14,149	10,240	2,248	1,489	323	7,919	54,305	90,673
<i>Accumulated depreciation and impairment losses</i>								
Beginning of financial year	6,560	2,923	1,645	579	93	—	15,572	27,372
Depreciation charge	2,724	570	269	171	36	—	12,489	16,259
Disposals/write-off	(48)	—	(1)	—	—	—	(6,443)	(6,492)
End of financial year	9,236	3,493	1,913	750	129	—	21,618	37,139
Net carrying amount								
End of financial year	4,913	6,747	335	739	194	7,919	32,687	53,534
2022								
<i>Cost</i>								
Beginning of financial year	10,012	4,992	1,228	1,195	249	—	45,344	63,020
Acquisition of subsidiaries (Note 25)	276	5	15	15	—	—	588	899
Additions	2,239	1,743	862	139	48	—	15,656	20,687
Disposals/write-off	(584)	(369)	(23)	(82)	(29)	—	(25,615)	(26,702)
End of financial year	11,943	6,371	2,082	1,267	268	—	35,973	57,904
<i>Accumulated depreciation and impairment losses</i>								
Beginning of financial year	5,832	2,694	925	487	76	—	31,282	41,296
Depreciation charge	1,326	430	739	149	32	—	9,430	12,106
Disposals/write-off	(598)	(201)	(19)	(57)	(15)	—	(25,140)	(26,030)
End of financial year	6,560	2,923	1,645	579	93	—	15,572	27,372
Net carrying amount								
End of financial year	5,383	3,448	437	688	175	—	20,401	30,532

At balance sheet date, borrowings are secured on property, plant and equipment of the Group with carrying amount of \$Nil (2022: \$1,214,000).

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

14. Property, plant and equipment (continued)

Company	Leasehold improvements \$'000	Computer \$'000	Furniture, fittings and equipment \$'000	Right-of-use assets \$'000	Total \$'000
2023					
<i>Cost</i>					
Beginning of financial year	832	55	17	1,590	2,494
Additions	207	4	41	2,211	2,463
End of financial year	1,039	59	58	3,801	4,957
<i>Accumulated depreciation and impairment losses</i>					
Beginning of financial year	799	47	12	1,173	2,031
Depreciation charge	74	7	6	723	810
End of financial year	873	54	18	1,896	2,841
Net carrying amount					
End of financial year	166	5	40	1,905	2,116
2022					
<i>Cost</i>					
Beginning of financial year	832	52	17	2,838	3,739
Additions	—	3	—	132	135
Disposals/write-off	—	—	—	(1,380)	(1,380)
End of financial year	832	55	17	1,590	2,494
<i>Accumulated depreciation and impairment losses</i>					
Beginning of financial year	642	40	7	2,067	2,756
Depreciation charge	157	7	5	486	655
Disposals/write-off	—	—	—	(1,380)	(1,380)
End of financial year	799	47	12	1,173	2,031
Net carrying amount					
End of financial year	33	8	5	417	463

Right-of-use ("ROU") assets

ROU assets acquired under leasing arrangements are related to commercial and office premises that are used for the Group's clinic operations and the Company's corporate headquarters respectively.

Some of these ROU assets are subleased and can be classified as either operating leases or finance lease.

Subleases – classified as operating leases

The Group acts as an intermediate lessor under arrangement in which it subleases out commercial premises to third parties for monthly lease payments. The sublease periods do not form a major part of the remaining lease terms under the head leases and accordingly, the subleases are classified as operating leases.

Income from subleasing the commercial premises recognised during the financial year ended 31 December 2023 was \$268,000 (2022: \$294,000) (Note 5).

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

14. Property, plant and equipment (continued)

Right-of-use ("ROU") assets (continued)

Subleases – classified as operating leases (continued)

Undiscounted lease payments from the operating leases to be received after the reporting date are as follows:

	Group	
	2023	2022
	\$'000	\$'000
Less than one year	257	228
One to two years	127	22
Two to three years	–	1
	384	251

Subleases – classified as finance leases

For some of the Group's leasing arrangements, the Group acts as an intermediate lessor in which it subleases out commercial and office premises to third parties and a related party for monthly lease payments. Such subleases are classified as finance lease because the subleases are for a majority of or the entire remaining lease term of the head leases.

ROU assets relating to the head leases with subleases classified as finance lease is derecognised. The net investment in the subleases is recognised under "Trade and other receivables" (Note 11(a)).

15. Intangible assets

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Goodwill arising on consolidation (Note (a))	139,437	122,907	–	–
Brand names (Note (a))	32,394	32,394	–	–
Computer software, including licences (Note (b))	170	33	166	20
Computer software in progress (Note (c))	42	184	42	184
	172,043	155,518	208	204

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements
For the financial year ended 31 December 2023

15. Intangible assets (continued)

(a) Goodwill arising from consolidation and brand names

Group	Goodwill \$'000	Brand names \$'000	Total \$'000
2023			
<i>Cost</i>			
Beginning of financial year	212,363	32,394	244,757
Addition (Note 25)	16,530	–	16,530
Written off	(4,657)	–	(4,657)
End of financial year	224,236	32,394	256,630
<i>Accumulated impairment losses</i>			
Beginning and end of financial year	89,456	–	89,456
Written off	(4,657)	–	(4,657)
End of financial year	84,799	–	84,799
Net carrying amount			
End of financial year	139,437	32,394	171,831
2022			
<i>Cost</i>			
Beginning of financial year	205,940	32,394	238,334
Addition (Note 25)	6,423	–	6,423
End of financial year	212,363	32,394	244,757
<i>Accumulated impairment losses</i>			
Beginning and end of financial year	89,456	–	89,456
Net carrying amount			
End of financial year	122,907	32,394	155,301

Impairment test for goodwill and brand names with indefinite useful lives

For the purpose of impairment testing, goodwill and brand names with indefinite useful lives are allocated to the respective cash generating units ("CGUs").

