

Annual Audited Accounts

IHH HEALTHCARE BERHAD

Subject Annual Audited Accounts - 31 Dec 2018

Please refer attachment below.

Attachments

[IHH_Audited Financial Statements for year ended 31 Dec 2018.pdf](#)
1.9 MB

Announcement Info	
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Stock Name	IHH
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IHH Healthcare Berhad

(Company No. 901914-V)

(Incorporated in Malaysia)

and its subsidiaries

**Financial statements for the financial
year ended 31 December 2018**

IHH Healthcare Berhad

(Company No. 901914-V)

(Incorporated in Malaysia)

and its subsidiaries

Directors' report for the year ended 31 December 2018

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

Principal activities

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are as stated in Note 46 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 46 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	627,687	243,773
Non-controlling interests	<u>(137,827)</u>	<u>-</u>
	<u>489,860</u>	<u>243,773</u>

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company paid a first and final single tier cash dividend of 3 sen per ordinary share amounting to RM247,338,000 for the financial year ended 31 December 2017 on 18 July 2018.

The Directors have proposed a first and final single tier cash dividend of 3 sen per ordinary share for the financial year ended 31 December 2018 totalling RM263,079,000, which is subject to shareholders' approval at the forthcoming Annual General Meeting.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Dato' Mohammed Azlan Bin Hashim
 Dr. Tan See Leng
 Mehmet Ali Aydinlar
 Chang See Hiang
 Rossana Annizah Binti Ahmad Rashid
 Shirish Moreshwar Apte
 Bhagat Chintamani Aniruddha
 Koji Nagatomi
 Jill Margaret Watts (Appointed on 4 April 2018)
 Kuok Khoon Ean (Retired on 28 May 2018)
 Takeshi Saito (Alternate Director to Koji Nagatomi)
 Quek Pei Lynn (Alternate Director to Bhagat Chintamani Aniruddha)

The names of Directors of subsidiaries are set out in the subsidiaries' statutory accounts and the said information is deemed incorporated herein by such reference and made a part hereof.

Directors' interests

The interests and deemed interests in the ordinary shares, units convertible into ordinary shares, options over ordinary shares, other units and perpetual securities of the Company and of its related corporations (other than wholly owned subsidiaries) of those who were Directors at year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares				At 31 December 2018
	At 1 January 2018	Options exercised	Bought	Sold	
Interests in the Company					
Dr. Tan See Leng					
- Direct	10,453,800	1,248,000	-	(3,500,000)	8,201,800
Mehmet Ali Aydinlar					
- Direct	176,202,000	652,000	243,390,132*	-	420,244,132
- Deemed	88,910,861	-	18,856,280*	-	107,767,141
Chang See Hiang					
- Direct	100,000	-	-	-	100,000

Directors' interests (continued)

Number of ordinary shares of TL1.00 each					
	At 1 January 2018	Options exercised	Bought	Sold	At 31 December 2018
Interests in subsidiaries					
Acıbadem Sağlık Yatırımları Holding A.Ş. ("ASYH")					
Mehmet Ali Aydınlar					
- Direct	354,533,087	-	-	(212,719,852)*	141,813,235
- Deemed	27,466,913	-	-	(16,480,147)*	10,986,766
Acıbadem Sağlık Hizmetleri ve Ticaret A.Ş. ("ASH")					
Mehmet Ali Aydınlar					
- Direct	1	-	-	-	1
- Deemed	1	-	-	-	1
Acıbadem Poliklinikleri A.Ş.					
Mehmet Ali Aydınlar					
- Direct	1	-	-	-	1
- Deemed	3	-	-	-	3
Acıbadem Proje Yönetimi A.Ş.					
Mehmet Ali Aydınlar					
- Direct	1	-	-	-	1
Aplus Hastane Otelcilik Hizmetleri A.Ş.					
Mehmet Ali Aydınlar					
- Direct	1	-	-	-	1
- Deemed	2	-	-	-	2

Number of ordinary shares of TL2.00 each					
	At 1 January 2018	Options exercised	Bought	Sold	At 31 December 2018
Interests in a subsidiary					
International Hospital Istanbul A.Ş.					
Mehmet Ali Aydınlar					
- Direct	1	-	-	-	1
- Deemed	1	-	-	-	1

Number of units convertible into ordinary shares					
	At 1 January 2018	Granted	Exercised	Lapsed/ cancelled	At 31 December 2018
Interests in the Company					
Long Term Incentive Plan ("LTIP")					
Dr. Tan See Leng	1,233,000	1,323,000	(1,248,000)	-	1,308,000
Mehmet Ali Aydınlar	660,000	657,000	(652,000)	-	665,000

Directors' interests (continued)

	Number of options over ordinary shares			
	At 1 January 2018	Granted	Exercised	Lapsed/ cancelled
Interests in the Company				
Enterprise Option Scheme ("EOS")				
Dr. Tan See Leng	14,229,000	6,432,000	-	-
Mehmet Ali Aydinlar	-	2,283,000	-	-

	Number of units		
	At 1 January 2018	Options exercised	Bought
Interests in a subsidiary			
Parkway Life Real Estate Investment Trust ("PLife REIT")			
Chang See Hiang	300,000	-	-
- Direct			
Shirish Moreswar Apte	150,000	-	-
- Direct			

	Value of perpetual securities held		
	At 1 January 2018 USD'000	Bought USD'000	Sold USD'000
Perpetual securities issued by a subsidiary			
Parkway Pantai Limited			
Dr. Tan See Leng	3,000	-	-

* New shares of the Company issued to Mehmet Ali Aydinlar in exchange for the acquisition of approximately his 15% interest in ASYH

Except as disclosed above, none of the other Directors holding office as at 31 December 2018 had any interest in the ordinary shares, options over ordinary shares, units convertible into ordinary shares, other units and perpetual securities of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full-time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 41 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling 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 apart from the issue of the LTIP and EOS as disclosed in Note 22.

Issue of shares and debentures

During the financial year, the Company issued:

- (i) 4,994,000 new ordinary shares pursuant to the surrender of vested LTIP units;
- (ii) 226,000 new ordinary shares pursuant to the exercise of vested EOS options; and
- (iii) 524,492,824 new ordinary shares for the acquisition of additional approximately 30% interest in Acibadem Saglik Yatirimlari Holding A.Ş. ("ASYH").

Upon completion of the above, the issued and fully paid number of shares of the Company increased from 8,239,583,639 to 8,769,296,463 as at 31 December 2018.

There were no other changes in the issued and paid-up capital of the Company, and no other debenture were issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of share options pursuant to the following scheme:

Options granted over unissued shares (continued)

EOS

At an extraordinary general meeting held on 15 June 2016, the Company's shareholders approved the establishment of the EOS for granting of non-transferrable options to eligible employees of the Group any time during the existence of the scheme.

