INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEALTHWAY MEDICAL CORPORATION LIMITED

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Healthway Medical Corporation Limited (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:
- the consolidated statement of comprehensive income of the Group for the year ended 31 December 2017;
- the balance sheet of the Group as at 31 December 2017;
- the balance sheet of the Company as at 31 December 2017;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

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

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority 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.

Emphasis of Matter

We draw attention to Note 31 to the financial statements which states that on 27 February 2017 the Company announced that the Singapore Exchange Securities Trading Limited ("SGX-ST") requested the Company to appoint an independent reviewer ("Independent Reviewer") to look into the extensions of loans by the Group to Healthway Medical Enterprises Pte Ltd and Wei Yi Shi Ye Co. Ltd., with the objective of establishing whether there are any breaches of the SGX-ST Listing Manual Section B: Rules of Catalist, and that as of the date of this report, the Independent Reviewer has yet to finalise their report. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEALTHWAY MEDICAL CORPORATION LIMITED (continued)

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	**How our audit addressed the key audit matter**
Purchase price allocation for the acquisition of Healthway Medical Enterprises Pte Ltd ("HME") As disclosed in Note 3(a) to the financial statements, on 21 April 2017, the Company, through its wholly-owned subsidiary, Healthway Medical Group Pte Ltd, acquired the entire equity interest of HME for a total consideration of $51,525,000 which comprised deposits paid in the previous financial years of $3,540,000 and the Group's previous loans and trade and other receivables/payables due from/to HME amounting to $47,985,000 (net of allowance for impairment loss) (Note 25). Financial Reporting Standard 103 "Business Combinations" requires the identifiable assets, liabilities and contingent liabilities to be recognised at fair value at the date of acquisition, with the excess of the acquisition cost over the identified fair values to be 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 particular in relation to the identification of the intangible assets acquired, and as such, management engaged an external professional firm to perform the PPA. In identifying the identifiable assets acquired, consideration was given to whether other potential intangible assets were acquired as part of this acquisition and it was assessed that apart from the Nobel brand, there were no other intangible assets acquired. As a result, the Nobel brand was recognised on the balance sheet of the Group at the date of the acquisition at its fair value of $5,081,000 which was determined based on the relief from royalty method. The	We evaluated the qualifications and competence of the external professional firm. We held discussions with management and the external professional firm to obtain an understanding of the purchase price allocation exercise. With the assistance of our internal valuation specialists, we reviewed the basis of the determination made that the Nobel brand was the only identifiable intangible asset acquired as part of the acquisition of HME and the valuation method and the key assumptions used to determine its fair value. Based on the work performed we found the identification of the intangible asset and the valuation method used to be appropriate. We also found that the judgements made to determine the royalty rate and discount

key assumptions used in the determination of the fair value of the Nobel brand related to the royalty rate and discount rate used.	rate were reasonable.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEALTHWAY MEDICAL CORPORATION LIMITED (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and brand names with indefinite useful lives As disclosed in Note 3(b) to the financial statements, following management's annual impairment assessment over goodwill and brand names with indefinite useful lives, the Group recognised an impairment charge to goodwill during the financial year amounting to \$25,000,000, which resulted in the carrying amount of goodwill being reduced to \$109,623,000 as at 31 December 2017. The impairment charge was recognised based on the recoverable amounts of each cash generating unit ("CGU") to which goodwill and brand names with indefinite useful lives belong to, which were estimated by management based on the value-in-use ("VIU") of each CGU. We focused on management's impairment assessment of goodwill and brand names with indefinite useful lives, because the determination of the recoverable amounts requires significant judgement by management, particularly management's view of key internal inputs and external market conditions which impacts (1) the forecasted revenue growth rates which are a key assumption in the estimate of future cash flows and (2) the determination of the discount rate and long term growth rate, which are also key assumptions underlying the estimate of the recoverable amounts.	We held discussions with management to understand their assessment. We evaluated the key controls over the impairment assessment process, including the appropriateness of the key assumptions used in the valuation models. With the assistance of our internal valuation specialists, we assessed the appropriateness of the valuation methodology and reviewed the key assumptions used in the VIU calculations which related to the revenue growth rates, discount rate and long term growth rate taking into consideration external data as well as our knowledge and experience. We reviewed the VIU calculations prepared by management and reperformed the calculations to check their accuracy. We also tested management's historical estimation accuracy by comparing previous historical budgets against actual results achieved and where differences were noted we obtained an understanding of the underlying reasons from management and challenged the revenue growth rates applied considering management's historical estimation accuracy. We reviewed the appropriateness of the disclosures made in the financial statements in relation to the impairment assessment. Based on our work performed, we found that the judgements made by management to determine the revenue growth rate, discount rate and long term growth rate were reasonable.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEALTHWAY MEDICAL CORPORATION LIMITED (continued)

Other Information

Management is responsible for the other information. The other information comprises all the sections of the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEALTHWAY MEDICAL CORPORATION LIMITED (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEALTHWAY MEDICAL CORPORATION LIMITED (continued)

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

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

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

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

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.

The engagement partner on the audit resulting in this independent auditor's report is Charlotte Hsu.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 28 March 2018