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

15. Intangible assets (continued)

(a) Goodwill arising from consolidation and brand names (continued)

Impairment test for goodwill and brand names with indefinite useful lives (continued)

The aggregate carrying amount and impairment loss of goodwill and brand names with indefinite useful lives are allocated to each CGU identified according to service groups as follows:

	Goodwill		Brand names	Net carrying amount
	Cost	Accumulated impairment losses		
	\$'000	\$'000	\$'000	\$'000
2023				
Service groups				
<i>Singapore</i>				
Family medicine	79,057	(4,500)	8,000	82,557
Dentistry	7,191	(7,191)	—	—
Paediatrics	60,761	(46,911)	9,656	23,506
Orthopaedics	35,196	(18,293)	9,657	26,560
Obstetrics and gynaecology	3,792	(1,904)	—	1,888
Nobel specialist	34,763	(6,000)	5,081	33,844
<i>Indonesia</i>				
Dentistry	3,476	—	—	3,476
	224,236	(84,799)	32,394	171,831
2022				
Service groups				
<i>Singapore</i>				
Family medicine	73,499	(4,500)	8,000	76,999
Dentistry	7,191	(7,191)	—	—
Paediatrics	60,761	(46,911)	9,656	23,506
Orthopaedics	35,196	(18,293)	9,657	26,560
Wellness and aesthetic	4,657	(4,657)	—	—
Obstetrics and gynaecology	3,792	(1,904)	—	1,888
Nobel specialist	27,267	(6,000)	5,081	26,348
	212,363	(89,456)	32,394	155,301

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

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

15. Intangible assets (continued)

(a) Goodwill arising from consolidation and brand names (continued)

Impairment test for goodwill and brand names with indefinite useful lives (continued)

Key assumptions used in the value-in-use calculations:

- The compound annual revenue growth rate for each CGU included in the cash flow projections ranged between 2.0% to 4.5% (2022: 2.0% to 4.5%) per annum for years 2024 to 2028.
- The pre-tax discount rate for each CGU included in the cash flow projections was approximately 9.7% to 9.8% (2022: 9.6% to 9.8%).
- The anticipated terminal growth rate for each CGU was approximately 1.7% (2022: 1.7%).

These assumptions were determined based on past performance and management's expectations of market developments with reference to internal and external sources. The growth rates used took into account forecasts included in industry reports.

Based on management's assessment, no impairment loss was recorded on the goodwill and brand names with indefinite useful life for the financial year ended 31 December 2023 (2022: \$Nil).

Sensitivity analysis

An unfavourable change by 10% (2022: 10%) of any of the individual key assumptions used in management's estimates would not have resulted in an impairment to goodwill and brand names being required as at balance sheet date.

(b) Computer software, including licences

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
<i>Cost</i>				
Beginning of financial year	2,423	2,409	2,215	2,201
Additions	59	—	59	—
Reclassification	142	14	142	14
End of financial year	2,624	2,423	2,416	2,215
<i>Accumulated amortisation</i>				
Beginning of financial year	2,390	1,791	2,195	1,608
Amortisation for the year	64	599	55	587
End of financial year	2,454	2,390	2,250	2,195
<i>Net carrying amount</i>				
End of financial year	170	33	166	20

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

15. Intangible assets (continued)

(c) Computer software in progress

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
<i>Cost</i>				
Beginning of financial year	184	–	184	–
Addition	–	198	–	198
Reclassification	(142)	(14)	(142)	(14)
End of financial year	42	184	42	184
<i>Accumulated amortisation</i>				
Beginning and end of financial year	–	–	–	–
<i>Net carrying amount</i>				
End of financial year	42	184	42	184

16. Derivative assets

	Group	
	2023	2022
	\$'000	\$'000
Beginning of financial year	964	605
Additions	–	17
Fair value gain (Note 5)	152	342
End of financial year	1,116	964

During the financial year ended 31 December 2022, a subsidiary of the Company, Unimedic Pte. Ltd., entered into a Sale and Purchase Agreement (“SPA”) with an external party to sell 40% equity interest in Healthway Dental Pte. Ltd., for a purchase consideration of \$369,000. Under the SPA, Unimedic Pte. Ltd. was granted a call option to purchase all of the remaining shares of Healthway Dental Pte. Ltd. owned by the non-controlling shareholder (“NCI”).

During the financial year ended 31 December 2021, a subsidiary of the Company, Healthway Medical Group Pte Ltd, entered into a SPA with an external party to purchase 51% equity interest in EBH Capital Pte. Ltd. and its subsidiaries, for a purchase consideration of \$3,698,000. Under the SPA, Healthway Medical Group Pte Ltd was granted a call option to purchase all of the remaining shares of EBH Capital Pte. Ltd. owned by the NCI.

The call options were accounted for as derivative assets in the financial statements, measured at fair value through profit or loss and are classified as Level 3 under the fair value hierarchy. See Note 27 for the valuation policies and procedures, as well as significant unobservable inputs used in the fair value measurement.

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

17. Trade and other payables

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Current				
Trade payables to:				
- non-related parties	12,921	10,645	13	31
Other payables to:				
- non-related parties	6,430	5,117	421	467
- related parties	135	14	3	3
	19,486	15,776	437	501
Deferred income	638	793	—	—
Accrued expenses	11,678	10,381	1,547	1,158
	31,802	26,950	1,984	1,659
Non-current				
Other payables to non-related parties	1,003	—	—	—
Other payables to related parties	1,950	117	—	—
Other payables to non-controlling interests	5,218	4,942	—	—
Loans from subsidiaries' non-controlling interests	484	284	—	—
	8,655	5,343	—	—

Trade payables are non-interest bearing and are generally on 30-90 days' terms.