The salient features and the other terms of the EOS are, *inter alia*, as follows:

- i. Eligible employees are executive directors and selected senior management employed by the Group who has been selected by the Board at its direction, if as at the offer date, the employee:
 - has attained the age of 18 years;
 - is in the full time employment and payroll of the Group including contract employees or in the case of a director, is on the board of directors of the Group; and
 - falls within such other categories and criteria that the Board may from time to time at its absolute discretion determine.
- ii. The aggregate number of shares to be issued under the EOS shall not exceed 2% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company.
- iii. The EOS shall be in force for a period of 10 years from 22 June 2015.
- iv. The EOS options granted in each year will vest in the participants over a three year period, in equal proportion (or substantially equal proportion) each year.
- v. The exercise price for the EOS option granted shall be determined by the Board which shall be based on the 5-day weighted average market price of the underlying shares a day immediately preceding the date of offer with a discount of not more than 10% or such other percentage of discount as may be permitted by Bursa Securities or any other relevant regulatory from time to time (subject to the Board's discretion to grant the discount).
- vi. Each EOS option gives a conditional right to the participant to receive 1 Share, upon exercise of the option and subject to the payment of the exercise price.
- vii. The EOS options are granted if objective performance targets or such other objective conditions of exercise that the Board may determine from time to time on a yearly basis and which are met.
- viii. The total number of EOS options which may be allocated to a participant who either singly or collectively with persons connected with him owns 20% or more of the issued and paid-up capital of the Company shall not exceed in aggregate 10% of the total number of Shares to be issued under the EOS.
- ix. Options granted but not yet vested and any unexercised options shall lapse with immediate effect and cease to be exercisable if the participant is no longer in employment with the Group, by way of termination, disqualification or resignation or in the case of a director, cease or disqualified to be a Director of the Group or the participant becomes a bankrupt, unless the Board determines otherwise.

Options granted over unissued shares (continued)

LTIP

At an extraordinary general meeting held on 25 March 2011, the Company's shareholders approved the establishment of the LTIP scheme for the granting of non-transferrable convertible units to eligible employees of the Group at any time during the existence of the scheme.

The salient features and the other terms of the LTIP are, *inter alia*, as follows:

- i. Eligible employees are employees that are in the full time employment and in the payroll of the Group including contract employees for at least 6 months or persons that fall within other categories or criteria that the Board may determine from time to time, at its absolute discretion.
- ii. The aggregate number of shares to be issued under the LTIP shall not exceed 2% of the issued and paid-up ordinary share capital of the Company.
- iii. The LTIP shall be in force for a period of 10 years from 25 March 2011.
- iv. The LTIP units granted in each year will vest in the participants over a three year period, in equal proportions each year.
- v. Each unit of LTIP is entitled to be converted to 1 ordinary share of the Company after listing of the Company.
- vi. Eligible employees who are offered LTIP units but have elected to opt out of the scheme will receive cash LTIP units instead which will be redeemed by the Company over a three year period in equal proportions each year.
- vii. Options granted but not yet vested will be cancelled with immediate effect and cease to be exercisable if the participant is no longer in employment with the Group, by way of termination, disqualification or resignation or in the case of an executive director, cease or disqualified to be a Director or the participant becomes a bankrupt, unless the Board determines otherwise.

During the year, the Group acquired Fortis Healthcare Limited and its subsidiaries ("Fortis Group") on 13 November 2018. Fortis Group has share-based payment schemes and the salient features and terms of these schemes are disclosed in Note 22 to the financial statements.

The options granted during the financial year is disclosed in Note 22 to the financial statements.

Indemnity and insurance costs

During the financial year, the Group purchased a Directors' and Officers' Liability Insurance for the Group's directors and officers with total insured limit of RM400 million per occurrence and in the aggregate. The insurance premium for the Group is RM470,000.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- (i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- (ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- (iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- (i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- (ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for those disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant events

The significant events during the financial year are as disclosed in Notes 42, 43 and 45 to the financial statements.

Subsequent event

The event subsequent to the end of the reporting period is as disclosed in Note 51 to the financial statements.

Consolidation of subsidiaries with different financial year end

Pursuant to Section 247(7) of the Companies Act 2016, the Company has applied and has been granted approval by the Companies Commission of Malaysia for the following subsidiaries of the Company to continue to have or to adopt a financial year which does not coincide with the Company in relation to the financial year ended 31 December 2018:

- Parkway Healthcare India Private Limited
- Andaman Alliance Healthcare Limited
- Ravindranath GE Medical Associates Private Limited ("RGE") and its subsidiaries
- Continental Hospitals Private Limited ("Continental") and its subsidiaries
- Fortis Healthcare Limited ("Fortis") and its subsidiaries

The details of the subsidiaries of RGE, Continental and Fortis are disclosed in Note 46 to financial statements.

Company No. 901914-V

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 30 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:



.....
Dato' Mohammed Azlan Bin Hashim
Director



.....
Dr. Tan See Leng
Director

1 April 2019

IHH Healthcare Berhad

(Company No. 901914-V)

(Incorporated in Malaysia)

and its subsidiaries

Statements of financial position as at 31 December 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Assets					
Property, plant and equipment	3	14,605,200	13,141,621	1,429	1,722
Prepaid lease payments	4	1,017,810	1,036,631	-	-
Investment properties	5	3,310,429	3,109,985	-	-
Goodwill on consolidation	6	11,829,197	10,692,198	-	-
Intangible assets	6	2,109,136	2,278,442	-	-
Investment in subsidiaries	7	-	-	16,286,644	15,650,650
Interests in associates	8	710,036	8,445	-	-
Interests in joint ventures	9	115,334	139,118	-	-
Other financial assets	10	18,668	15,052	-	-
Trade and other receivables	14	112,420	65,462	-	12,229
Tax recoverable		285,866	37,552	-	-
Derivative assets	26	722	12,422	-	-
Deferred tax assets	11	463,898	229,855	-	-
Total non-current assets		34,578,716	30,766,783	16,288,073	15,664,601
Development properties	12	80,729	75,027	-	-
Inventories	13	350,729	281,914	-	-
Trade and other receivables	14	1,959,970	1,504,882	15,330	15,041
Amounts due from subsidiaries	15	-	-	2,546,875	14,848
Tax recoverable		18,020	37,627	-	-
Other financial assets	10	347,185	160,235	179,646	-
Derivative assets	26	9,315	13,406	-	-
Cash and cash equivalents	16	7,763,398	6,078,603	1,280,302	1,564,893
		10,529,346	8,151,694	4,022,153	1,594,782
Assets classified as held for sale	17	6,448	7,004	-	-
Total current assets		10,535,794	8,158,698	4,022,153	1,594,782
Total assets		45,114,510	38,925,481	20,310,226	17,259,383