Other payables (current) are unsecured, interest-free and expected to be settled within the next 12 months. Other payables (non-current) to non-related parties and related parties are unsecured, interest-free and not expected to be settled within the next 12 months.

Included in other payables to related parties and non-related parties (current and non-current) are contingent consideration arising from the acquisition of subsidiaries (Note 25).

Other payables to non-controlling interests ("NCI") relate to contracts between the Group and the NCI to purchase the shares held by the NCI in the subsidiaries. The contracts are not expected to be settled within the next 12 months.

Loans from subsidiaries' non-controlling interests are unsecured, bear interests at 2.75% to 5% per annum (2022: 2.75% to 5%) and repayable within two to three years.

Deferred income relates to unsatisfied contracts of periods of one year or less, and/or relates to fixed-price medical services. As permitted under SFRS(I) 15, the details of the aggregated transaction price relating to unsatisfied performance obligations of these contracts are not disclosed.

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

18. Borrowings

	Effective interest rate	Maturity	Group 2023 \$'000	Group 2022 \$'000
Current				
Other secured borrowings	4.73% - 4.75%	2023	—	401
Non-current				
Other secured borrowings	4.73% - 4.75%	2024	—	112
Total borrowings			—	513

Other secured borrowings are effectively secured over property, plant and equipment (Note 14), as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of these secured borrowings. As at 31 December 2023, other secured borrowings have been fully repaid.

The exposure of other secured borrowings of the Group to interest rate changes at the balance sheet dates is as follows:

	Group 2022 \$'000
Minimum lease payments due	
- Not later than one year (undiscounted)	411
- Between one and five years (undiscounted)	114
	525
Less: Future finance charges	(12)
Present value of lease payments	513

The present values of lease payments in relation to other secured borrowings are analysed as follows:

	Group 2022 \$'000
Not later than one year	401
Between one and five years	112
Total	513

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

19. Lease liabilities

Lease liabilities arise from the Group's leasing activities as a lessee of commercial and office premises, as disclosed in Note 14. The interest expenses on lease liabilities are disclosed in Note 7.

The undiscounted minimum lease payments in relation to lease liabilities of the Group and of the Company at the balance sheet dates are as follows:

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Minimum lease payments due				
- Not later than one year (undiscounted)	13,509	10,190	783	400
- Between one and five years (undiscounted)	17,961	12,377	1,265	—
- More than five years (undiscounted)	8,500	498	—	—
	39,970	23,065	2,048	400
Less: Future finance charges	(5,307)	(1,456)	(119)	(5)
Present value of lease payments	34,663	21,609	1,929	395
Current	12,038	9,392	711	395
Non-current	22,625	12,217	1,218	—
Total lease liabilities	34,663	21,609	1,929	395

The present values of lease payments in relation to lease liabilities are analysed as follows:

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Not later than one year	12,038	9,392	711	395
Between one and five years	15,105	11,734	1,218	—
More than five years	7,520	483	—	—
Total	34,663	21,609	1,929	395

Lease expenses not capitalised in lease liabilities

	Group	
	2023	2022
	\$'000	\$'000
Lease expenses – short-term leases	40	109
Lease expenses – low value leases	10	12
	50	121

Total cash outflow for all the leases in 2023 was approximately \$13,279,000 (2022: \$10,512,000).

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

20. Provisions

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Provision for restoration costs	2,393	1,999	105	105

Movement in provision for restoration costs is as follows:

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Beginning of financial year	1,999	1,645	105	105
Additions	394	387	—	—
Provision utilised	—	(15)	—	—
Provision reversed	—	(18)	—	—
End of financial year	2,393	1,999	105	105

21. Deferred income taxes

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Deferred income tax assets	1,880	1,834	46	79
Deferred income tax liabilities	(913)	(947)	—	—
Net deferred income taxes	967	887	46	79

Deferred income taxes relate to the following:

Group	At 1 January 2022	Acquisition of subsidiaries (Note 25)	Recognised in profit or loss	At 31 December 2022	Recognised in profit or loss	At 31 December 2023
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Unutilised tax losses	445	—	17	462	(144)	318
Provisions	782	—	512	1,294	80	1,374
Differences in depreciation for tax purposes	153	(15)	(270)	(132)	114	(18)
Brand names	(901)	—	—	(901)	—	(901)
Others	104	7	53	164	30	194
Net deferred income taxes	583	(8)	312	887	80	967

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

21. Deferred income taxes (continued)

Company	At 1 January 2022 \$'000	Recognised in profit or loss \$'000	At 31 December 2022 \$'000	Recognised in profit or loss \$'000	At 31 December 2023 \$'000
Provisions	—	125	125	(36)	89
Differences in depreciation for tax purposes	—	(43)	(43)	(5)	(48)
Others	—	(3)	(3)	8	5
Net deferred income taxes	—	79	79	(33)	46

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through taxable profits is probable. The Group has unrecognised tax losses of approximately \$52,140,000 (2022: \$56,055,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements in Singapore. These tax losses have no expiry dates.

22. Share capital, treasury shares and other reserves

	Group and Company			
	No. of ordinary shares Issued share capital '000	Treasury shares '000	Amount Share capital \$'000	Treasury shares \$'000
2023				
Beginning and end of financial year	4,535,571	—	277,630	—
2022				
Beginning of financial year	4,528,792	(1,336)	277,433	(33)
Treasury shares reissued	—	1,336	—	33
Ordinary shares issued	6,779	—	197	—
End of financial year	4,535,571	—	277,630	—

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

22. Share capital, treasury shares and other reserves (continued)

Ordinary and treasury shares

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

All issued ordinary shares are fully paid. There is no par value for these ordinary shares following the abolishment of par value by the Companies (Amendment Act 2005).

Treasury shares relate to ordinary shares of the Company held by the Company.

Other reserves

Composition:

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Share-based compensation reserve	—	—	—	—
Currency translation reserve	(1)	(2)	—	—
Capital reserve	(4,056)	(4,056)	67	67
	(4,057)	(4,058)	67	67

Movement:

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Share-based compensation reserve:				
Beginning of financial year	—	235	—	235
Treasury shares reissued	—	(38)	—	(38)
New shares issued	—	(197)	—	(197)
End of financial year	—	—	—	—

Share-based compensation reserve represents the equity-settled performance share awards granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period.

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

22. Share capital, treasury shares and other reserves (continued)

Other reserves (continued)

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Currency translation reserve:				
Beginning of financial year	(2)	–	–	–
Foreign currency translation	1	(2)	–	–
End of financial year	(1)	(2)	–	–

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

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Capital reserve:				
Beginning of financial year	(4,056)	(3,153)	67	62
Treasury shares reissued ⁽¹⁾	–	5	–	5
Put option granted to non-controlling interests ^{(2) (3)}	–	(908)	–	–
End of financial year	(4,056)	(4,056)	67	67

⁽¹⁾ Capital reserve represents the realised gain or loss on sale or reissue of treasury shares, net of any directly attributable incremental transaction costs and related income tax.

⁽²⁾ As part of the acquisition of subsidiaries (Note 25) in prior year, the Group granted a put option to the non-controlling interest ("NCI") to require the Group to purchase the shares held by the NCI in a subsidiary. The Group has accounted for the put option as a financial liability (Note 17) at the present value of the option exercise price, with a corresponding debit to equity attributable to the owners of the Company.

⁽³⁾ As part of the dilution of interests in a subsidiary (Note 13) during the financial year ended 31 December 2022, the Group granted a put option to the non-controlling interest ("NCI") to require the Group to purchase the shares held by the NCI in a subsidiary. The Group has accounted for the put option as a financial liability (Note 17) at the present value of the option exercise price, with a corresponding debit to equity attributable to the owners of the Company.

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements

For the financial year ended 31 December 2023

23. Movements in Company's accumulated losses

	Company	
	2023	2022
	\$'000	\$'000
Beginning of financial year	(40,108)	(39,836)
Profit/(loss) for the year	2,590	(272)
End of financial year	<u>(37,518)</u>	<u>(40,108)</u>

24. Commitments and contingencies

The Company and a subsidiary have issued corporate guarantees to banks and to a financial institution for credit facilities and finance lease liabilities granted to its subsidiaries, as well as performance guarantees to certain customers as below:

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
<i>Corporate guarantees relating to:</i>				
- subsidiaries' other secured borrowings	—	—	—	513
- performance guarantees	614	534	614	331
	<u>614</u>	<u>534</u>	<u>614</u>	<u>844</u>

The Group has commitments relating to the purchase of property, plant and equipment as below:

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
<i>Capital commitments relating to:</i>				
- acquisition of property, plant and equipment	2,142	731	—	—

25. Business combinations

Acquisition of subsidiaries

Urohealth Pte. Ltd., Lily Aw Medical Services Pte Ltd, PT Karya Senyum Nusantara and Union Smile Pte. Ltd. and its subsidiaries

On 1 July 2023, the Group through its wholly-owned subsidiary, Unimedic Pte. Ltd., acquired 60% interest in Urohealth Pte. Ltd. for a total consideration of \$8,250,000.

On 1 July 2023, the Group through its wholly-owned subsidiary, Healthway Medical Group Pte Ltd, acquired 49% controlling interest in Lily Aw Medical Services Pte Ltd. On satisfaction of the conditions in the Sale and Purchase Agreements ("SPA") to acquire remaining 51% interest in Lily Aw Medical Services Pte Ltd, Healthway Medical Group Pte Ltd obtained 100% equity interest in the entity on 19 September 2023 (Note 13). The cumulative total consideration was \$2,000,000.

On 6 October 2023, the Group through its wholly-owned subsidiary, Healthway Investment SEA Pte. Ltd. ("HISEA"), incorporated Union Smile Pte. Ltd. On 18 December 2023, along with two other parties, Union Smile Pte. Ltd. raised additional fundings and acquired 99.99% equity interest in PT Kreasi Unggul Investama ("KUI"), which has 99.99% equity interest in PT Karunia Senyum Sejahtera ("KSS"). The total consideration for the acquisition was \$4,870,000. The resulting equity interest held by HISEA in Union Smile Pte. Ltd. is 51%.

On 18 December 2023, HISEA acquired 51% equity interest in PT Karya Senyum Nusantara ("KSN") for a total consideration of \$175,000.

The Group has measured the non-controlling interests in the acquiree at the proportionate share of the interests in the acquiree's identifiable net assets.