Statements of financial position as at 31 December 2018 (continued)

		Group		Company	
	Notes	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Equity					
Share capital	18	19,427,586	16,462,994	19,427,586	16,462,994
Other reserves	19	(1,665,515)	1,478,287	61,207	54,779
Retained earnings		4,231,930	3,948,881	729,004	730,716
Total equity attributable to owners of the Company		21,994,001	21,890,162	20,217,797	17,248,489
Perpetual securities	20	2,157,943	2,158,664	-	-
Non-controlling interests		4,355,141	1,851,904	-	-
Total equity		28,507,085	25,900,730	20,217,797	17,248,489
Liabilities					
Loans and borrowings	21	9,330,942	6,948,053	-	-
Employee benefits	22	98,938	52,442	122	49
Trade and other payables	25	691,264	969,909	-	-
Derivative liabilities	26	12,168	3,742	-	-
Deferred tax liabilities	11	991,273	1,011,220	-	-
Total non-current liabilities		11,124,585	8,985,366	122	49
Bank overdrafts	16	81,215	68	-	-
Loans and borrowings	21	1,123,108	689,987	-	-
Employee benefits	22	130,547	94,033	1,603	797
Trade and other payables	25	3,751,568	2,795,827	11,367	7,605
Derivative liabilities	26	5,931	22,991	-	-
Amounts due to subsidiaries	15	-	-	78,589	814
Tax payable		390,471	436,479	748	1,629
Total current liabilities		5,482,840	4,039,385	92,307	10,845
Total liabilities		16,607,425	13,024,751	92,429	10,894
Total equity and liabilities		45,114,510	38,925,481	20,310,226	17,259,383

The notes on pages 22 to 189 are an integral part of these financial statements.

IHH Healthcare Berhad

(Company No. 901914-V)

(Incorporated in Malaysia)

and its subsidiaries

Statements of profit or loss and other comprehensive income for the year ended 31 December 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	27	11,520,932	11,142,639	2,577,204	606,107
Other operating income		372,910	806,268	14,582	202,712
Inventories and consumables		(2,210,445)	(2,104,958)	-	-
Purchases and contracted services		(948,729)	(909,660)	-	-
Staff costs	28	(4,538,075)	(4,529,742)	(43,109)	(35,879)
Depreciation and impairment of property, plant and equipment	3	(880,701)	(915,769)	(859)	(865)
Amortisation and impairment of intangible assets and prepaid lease payments	6	(58,457)	(62,311)	-	-
Operating lease expenses		(334,316)	(328,510)	(2,186)	(2,238)
Other operating expenses		(1,380,182)	(1,293,159)	(2,322,652)	(73,157)
Finance income	29	174,943	151,839	25,726	18,689
Finance costs	29	(978,822)	(794,304)	(2,042)	(8)
Share of profits of associates (net of tax)		11,515	1,543	-	-
Share of profits of joint ventures (net of tax)		1,897	577	-	-
Profit before tax	30	752,470	1,164,453	246,664	715,361
Income tax expense	33	(262,610)	(334,625)	(2,891)	(4,335)
Profit for the year		489,860	829,828	243,773	711,026
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences from foreign operations		(349,175)	(790,190)	8	(27)
Hedge of net investments in foreign operation		(78,542)	21,344	-	-
Net change in fair value of available-for-sale financial instruments		-	(319,205)	-	(467)
Cash flow hedge		4,249	3,160	-	-
	31	(423,468)	(1,084,891)	8	(494)
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit liabilities		(11,241)	(12,245)	-	-
Net change in fair value of fair value through other comprehensive income financial instruments (FVOCI)		759	-	759	-
	31	(10,482)	(12,245)	759	-
Total comprehensive income/(expense) for the year		55,910	(267,308)	244,540	710,532

Statements of profit or loss and other comprehensive income for the year ended 31 December 2018 (continued)

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit attributable to:					
Owners of the Company		627,687	969,953	243,773	711,026
Non-controlling interests		(137,827)	(140,125)	-	-
Profit for the year		<u>489,860</u>	<u>829,828</u>	<u>243,773</u>	<u>711,026</u>
Total comprehensive income/(expense) attributable to:					
Owners of the Company		377,349	(6,989)	244,540	710,532
Non-controlling interests		(321,439)	(260,319)	-	-
Total comprehensive income/(expense) for the year		<u>55,910</u>	<u>(267,308)</u>	<u>244,540</u>	<u>710,532</u>
Earnings per ordinary share (sen):					
Basic	34	<u>6.54</u>	<u>11.31</u>		
Diluted	34	<u>6.53</u>	<u>11.30</u>		

The notes on pages 22 to 189 are an integral part of these financial statements.

IHH Healthcare Berhad

(Company No. 901914-V)

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Statements of changes in equity for the year ended 31 December 2018