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

25. Business combinations (continued)

Acquisition of subsidiaries (continued)

Urohealth Pte. Ltd., Lily Aw Medical Services Pte Ltd, PT Karya Senyum Nusantara and Union Smile Pte. Ltd. and its subsidiaries (continued)

The fair values of the identifiable assets and liabilities of Urohealth Pte. Ltd. ("URO"), Lily Aw Medical Services Pte Ltd ("LAMS"), PT Karya Senyum Nusantara ("KSN") and Union Smile Pte. Ltd. and its subsidiaries ("UNION") at the date of acquisition are as follows:

	URO \$'000	LAMS \$'000	KSN \$'000	UNION \$'000	Total \$'000
Assets					
Property, plant and equipment (Note 14)	523	159	690	2,361	3,733
Cash and cash equivalents	1,026	222	—	28	1,276
Trade and other receivables	1,371	114	—	858	2,343
Inventories	185	61	—	—	246
	3,105	556	690	3,247	7,598
Liabilities					
Trade and other payables	1,507	172	858	—	2,537
Lease liabilities	231	161	—	—	392
Current income tax liabilities	110	37	—	—	147
	1,848	370	858	—	3,076
Total identifiable net assets acquired	1,257	186	(168)	3,247	4,522
Non-controlling interests	(503)	(95)	82	(1,591)	(2,107)
Goodwill arising on acquisition	7,496	1,909	261	3,214	12,880
	8,250	2,000	175	4,870	15,295
Cash consideration	6,300	2,000	175	4,870	13,345
Contingent consideration	1,950	—	—	—	1,950
Total consideration	8,250	2,000	175	4,870	15,295
Net cash acquired with the subsidiaries	1,026	222	—	28	1,276
Cash paid	(6,300)	(2,000)	(175)	(4,870)	(13,345)
Net cash flow on acquisition	(5,274)	(1,778)	(175)	(4,842)	(12,069)

(a) Acquisition-related costs

Acquisition-related costs of \$200,000 were expensed and are included in other expenses.

(b) Contingent consideration

The contingent consideration was calculated using the income approach measured based on forecasted earnings before interest, taxes, depreciation and amortisation of URO from 1 July 2023 to 30 June 2026. The amount shall be payable on 30 June 2026.

25. Business combinations (continued)

Acquisition of subsidiaries (continued)

Urohealth Pte. Ltd., Lily Aw Medical Services Pte Ltd, PT Karya Senyum Nusantara and Union Smile Pte. Ltd. and its subsidiaries (continued)

(c) Acquired receivables

The fair value of trade and other receivables is \$2,343,000. The gross contractual amount for trade and other receivables due is \$2,351,000 before net of allowance for impairment loss of \$8,000. Management is of the view that there is no material credit risk relating to the trade and other receivables of \$2,343,000.

(d) Goodwill

The total consideration is negotiated on a willing buyer willing seller basis, taking into account the existing clientele and growth prospects presented by the respective businesses. The goodwill of \$12,880,000 arising from the acquisitions is attributable to the synergies between the businesses and the anticipated economies of scale arising from combining the operations with the Group.

LAMS

As at 31 December 2023, goodwill arising from the acquisition LAMS amounting to \$1,909,000 has been determined on a provisional basis as the final results of the purchase price allocation have not been finalised by the date the financial statements were authorised for issue.

KSN and UNION

The Group has engaged an independent valuer to perform the purchase price allocation of the acquisition. As at 31 December 2023, goodwill arising from the acquisitions of KSN and UNION amounting to \$3,475,000 has been determined on a provisional basis as the final results of the independent valuer have not been received by the date the financial statements were authorised for issue.

(e) Contribution to the Group

URO contributed revenue of \$5,014,000 and profit of \$558,000 to the Group for the period from 1 July 2023 to 31 December 2023. If the business combination had taken place at the beginning of the financial year, the revenue contribution by URO from continuing operations would have been \$9,173,000 and the contribution to the Group's profit for the year would have been \$1,195,000.

LAMS contributed revenue of \$496,000 and profit of \$58,000 to the Group for the period from 1 July 2023 to 31 December 2023. If the business combination had taken place at the beginning of the financial year, the revenue contribution by LAMS from continuing operations would have been \$1,188,000 and the contribution to the Group's profit for the year would have been \$209,000.

Contributions to the Group's revenue and profit by KSN and UNION were not material for the period from 18 December 2023 to 31 December 2023.

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

25. Business combinations (continued)

Acquisition of subsidiaries (continued)

Ascension Therapy Grp Pte. Ltd. and Ten Surgery Group Pte. Ltd.

On 1 September 2022, the Group through its wholly-owned subsidiary, Unimedic Pte. Ltd., acquired 50.1% interest in Ascension Therapy Grp Pte. Ltd. and 70% interest in Ten Surgery Group Pte. Ltd. for a total consideration of \$1,272,000 and \$6,370,000 respectively.

The Group has measured the non-controlling interests in the acquiree at the proportionate share of the interests in the acquiree's identifiable net assets.

The fair values of the identifiable assets and liabilities of Ascension Therapy Grp Pte. Ltd. and its subsidiaries ("ATG") and Ten Surgery Group Pte. Ltd. ("TEN") as at the date of acquisition are as follows:

	ATG \$'000	TEN \$'000	Total \$'000
Assets			
Property, plant and equipment (Note 14)	174	725	899
Cash and cash equivalents	939	151	1,090
Trade and other receivables	166	1,078	1,244
Inventories	—	8	8
Deferred tax assets	7	—	7
	1,286	1,962	3,248
Liabilities			
Trade and other payables	336	100	436
Lease liabilities	42	610	652
Current income tax liabilities	1	133	134
Deferred tax liabilities	6	9	15
	385	852	1,237
Total identifiable net assets acquired	901	1,110	2,011
Non-controlling interests	(459)	(333)	(792)
Goodwill arising on acquisition	830	5,593	6,423
	1,272	6,370	7,642
Cash consideration	1,155	6,370	7,525
Contingent consideration	117	—	117
Total consideration	1,272	6,370	7,642
Net cash acquired with the subsidiaries	939	151	1,090
Cash paid	(1,155)	(6,370)	(7,525)
Net cash flow on acquisition	(216)	(6,219)	(6,435)

25. Business combinations (continued)

Acquisition of subsidiaries (continued)

Ascension Therapy Grp Pte. Ltd. and Ten Surgery Group Pte. Ltd. (continued)

(a) Acquisition-related costs

Acquisition-related costs of \$115,000 were expensed and are included in other expenses.

(b) Contingent consideration

The contingent consideration was calculated using the income approach measured based on forecasted earnings before interest, taxes, depreciation and amortisation of ATG from 1 September 2023 to 31 August 2024. The amount shall be payable on 31 August 2024.

(c) Acquired receivables

The fair value of trade and other receivables is \$1,244,000. The gross contractual amount for trade and other receivables due is \$1,257,000 before net of allowance for impairment loss of \$13,000. Management is of the view that there is no material credit risk relating to the trade and other receivables of \$1,244,000.

(d) Goodwill

The total consideration is negotiated on a willing buyer willing seller basis, taking into account the existing clientele and growth prospects presented by the respective businesses. The goodwill of \$6,423,000 arising from the acquisitions is attributable to the synergies between the businesses and the anticipated economies of scale arising from combining the operations with the Group.

(e) Contribution to the Group

ATG contributed revenue of \$920,000 and loss of \$75,000 to the Group for the period from 1 September 2022 to 31 December 2022. If the business combination had taken place at the beginning of the financial year, the revenue contribution by ATG from continuing operations would have been \$2,759,000 and the contribution to the Group's loss for the year would have been \$226,000.

TEN contributed revenue of \$2,207,000 and profit of \$304,000 to the Group for the period from 1 September 2022 to 31 December 2022. If the business combination had taken place at the beginning of the financial year, the revenue contribution by TEN from continuing operations would have been \$6,622,000 and the contribution to the Group's profit for the year would have been \$911,000.

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

25. Business combinations (continued)

Acquisition of businesses

During the year ended 31 December 2023, the Group through its wholly-owned subsidiary, Healthway Medical Group Pte Ltd ("HMG"), acquired five General Practitioner ("GP") clinics for a total consideration of approximately \$3,650,000 comprising a cash consideration of \$2,187,000 and a contingent consideration of approximately \$1,463,000.

The following is a summary of the details relating to the acquisition:

	\$'000
(i) Purchase consideration	
Cash paid and consideration transferred for the business	2,187
Contingent consideration (Note (v) below)	1,463
	<u>3,650</u>
(ii) Effect on cash flows of the Group	
Cash paid	2,187
Less: cash and cash equivalents acquired	—
Cash outflow on acquisition	<u>2,187</u>
(iii) A goodwill amounting to \$3,650,000 is recognised on the acquisition date and is measured as the excess of the purchase consideration of \$3,650,000 over the net amounts of the identifiable assets acquired and liabilities assumed in these acquisitions.	
(iv) Acquisition-related costs	
Acquisition-related costs of \$30,000 were expensed and are included in other expenses.	
(v) Contingent consideration	
As part of the purchase agreement with two former owners of the clinics, a contingent consideration has been agreed. Additional cash payments shall be payable to a former owner in four tranches and to another former owner in one tranche ("Payment Dates"). The consideration will be adjusted based on each clinic's gross profit recorded for the 12-month period immediately preceding the Payment Dates.	
As at the acquisition date, management has estimated the fair value of the contingent consideration to be \$1,463,000, which was calculated by applying the income approach using the probability-weighted payout approach. This is a Level 3 fair value measurement.	
As of 31 December 2023, no adjustment to the fair value of the contingent consideration was made.	

25. Business combinations (continued)

Acquisition of businesses (continued)

(vi) Acquired receivables

There were no acquired receivables arising from the acquisition.

(vii) Goodwill

The goodwill of \$3,650,000 arising from the acquisition is attributable to the synergies between the businesses and the anticipated economies of scale arising from combining the operations of the Group with those of the GP clinics. There were no material tangible assets being transferred to the Group.

(viii) Revenue contribution

The acquired businesses contributed a total revenue of \$2,479,000 to the Group from the date of the acquisitions to 31 December 2023. If the business combination had taken place at the beginning of the financial year, the revenue contribution by the acquired businesses from continuing operations would have been \$2,916,000.

During the year ended 31 December 2023, the Group paid \$235,000 relating to contingent consideration arising from the acquisition of a GP clinic on 1 January 2020.

The total cash outflow on acquisition of businesses including contingent consideration paid in the financial year ended 31 December 2023 amounted to \$2,422,000 (2022: \$196,000).

26. Financial risk management

Financial risk factors

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

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. Detailed policies are established and carried out by management in accordance with the objectives and underlying principles approved by the Board of Directors.

26. Financial risk management (continued)

Financial risk factors (continued)

(a) *Market risk*

(i) *Currency risk*

The Group operates in Asia with dominant operations in Singapore. The Group's monetary assets and liabilities are principally denominated in Singapore Dollar.

The Group is not exposed to significant foreign currency risk on monetary assets and liabilities that are denominated in a currency other than the respective functional currencies.

(ii) *Interest rate risk*

Interest rate risk is the risk that the future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from cash and bank balances. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group has no material exposure to changes in interest rates.

(b) *Credit risk*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade and other receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history. For other financial assets, the Group adopts the policy of dealing only with credit worthy counterparties.

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

	Company	
	2023	2022
	\$'000	\$'000
<i>Corporate guarantees relating to:</i>		
- subsidiaries' other secured borrowings (undiscounted)	—	525

The Group has five customers (2022: four) with balances individually greater than 5% of the total trade and other receivables.

0.3% (2022: 0.4%) of the Group's trade and other receivables were due from related parties while none (2022: Nil) of the Company's receivables were balances with related parties.