		Attributable to owners of the Company													
		Non-distributable										Distributable			
Group	Note	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Hedge reserve RM'000	Capital reserve RM'000	Legal reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual securities RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2017		8,231,700	8,185,160	46,206	320,154	85,890	14,071	(1,157,882)	42,601	2,941,612	3,276,228	21,985,740	-	1,907,417	23,893,157
Foreign currency translation differences from foreign operations		-	-	-	-	-	-	-	-	(658,527)	-	(658,527)	-	(131,663)	(790,190)
Hedge of net investments in foreign operations		-	-	-	-	-	-	-	-	7,609	-	7,609	-	13,735	21,344
Net change in fair value of available-for-sale financial instruments		-	-	-	(320,154)	-	-	-	-	-	-	(320,154)	-	949	(319,205)
Cash flow hedge		-	-	-	-	-	1,127	-	-	-	-	1,127	-	2,033	3,160
Remeasurement of defined benefit liabilities		-	-	-	-	-	-	-	-	-	(6,997)	(6,997)	-	(5,248)	(12,245)
Total other comprehensive (expense)/income for the year	31	-	-	-	(320,154)	-	1,127	-	-	(650,918)	(6,997)	(976,942)	-	(120,194)	(1,097,136)
Profit for the year		-	-	-	-	-	-	-	-	-	969,953	969,953	-	(140,125)	829,828
Total comprehensive (expense)/income for the year		-	-	-	(320,154)	-	1,127	-	-	(650,918)	962,956	(6,989)	-	(260,319)	(267,308)
<i>Contributions by and distributions to owners of the Company</i>															
- Share options exercised		3,208	154	-	-	-	-	-	-	-	-	3,362	-	-	3,362
- Share-based payment	22	-	-	52,186	-	-	-	-	-	-	-	52,186	-	-	52,186
- Dividends to owners of the Company	35	-	-	-	-	-	-	-	-	-	(247,171)	(247,171)	-	-	(247,171)
		3,208	154	52,186	-	-	-	-	-	-	(247,171)	(191,623)	-	-	(191,623)
Transfer to share capital and share premium on share options exercised		42,705	67	(42,772)	-	-	-	-	-	-	-	-	-	-	-
Cancellation of vested share options		-	-	(661)	-	-	-	-	-	-	661	-	-	-	-
Acquisition of subsidiaries	43	-	-	-	-	-	-	-	-	-	-	-	-	11,392	11,392
Disposal of a subsidiary	44	-	-	-	-	-	-	-	-	-	-	-	-	766	766
Changes in ownership interests in subsidiaries	45	-	-	-	-	-	2	293,354	-	(1,119)	-	292,237	-	372,389	664,626
Issue of shares by subsidiaries to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	75,056	75,056
Recognition of put options granted to non-controlling interests	37	-	-	-	-	-	-	(103,924)	-	-	-	(103,924)	-	(57,516)	(161,440)
Changes in fair value of put options granted to non-controlling interests	37	-	-	-	-	-	-	(46,640)	-	-	-	(46,640)	-	1,411	(45,229)
Transfer per statutory requirements		-	-	-	-	-	-	-	5,154	-	(5,154)	-	-	-	-
Issue of perpetual securities	20	-	-	-	-	-	-	-	-	-	-	-	2,120,025	-	2,120,025
Accrued perpetual securities distribution		-	-	-	-	-	-	-	-	-	(38,639)	(38,639)	38,639	-	-
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	(198,692)	(198,692)
Total transactions with owners of the Company		45,913	221 ⁽¹⁾	8,753	-	-	2	142,790	5,154	(1,119)	(290,303)	(88,589)	2,158,664	204,806	2,274,881
Transfer in accordance with Section 618(2) of the Companies Act 2016 ⁽²⁾		8,185,381	(8,185,381)	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2017		16,462,994	-	54,959	-	85,890	15,200	(1,015,092)	47,755	2,289,575	3,948,881	21,890,162	2,158,664	1,851,904	25,900,730

Company No. 901914-V

Statements of changes in equity for the year ended 31 December 2018 (continued)

		Attributable to owners of the Company											Distributable	
		Non-distributable												
Group	Note	Share capital RM'000	Share option reserve RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Hedge reserve RM'000	Capital reserve RM'000	Legal reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual securities RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2018		16,462,994	54,959	-	85,890	15,200	(1,015,092)	47,755	2,289,575	3,948,881	21,890,162	2,158,664	1,851,904	25,900,730
Foreign currency translation differences from foreign operations		-	-	-	-	-	-	-	(215,086)	-	(215,086)	-	(134,089)	(349,175)
Hedge of net investments in foreign operations		-	-	-	-	-	-	-	(27,985)	-	(27,985)	-	(50,557)	(78,542)
Net change in fair value of FVOCI financial instruments		-	-	759	-	-	-	-	-	-	759	-	-	759
Cash flow hedge		-	-	-	-	1,514	-	-	-	-	1,514	-	2,735	4,249
Remeasurement of defined benefit liabilities		-	-	-	-	-	-	-	-	(9,540)	(9,540)	-	(1,701)	(11,241)
Total other comprehensive income/(expense) for the year	31	-	-	759	-	1,514	-	-	(243,071)	(9,540)	(250,338)	-	(183,612)	(435,950)
Profit for the year		-	-	-	-	-	-	-	-	627,687	627,687	-	(137,827)	489,860
Total comprehensive income/(expense) for the year		-	-	759	-	1,514	-	-	(243,071)	618,147	377,349	-	(321,439)	55,910
<i>Contributions by and distributions to owners of the Company</i>														
- Share options exercised		1,282	-	-	-	-	-	-	-	-	1,282	-	-	1,282
- Share-based payment	22	-	38,909	-	-	-	17	-	-	-	38,926	-	38	38,964
- Dividends to owners of the Company	35	-	-	-	-	-	-	-	-	(247,338)	(247,338)	-	-	(247,338)
		1,282	38,909	-	-	-	17	-	-	(247,338)	(207,130)	-	38	(207,092)
Transfer to share capital on share options exercised		31,395	(31,395)	-	-	-	-	-	-	-	-	-	-	-
Cancellation of vested share options		-	(1,094)	-	-	-	-	-	-	1,094	-	-	-	-
Acquisitions of subsidiaries	43	-	-	-	-	-	-	-	-	-	-	-	2,653,008	2,653,008
Changes in ownership interests in subsidiaries	45	2,931,915	-	-	-	1	(3,258,468)	-	(3)	-	(326,555)	-	408,897	82,342
Issue of shares by subsidiaries to non-controlling interests		-	-	-	-	-	(203)	-	-	-	(203)	-	11,563	11,360
Changes in fair value of put options granted to non-controlling interests	37	-	-	-	-	-	347,073	-	-	-	347,073	-	(50,739)	296,334
Transfer per statutory requirements		-	-	-	-	-	-	3,767	-	(3,767)	-	-	-	-
Payment of coupon on perpetual securities	20	-	-	-	-	-	(849)	-	-	-	(849)	(86,567)	-	(87,416)
Accrued perpetual securities distribution	20	-	-	-	-	-	-	-	-	(85,846)	(85,846)	85,846	-	-
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	(198,091)	(198,091)
Total transactions with owners of the Company		2,964,592	6,420	-	-	1	(2,912,430)	3,767	(3)	(335,857)	(273,510)	(721)	2,824,676	2,550,445
Reclassification		-	-	(759)	-	-	-	-	-	759	-	-	-	-
At 31 December 2018		19,427,586	61,379	-	85,890	16,715	(3,927,522)	51,522	2,046,501	4,231,930	21,994,001	2,157,943	4,355,141	28,507,085

- Share premium arose from the exercise of employee option scheme before 31 January 2017, being the effective date of the Companies Act 2016.
- In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of Companies Act 2016 on 31 January 2017 to utilise the credit.