26. Financial risk management (continued)

Financial risk factors (continued)

(b) *Credit risk* (continued)

(i) *Trade receivables and finance lease receivables*

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. Finance lease receivables are subject to immaterial credit loss.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group considers a financial asset as in default if the counterparty is unlikely to make contractual payments in full to the Group. The Group then makes a provision in full for the financial asset when a debtor fails to make payments greater than 365 days past due. Where receivables are greater than 365 days past due, the Company continues to engage in collection efforts to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

The following table provides information of the Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 as at 31 December 2023 and 31 December 2022.

Group	Current to 365 days past due \$'000	More than 365 days past due \$'000	Total \$'000
As at 31 December 2023			
Sales of medical services			
Weighted-average expected loss rate	3.4%	100%	
Trade receivables	25,406	2,663	28,069
Loss allowance	(856)	(2,663)	(3,519)
As at 31 December 2022			
Sales of medical services			
Weighted-average expected loss rate	3.5%	100%	
Trade receivables	22,910	2,333	25,243
Loss allowance	(804)	(2,333)	(3,137)

(ii) *Financial guarantee contracts*

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements of SFRS(I) 9. The Company does not expect significant credit losses arising from these guarantees.

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

26. Financial risk management (continued)

Financial risk factors (continued)

(b) *Credit risk* (continued)

(iii) *Other receivables and deposits*

Except as disclosed in Note 11, the Group and the Company do not expect significant credit losses arising from these balances.

(iv) *Cash and cash equivalents*

The Group and the Company held cash and cash equivalents of \$19,515,000 and \$11,007,000 respectively (2022: \$39,135,000 and \$26,062,000) with banks which are rated AA and A based on Standard & Poor and considered to have low credit risk. The cash balances are measured on 12-month expected credit losses and subject to immaterial credit loss.

(c) *Liquidity risk*

Liquidity risk refers to the risk that the Group will encounter difficulties in meeting financial obligations due to shortage of funds.

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Contractual cash flows	Less than 1 year	Between 1 and 5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000
Group				
2023				
Non-derivative financial liabilities				
Lease liabilities	39,970	13,509	17,961	8,500
Trade and other payables*	37,081	27,694	9,387	–
	77,051	41,203	27,348	8,500
2022				
Non-derivative financial liabilities				
Other secured borrowings	525	411	114	–
Lease liabilities	23,066	10,191	12,377	498
Trade and other payables*	28,715	22,539	6,176	–
	52,306	33,141	18,667	498

* Excludes deferred income, provision for unutilised leave and goods and services tax payables, net

Notes to the financial statements
For the financial year ended 31 December 2023

26. Financial risk management (continued)

Financial risk factors (continued)

(c) *Liquidity risk* (continued)

	Contractual cash flows \$'000	Less than 1 year \$'000	Between 1 and 5 years \$'000
Company			
2023			
Non-derivative financial liabilities			
Trade and other payables*	1,955	1,955	—
Lease liabilities	2,048	783	1,265
	<u>4,003</u>	<u>2,738</u>	<u>1,265</u>
2022			
Non-derivative financial liabilities			
Trade and other payables*	1,610	1,610	—
Lease liabilities	400	400	—
Financial guarantee contracts	525	411	114
	<u>2,535</u>	<u>2,421</u>	<u>114</u>

* Excludes provision for unutilised leave and goods and services tax payables, net

(d) *Capital risk*

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

Management monitors capital based on a gearing ratio.

The Group and Company are not subjected to any externally imposed capital requirements for the financial year ended 31 December 2023 and 31 December 2022.

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

26. Financial risk management (continued)

Financial risk factors (continued)

(e) *Financial instruments by category*

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet, except for the following:

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Financial assets, at amortised cost	48,719	65,152	11,195	26,320
Financial assets, at fair value through profit or loss	1,116	964	–	–
Financial liabilities, at amortised cost	71,012	50,003	3,884	2,005

27. Fair value measurement

The Group classifies financial assets measured at fair value using a fair value hierarchy which reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(a) *Assets and liabilities measured at fair value*

The following table shows an analysis of assets measured at fair value at the end of the reporting period:

	Level 3	
	2023	2022
	\$'000	\$'000
Group		
Financial assets		
<u>Derivatives</u>		
Options in NCI's shares (Note 16)	1,116	964

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

27. Fair value measurement (continued)

(a) Assets and liabilities measured at fair value (continued)

Level 3 fair value measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2023 and 2022:

Group

Description	Valuation technique	Significant unobservable inputs	Range used
Recurring fair value measurement			
Derivatives	Options pricing model	Earnings before interest, taxes, depreciation and amortisation ("EBITDA") growth rates	1.1% to 49.7% (2022: 1.5% to 68.0%)

(ii) Valuation policies and procedures

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 13 fair value measurement guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations by management.

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation if such information are reasonably available.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

27. Fair value measurement (continued)

(a) Assets and liabilities measured at fair value (continued)

Level 3 fair value measurements (continued)

(iii) Movement in Level 3 financial instruments measured at fair value

The following table shows the information about fair value measurement using significant unobservable inputs (Level 3):

	Group	
	2023	2022
	\$'000	\$'000
Beginning of financial year	964	605
Dilution of a subsidiary without a loss of control	—	17
Fair value gain (Note 5)	152	342
End of financial year	1,116	964

(b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Cash and bank balances (Note 10), current trade and other receivables (Note 11), current trade and other payables (Note 17) and borrowings (Note 18)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the balance sheet date.

Trade and other receivables (non-current) (Note 11), trade and other payables (non-current) (Note 17)

The fair values correspond to the balance sheet carrying amounts as the fair values are estimated by discounting expected future cash flows at market incremental lending rate for similar types of financing arrangements at the balance sheet date, or the impact of discounting future cash flows is not material.