Company No. 901914-V

Statements of changes in equity for the year ended 31 December 2018 (continued)

		/----- Attributable to owners of the Company -----/						
		/----- Non-distributable -----/			Distributable			
Company	Note	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2017		8,231,700	8,185,160	46,206	(153)	467	266,200	16,729,580
Foreign currency translation differences from foreign operations		-	-	-	(27)	-	-	(27)
Net change in fair value of available-for-sale financial instruments		-	-	-	-	(467)	-	(467)
Total other comprehensive expense for the year		-	-	-	(27)	(467)	-	(494)
Profit for the year		-	-	-	-	-	711,026	711,026
Total comprehensive (expense)/income for the year		-	-	-	(27)	(467)	711,026	710,532
<i>Contributions by and distributions to owners of the Company</i>								
- Share options exercised	35	3,208	154	-	-	-	-	3,362
- Share-based payment		-	-	52,186	-	-	-	52,186
- Dividends to owners of the Company		-	-	-	-	-	(247,171)	(247,171)
Transfer to share capital and share premium on share options exercised		3,208	154	52,186	-	-	(247,171)	(191,623)
Cancellation of vested share options		42,705	67	(42,772)	-	-	-	-
		-	-	(661)	-	-	661	-
Total transactions with owners of the Company		45,913	221 ⁽¹⁾	8,753	-	-	(246,510)	(191,623)
Transfer in accordance with Section 618(2) of the Companies Act 2016 ⁽²⁾		8,185,381	(8,185,381)	-	-	-	-	-
At 31 December 2017		16,462,994	-	54,959	(180)	-	730,716	17,248,489

Company No. 901914-V

Statements of changes in equity for the year ended 31 December 2018 (continued)

/----- Attributable to owners of the Company -----/ /----- Non-distributable -----/ Distributable							
Company	Note	Share capital RM'000	Share option reserve RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2018		16,462,994	54,959	(180)	-	730,716	17,248,489
Foreign currency translation differences from foreign operations		-	-	8	-	-	8
Net change in fair value through other comprehensive income financial instruments		-	-	-	759	-	759
Total other comprehensive income for the year		-	-	8	759	-	767
Profit for the year		-	-	-	-	243,773	243,773
Total comprehensive income for the year		-	-	8	759	243,773	244,540
<i>Contributions by and distributions to owners of the Company</i>							
- Share options exercised		1,282	-	-	-	-	1,282
- Share-based payment		-	38,909	-	-	-	38,909
- Issue of new shares		2,931,915	-	-	-	-	2,931,915
- Dividends to owners of the Company	35	-	-	-	-	(247,338)	(247,338)
Transfer to share capital on share options exercised		2,933,197	38,909	-	-	(247,338)	2,724,768
Cancellation of vested share options		31,395	(31,395)	-	-	-	-
		-	(1,094)	-	-	1,094	-
Total transactions with owners of the Company		2,964,592	6,420	-	-	(246,244)	2,724,768
Reclassification		-	-	-	(759)	759	-
At 31 December 2018		19,427,586	61,379	(172)	-	729,004	20,217,797

- Share premium arose from the exercise of employee option scheme before 31 January 2017, being the effective date of the Companies Act 2016.
- In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of Companies Act 2016 on 31 January 2017 to utilise the credit.

The notes on pages 22 to 189 are an integral part of these financial statements.

IHH Healthcare Berhad

(Company No. 901914-V)

(Incorporated in Malaysia)

and its subsidiaries

Statements of cash flows for the year ended 31 December 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities					
Profit before tax		752,470	1,164,453	246,664	715,361
<i>Adjustments for:</i>					
Dividend income	27	(3,639)	(2,128)	(2,577,204)	(606,107)
Finance income	29	(174,943)	(151,839)	(25,726)	(18,689)
Finance costs	29	978,822	794,304	2,042	8
Depreciation and impairment of property, plant and equipment	3	880,701	915,769	859	865
Amortisation and impairment of intangible assets and prepaid lease payments	6	58,457	62,311	-	-
Impairment loss made/(written back):					
- Investment in a subsidiary		-	-	2,295,921	(72)
- Goodwill	30	66,168	-	-	-
- Investment in a joint venture	30	33,353	-	-	-
- Trade and other receivables	30	(34,539)	11,066	-	-
- Amounts due from associates	30	-	(901)	-	-
- Amounts due from joint ventures	30	52	575	-	-
Write-off:					
- Property, plant and equipment	30	1,219	2,874	-	-
- Intangible assets	30	174	248	-	-
- Inventories	30	1,903	5,137	-	-
- Trade and other receivables	30	13,337	28,074	-	-
Gain on disposal of property, plant and equipment	30	(831)	(15,349)	(107)	-
Gain on disposal of a subsidiary	30	-	(1,149)	-	-
Gain on disposal of available-for-sale financial instruments					
- quoted	30	-	(554,500)	-	-
- unquoted	30	-	(4,695)	-	(167)
Realised gain on foreign exchange on return of capital by a foreign subsidiary	30	-	-	-	(202,365)
(Gain)/Loss on disposal of business units		(2,925)	776	-	-
Change in fair value of investment properties	30	(74,192)	(22,922)	-	-
Provision for financial guarantee given to a joint venture's loan	30	3,967	1,570	-	-
Share of profits of associates (net of tax)		(11,515)	(1,543)	-	-
Share of profits of joint ventures (net of tax)		(1,897)	(577)	-	-
Equity-settled share-based payment	22	38,964	52,186	11,309	12,069
Net unrealised foreign exchange differences		(183,675)	108,751	(11,906)	38,308
Operating profit/(loss) before changes in working capital		2,341,431	2,392,491	(58,148)	(60,789)
<i>Changes in working capital:</i>					
Development properties		(5,702)	(46,040)	-	-
Inventories		(38,873)	(39,097)	-	-
Trade and other receivables		(153,199)	(71,731)	12,815	14,556
Trade and other payables		100,681	298,800	2,469	(4,338)
Cash generated from/(used in) operations		2,244,338	2,534,423	(42,864)	(50,571)
Tax paid		(380,080)	(273,724)	(3,835)	(2,941)
Net cash from/(used in) operating activities		1,864,258	2,260,699	(46,699)	(53,512)

Statements of cash flows for the year ended 31 December 2018 (continued)

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from investing activities					
Interest received		130,324	67,195	24,670	9,113
Acquisitions of subsidiaries, net of cash and cash equivalents acquired	43	(178,977)	(6,734)	-	-
Development and purchase of intangible assets	6	(14,511)	(7,505)	-	-
Purchase of property, plant and equipment		(1,046,729)	(1,498,377)	(573)	(450)
Payment for prepaid lease		(4,075)	-	-	-
Purchase of investment properties	5	(69,613)	(207,926)	-	-
Purchase of money market funds		(178,652)	-	(178,652)	-
Net withdrawal of fixed deposits with tenor of more than 3 months		69,517	44,116	-	-
Net cash inflow/(outflow) from disposal of business units	42	2,925	(1,124)	-	-
Proceeds from disposal of a subsidiary, net of cash and cash equivalents disposed	44	-	(9)	-	-
Proceeds from disposal of property, plant and equipment		8,109	33,419	107	-
Proceeds from disposal of available-for-sale financial instruments					
- quoted		-	1,257,531	-	-
- unquoted		-	150,973	-	70,274
Proceeds from disposal of money market funds		5,370	-	-	-
Proceeds from return of capital by a foreign subsidiary	7	-	-	-	692,302
Proceeds from liquidation of a subsidiary	7	-	-	-	598
Proceeds from redemption of redeemable preference shares by a subsidiary	7	-	-	-	260,000
Dividends received from money market funds	27	3,639	2,128	3,639	2,128
Dividends received from subsidiaries	27	-	-	50,000	603,979
Dividends received from joint ventures		1,212	1,401	-	-
Dividends received from associates		13,849	563	-	-
Deposits placed in escrow account		(1,970,800)	-	-	-
Repayment from subsidiaries		-	-	97,067	36,662
Net cash (used in)/from investing activities		(3,228,412)	(164,349)	(3,742)	1,674,606

Statements of cash flows for the year ended 31 December 2018 (continued)

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from financing activities					
Interest paid		(363,147)	(325,950)	-	-
Proceeds from exercise of share options		1,282	3,362	1,282	3,362
Proceeds from loans and borrowings		4,036,562	1,789,126	-	-
Proceeds from issue of fixed rate medium term notes		128,542	185,139	-	-
Proceeds from issue of perpetual securities, net of transaction costs		-	2,120,025	-	-
Repayment of loans and borrowings		(2,352,671)	(2,432,757)	-	-
Loan from non-controlling interest of a subsidiary		2,454	-	-	-
Payment of perpetual securities distribution		(87,416)	-	-	-
Dividends paid to non-controlling interests		(198,091)	(198,692)	-	-
Dividends paid to owners of the Company		(247,338)	(247,171)	(247,338)	(247,171)
Acquisition of non-controlling interests		(16,863)	(7,149)	-	-
Proceeds from dilution of interest in subsidiaries		13,745	671,775	-	-
Issue of shares by subsidiaries to non-controlling interests		11,360	75,056	-	-
Changes in pledged deposits		(31)	7,769	-	-
Net cash from/(used in) financing activities		928,388	1,640,533	(246,056)	(243,809)
Net (decrease)/increase in cash and cash equivalents		(435,766)	3,736,883	(296,497)	1,377,285
Effect of exchange rate fluctuations on cash held		68,583	(82,412)	11,906	(38,231)
Cash and cash equivalents at 1 January		6,077,746	2,423,275	1,564,893	225,839
Cash and cash equivalents at 31 December		5,710,563	6,077,746	1,280,302	1,564,893

Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances		4,166,127	4,886,821	1,227,914	1,288,920
Fixed deposits with tenor of 3 months or less		3,597,271	1,191,782	52,388	275,973
		7,763,398	6,078,603	1,280,302	1,564,893
Less:					
- Bank overdrafts		(81,215)	(68)	-	-
- Deposits placed in escrow account		(1,970,800)	-	-	-
- Cash collateral received		(820)	(789)	-	-
Cash and cash equivalents	16	5,710,563	6,077,746	1,280,302	1,564,893

The notes on pages 22 to 189 are an integral part of these financial statements.

IHH Healthcare Berhad

(Company No. 901914-V)

(Incorporated in Malaysia)

and its subsidiaries

Notes to the financial statements

IHH Healthcare Berhad is a company incorporated and domiciled in Malaysia. It is listed on Bursa Malaysia Securities Berhad and Singapore Exchange Securities Trading Limited. The address of the Company's principal place of business and registered office is as follows:

Level 11, Block A
Pantai Hospital Kuala Lumpur
8 Jalan Bukit Pantai
59100 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group" or "IHH Group" and individually referred to as "Group entities") and the Group's interest in associates and joint ventures. The financial statements of the Company as at and for the financial year ended 31 December 2018 do not include other entities.

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 46 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

These financial statements were authorised for issue by the Board of Directors on 1 April 2019.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations of the MFRSs framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2019 (continued)

- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments from the annual period beginning on 1 January 2019 for those accounting standards, interpretations and amendments, that are effective for annual periods beginning on or after 1 January 2019.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Company.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The Group is still in the process of assessing the impact of the new MFRSs, amendments to and interpretations of MFRSs on the financial statements. The Group's preliminary assessment of MFRS 16, which is expected to have a more significant impact on the Group, is as described below:

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group had adopted the modified retrospective approach and elected to measure the right-of-use assets at an amount equal to the lease liability as at the date of initial application. The Group had completed a detailed assessment of the impact on its financial statements.

At 1 January 2019, the Group expects to recognise additional lease liabilities of RM1,751,919,000 with a corresponding right-of-use assets of RM1,751,919,000 pertaining to operating leases. In addition, leasehold lands and assets under finance lease arrangement (both currently recorded under the property, plant and equipment) and prepaid lease payments will be reclassified into right-of-use assets as at 1 January 2019.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

1. Basis of preparation (continued)

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 5 - measurement of the fair value of investment properties
- Note 6 - measurement of the recoverable amounts of cash-generating units
- Note 9 - measurement of the recoverable value of a joint venture
- Note 22 - measurement of share-based payment
- Note 23 and 24 - measurement of retirement benefits and employment termination benefits
- Note 25 - measurement of fair value of put options granted to non-controlling interests
- Note 43 - business combinations

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

- i) financial instruments;
- ii) revenue recognition; and
- iii) impairment losses of financial instruments

as compared to those adopted in previous financial statements. The impact arising from the changes are disclosed in Note 52.

2. Significant accounting policies (continued)

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, 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. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for at the date that common control was established.

The assets and liabilities acquired under business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group, are recognised at the carrying amounts recognised previously in the Group controlling shareholders' consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain or loss is recognised directly in equity.

(v) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial instruments depending on the level of influence retained.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vi) Associates

Associates are entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the associate's operations or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses. The cost of investment includes transaction costs.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vii) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the Company's statements of financial position at cost less any impairment losses and includes transaction costs.

(viii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(ix) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions between subsidiaries in the Group, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. Significant accounting policies (continued)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Foreign operations

The assets and liabilities of foreign operations including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Foreign operations (continued)

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

Previous financial year

Financial instrument was recognised initially, at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that were directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative was recognised separately from the host contract and accounted for as a derivative if, and only if, it was not closely related to the economic characteristics and risks of the host contract and the host contract was not recognised as fair value through profit or loss. The host contract, in the event an embedded derivative was recognised separately, was accounted for in accordance with policy applicable to the nature of the host contract.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see note 2(o)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

Current financial year (continued)

(c) *Fair value through other comprehensive income*

(i) *Debt investments*

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see note 2(o)(i)) where the effective interest rate is applied to the amortised cost.