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

28. Related party transactions

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

(a) *Related party transactions*

	Group	
	2023	2022
	\$'000	\$'000
Rental and other operating expenses	1,300	1,336
Rental and other operating income	168	292
Staff costs	324	302

Balances with related parties at the balance sheet date are set out in Note 11 and Note 17.

Related parties comprise mainly companies which are controlled or significantly influenced by the deemed controlling shareholder of the Company and a close family member of a key management personnel of the Company.

(b) *Key management personnel compensation*

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

Key management personnel compensation comprise:

	Group	
	2023	2022
	\$'000	\$'000
Wages and salaries	1,136	1,404
Directors' fees of the Company	376	228
Employer's contribution to defined contribution plans including Central Provident Fund	35	38
	1,547	1,670

29. Segment information

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Maker ("CODM") that are used to make strategic decisions, allocate resources, and assess performance. The CODM considers the business from both a geographic and business segment perspective and regularly reviews internal management reports for each of the business units.

Business segments

The Group has the following strategic business units.

- Primary Healthcare comprising family medicine, dentistry, healthcare benefit management and investment in strategic medical related business; and
- Specialist Healthcare comprising paediatrics, orthopaedics, obstetrics and gynaecology and Nobel specialist comprising cardiology, gastroenterology, psychiatry, ophthalmology (eye), otorhinolaryngology (ear, nose and throat), endocrinology, paediatric surgery, general surgery, urology and speech therapy.

Geographical segments

The Group's operations are mainly in Singapore.

Major customer

No customer (2022: one customer) contributed to more than 10% (2022: 10%) of the Group's revenue.

Whilst the CODM receives separate reports for each of the Group's strategic business units, the results have been aggregated into the Primary Healthcare and Specialist Healthcare segments. Such aggregation is determined by the nature of risks associated with each business segment as they offer different products and services and require different marketing strategies.

Healthway Medical Corporation Limited and its Subsidiaries

Notes to the financial statements For the financial year ended 31 December 2023

29. Segment information (continued)

The segment information provided to the CODM for the reportable segments are as follows:

	Singapore		Indonesia	
	Primary Healthcare \$'000	Specialist Healthcare \$'000	Primary Healthcare \$'000	Total \$'000
2023				
Sales				
Total segment sales and sales to external parties	90,610	77,886	—	168,496
Adjusted EBITDA	11,092	11,080	—	22,172
Depreciation of property, plant and equipment	10,718	5,541	—	16,259
Amortisation of intangible assets	64	—	—	64
Segment assets	140,204	124,581	13,371	278,156
Segment assets include:				
- Additions to property, plant and equipment	12,526	23,120	—	35,646
- Additions to intangible assets	5,617	7,496	3,476	16,589
Segment liabilities	30,994	36,718	4,583	72,295
2022				
Sales				
Total segment sales and sales to external parties	101,436	58,455	—	159,891
Adjusted EBITDA	18,076	10,270	—	28,346
Depreciation of property, plant and equipment	8,125	3,981	—	12,106
Amortisation of intangible assets	599	—	—	599
Segment assets	139,080	100,580	—	239,660
Segment assets include:				
- Additions to property, plant and equipment	14,565	6,122	—	20,687
- Additions to intangible assets	198	6,423	—	6,621
Segment liabilities	30,302	20,657	—	50,959

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Notes to the financial statements For the financial year ended 31 December 2023

29. Segment information (continued)

The revenue reported to the CODM is measured in a manner consistent with that in the statement of comprehensive income.

The CODM assesses the performance of the operating segments based on a measure of earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA") for continuing operations. Interest income and finance expenses are not allocated to segments, as this type of activity is driven by the Group Treasury, which manages the cash position of the Group.

(a) Reconciliations

(i) Segment profits

A reconciliation of adjusted EBITDA to profit before income tax is as follows:

	Group	
	2023	2022
	\$'000	\$'000
Adjusted EBITDA for reportable segments	22,172	28,346
Depreciation of property, plant and equipment	(16,259)	(12,106)
Amortisation of intangible assets	(64)	(599)
Interest income	767	251
Fair value gain on derivative assets	152	342
Finance expenses	(1,947)	(1,753)
Share of loss of an associate – net of tax	(224)	(300)
Profit before income tax	4,597	14,181

(ii) Segment assets

The amounts reported to the CODM with respect to total assets are measured in a manner consistent with that of the financial statements. All assets are allocated to reportable segments other than the amounts disclosed below.

Segment assets are reconciled to total assets as follows:

	Group	
	2023	2022
	\$'000	\$'000
Segment assets for reportable segments	278,156	239,660
Unallocated:		
- Short-term bank deposits (Note 10)	4,509	17,727
- Investment in an associate (Note 13)	906	1,130
- Derivative assets (Note 16)	1,116	964
- Deferred income tax assets (Note 21)	1,880	1,834
Total assets	286,567	261,315

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Notes to the financial statements For the financial year ended 31 December 2023

29. Segment information (continued)

(a) Reconciliations (continued)

(iii) Segment liabilities

The amounts reported to the CODM with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than the amounts disclosed below.

Segment liabilities are reconciled to total liabilities as follows:

	Group	
	2023	2022
	\$'000	\$'000
Segment liabilities for reportable segments	72,295	50,959
Unallocated:		
- Current income tax liabilities (Note 8(c))	1,081	2,639
- Deferred income tax liabilities (Note 21)	913	947
- Other payables to non-controlling interest (Note 17)	5,218	4,942
- Borrowings (Note 18)	–	513
Total liabilities	79,507	60,000

(b) Geographical information

	Sales for continuing operations	
	2023	2022
	\$'000	\$'000
Singapore	168,496	159,891

Majority of non-current assets are all located in Singapore.

30. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the directors on 26 April 2024.