(ii) *Equity investments*

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment by investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see note 2(o)(i)).

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprised financial assets that were held for trading, including derivatives (except for a derivative that was a financial guarantee contract or a designated and effective hedging instrument), contingent consideration receivable in a business combination or financial assets that were specifically designated into this category upon initial recognition.

Derivatives that were linked to and must be settled by delivery of unquoted equity instruments whose fair values could not be reliably measured were measured at cost.

Other financial assets categorised as fair value through profit or loss were subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Held-to-maturity investments

Held-to-maturity investments category comprised debt instruments that were quoted in an active market and the Group had the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments were subsequently measured at amortised cost using the effective interest method.

(c) Loans and receivables

Loans and receivables category comprised debt instruments and financial assets with fixed or determinable payments that were not quoted in an active market.

Financial assets categorised as loans and receivables were subsequently measured at amortised cost using the effective interest method.

(d) Available-for-sale financial instruments

Available-for-sale category comprised investment in equity and debt securities instruments that were not held for trading.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

Previous financial year (continued)

(d) Available-for-sale financial instruments (continued)

Investments in equity instruments that did not have a quoted market price in an active market and whose fair value could not be reliably measured were measured at cost. Other financial assets categorised as available-for-sale were subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which were recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income was reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method was recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, were subject to impairment assessment (see Note 2(o)(i)).

Financial liabilities

Current financial year

Except for put options granted to non-controlling interests, the categories of financial liabilities at initial recognition are as follows:

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

- (a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- (b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
- (c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities (continued)

Current financial year (continued)

(a) Fair value through profit or loss (continued)

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss, put options granted to non-controlling interests and compulsory convertible preference shares, are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Put options granted to non-controlling interests

The Group granted put options to the non-controlling interests in existing subsidiaries over their equity interests in those subsidiaries which provide for settlement in cash by the Group. The Group recognises a liability for the present value of the exercise price of the options. Subsequent to initial recognition, the Group recognises the changes in the carrying amount of the financial liabilities in equity.

Compulsory convertible preference shares ("CCPS")

CCPS are issued by a subsidiary, denominated in Indian Rupees and will be converted to share capital of the subsidiary at the option of the holder. Where the number of shares to be issued is not fixed, the CCPS is classified as a liability and initially recognised at its fair value and subsequent changes in fair value are recognised in profit or loss. Where the number of shares to be issued becomes fixed, the related CCPS tranche is reclassified to equity at its fair value on that date.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities (continued)

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprised financial liabilities that were derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration payable in a business combination or financial liabilities that were specifically designated into this category upon initial recognition.

Derivatives that were linked to and must be settled by delivery of equity instruments that did not have a quoted price in an active market for identical instruments whose fair values otherwise could not be reliably measured were measured at cost.

Financial liabilities categorised as fair value through profit or loss were subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Current financial year

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

Previous financial year

In the previous financial year, fair value arising from financial guarantee contracts were classified as deferred income and was amortised to profit or loss using a straight-line method over the contractual period or, when there was no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation was made. If the carrying value of the financial guarantee contract was lower than the obligation, the carrying value was adjusted to the obligation amount and accounted for as a provision.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Settlement date accounting refers to:

- (a) the recognition of an asset on the day it is received by the Group or the Company, and
- (b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(v) Hedge accounting

At inception of a designated hedging relationship, the Group and the Company document the risk management objective and strategy for undertaking the hedge.

The Group and the Company also document the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

(a) Cash flow hedge

Current financial year

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Hedge accounting (continued)

(a) *Cash flow hedge (continued)*

Current financial year (continued)

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedged item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss immediately.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Previous financial year

In the previous financial year, cost of hedging was expensed to profit or loss.

(b) *Hedge of a net investment*

A hedge of a net investment is a hedge in the interest of the net assets of a foreign operation. In a net investment hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss. The cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss on disposal of the foreign operation.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(vi) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial assets and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(vii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset and any other cost directly attributable to bringing the asset to working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing cost is capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable, willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement costs when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is reclassified as investment property and measured at fair value.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" or "other operating expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction (construction-in-progress) are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• Leasehold land	remaining term of the lease
• Buildings	5 - 60 years
• Hospital and medical equipment, renovations, furniture and fittings and equipment	3 - 25 years
• Laboratory and teaching equipment	2 - 10 years
• Motor vehicles	4 - 8 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

2. Significant accounting policies (continued)

(e) Leased assets (continued)

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised in the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Prepayment for leasehold land which in substance is an operating lease is classified as prepaid lease payments, and are amortised over the term of the lease.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Group separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

(f) Goodwill on consolidation

Goodwill is measured at cost less any accumulated impairment losses. In respect of equity- accounted associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity- accounted associates and joint ventures.

2. Significant accounting policies (continued)

(g) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to prepare the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Other intangible assets

Customer relationships that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Brand names and hospital licenses that have indefinite lives and other intangible assets that are not yet available for use are stated at cost less impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

2. Significant accounting policies (continued)

(g) Intangible assets (continued)

(iv) Amortisation

Amortisation is calculated based on the cost of an asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

- | | |
|---------------------------------|-----------------------------|
| • Customer relationships | 5 - 20 years |
| • Capitalised development costs | 5 - 10 years |
| • Brand use rights | remaining term of the right |
| • Favourable lease arrangements | remaining term of the lease |
| • Other intangibles | 3 - 10 years |

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

(h) Investment properties

(i) Recognition and measurement

Investment properties are properties which are held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise.

The fair value is determined based on internal valuation or independent professional valuation. Independent professional valuation is obtained annually for material investment properties.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

2. Significant accounting policies (continued)

(h) Investment properties (continued)

(i) Recognition and measurement (continued)

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the investment property is recognised in profit or loss in the period in which the item is derecognised.

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(i) Development property

The cost of property under development comprises specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure that can be allocated on a reasonable basis to the property under development. Borrowing costs payable on loans funding a development property are also capitalised, on a specific identification basis, as part of the cost of the development property until the completion of development.

Development property is stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs of completion and selling expenses.

(j) Inventories

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

Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Due 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 the estimated costs necessary to make the sale.

2. Significant accounting policies (continued)

(j) Inventories (continued)

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any allowance for write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any allowance for write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Contract asset/Contract liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(o)(i)).

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(l) Contract cost

(i) Incremental cost of obtaining a contract

The Group or the Company recognises incremental costs of obtaining contracts when the Group or the Company expects to recover these costs.

(ii) Costs to fulfill a contract

The Group or the Company recognises a contract cost that relate directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Group or the Company, will be used in satisfying performance obligations in the future and it is expected to be recovered.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in the profit and loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

(m) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

2. Significant accounting policies (continued)

(n) Assets classified as held for sale

Assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution to owners rather than through continuing use, are classified as held for sale or distribution.

Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of associates and joint ventures ceases once classified as held for sale or distribution.

(o) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company elected not to restate the comparatives.

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

2. Significant accounting policies (continued)

(o) Impairment (continued)

(i) Financial assets (continued)

Current financial year (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

2. Significant accounting policies (continued)

(o) Impairment (continued)

(i) Financial assets (continued)

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries, associates and joint venture) were assessed at each reporting date whether there was any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset was estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments was recognised in profit or loss and was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset was reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets was recognised in profit or loss and was measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset had been recognised in the other comprehensive income, the cumulative loss in other comprehensive income was reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that was carried at cost was recognised in profit or loss and was measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale was not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase could be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed, to the extent that the asset's carrying amount did not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment was reversed. The amount of the reversal was recognised in profit or loss.

2. Significant accounting policies (continued)

(o) Impairment (continued)

(ii) Other assets

The carrying amounts of other assets (except for inventories, development properties and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time and whenever there is an indication that they may be impaired.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (a group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

2. Significant accounting policies (continued)

(p) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to issue of shares and share options classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Distributions of non-cash assets to owners of the Company

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

(q) Perpetual securities

The perpetual securities do not have a maturity date and the issuer is able to elect to defer making a distribution, subject to the terms and conditions of the securities issue. Accordingly, the perpetual securities are presented within equity as the issuer is not considered to have a contractual obligation to make principle repayments or distributions in respect of its perpetual securities. Distributions are treated as dividends which will be directly debited from retained earnings. Incremental costs directly attributable to the issuance of perpetual securities are deducted against the proceeds from the issue.

(r) Compound financial instruments

A compound financial instrument is a non-derivative financial instrument that contains both a liability and an equity component.

The component parts of compound financial instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the issuer's equity instruments is an equity instrument.

The liability component of a compound financial instrument is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

2. Significant accounting policies (continued)

(s) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave 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 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.

The Group's contributions to defined contribution plans are charged to the profit or loss in the year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is available.

(ii) Defined benefits plans

The Group has non-funded defined benefits plans given to employees of certain subsidiaries within the Group.

The Group's net obligation in respect of defined benefits retirement plan and termination plan are calculated by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest), if any, and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefits plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

2. Significant accounting policies (continued)

(s) Employee benefits (continued)

(ii) Defined benefits plans (continued)

The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

(iii) Share-based payments transactions

The grant date fair value of share-based payments granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

The fair value of the employee share options is measured using the trinomial option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average cost of capital, earnings before interest, tax, depreciation, amortisation, exchange differences and other non-operational items ("EBITDA") multiples, expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(t) Provision

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

2. Significant accounting policies (continued)

(u) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- (b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Rental income

Rental income receivable under operating lease is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease. Contingent rentals are recognised as income in the reporting period in which they are earned.

(iii) Dividend income

Dividend income from investments is recognised in profit or loss on the date that the right to receive payment is established.

(iv) Finance income

Finance income comprises interest income from bank deposits and debt securities, net fair value gain of financial derivatives that are recognised in profit or loss, net fair value gain of the CCPS liabilities, and net exchange gain from foreign currency denominated interest-bearing borrowings and lendings.

Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is capitalised.

2. Significant accounting policies (continued)

(v) Finance costs

Finance costs comprises interest expense on borrowings, finance lease liabilities and bonds, amortisation of borrowing transaction costs and discount on bonds, bank charges, net fair value losses on financial derivatives that are recognised in profit or loss, net fair value losses of CCPS liabilities, and net exchange losses from foreign currency denominated interest-bearing borrowings and lendings.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

2. Significant accounting policies (continued)

(w) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time rather than through sale. In other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

2. Significant accounting policies (continued)

(x) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

Both basic and diluted EPS of the Group are adjusted to take into consideration the effect of perpetual securities distribution on earnings.

(y) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors of the Company, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(z) Contingencies

(i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where 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 entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

2. Significant accounting policies (continued)

(aa) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

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

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Property, plant and equipment

Group	Note	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Hospital and medical equipment, renovations, furniture and equipment RM'000	Laboratory and other teaching equipment RM'000	Motor vehicles RM'000	Construction- in-progress RM'000	Total RM'000
Cost									
At 1 January 2017		567,967	3,890,441	4,292,931	6,478,404	60,199	41,104	2,684,571	18,015,617
Acquisitions through business combinations	43	-	-	-	12,839	-	-	861	13,700
Disposal of a subsidiary	44	-	-	-	(548)	-	(161)	-	(709)
Disposal of a business unit	42	-	-	-	(662)	-	-	-	(662)
Additions		21,532	-	83,313	919,439	10,014	5,181	578,329	1,617,808
Disposals		-	-	-	(158,766)	-	(6,457)	-	(165,223)
Write off		-	-	-	(70,832)	(2,212)	-	(915)	(73,959)
Reclassification		225	-	1,361,155	1,112,726	-	145	(2,474,251)	-
Transfer to intangible assets	6	-	-	-	(3,901)	-	-	-	(3,901)
Transfer from investment properties	5	-	22,086	5,164	3,346	-	-	-	30,596
Translation differences		(27,365)	(53,349)	(168,621)	(645,348)	-	(2,123)	(160,606)	(1,057,412)
At 31 December 2017/1 January 2018		562,359	3,859,178	5,573,942	7,646,697	68,001	37,689	627,989	18,375,855
Acquisitions through business combinations	43	520,278	300,588	372,981	886,686	-	15,224	119,911	2,215,668
Additions		-	10,348	16,924	407,417	6,809	4,948	738,858	1,185,304
Disposals		-	-	(913)	(87,895)	-	(4,626)	(1,011)	(94,445)
Write off		-	-	-	(13,373)	(6,990)	(200)	-	(20,563)
Reclassification		-	-	37,433	759,970	661	2,489	(800,553)	-
Transfer to intangible assets	6	-	-	-	(1,569)	-	-	(956)	(2,525)
Translation differences		(39,880)	(22,381)	(103,311)	(770,198)	-	(3,540)	(88,595)	(1,027,905)
At 31 December 2018		1,042,757	4,147,733	5,897,056	8,827,735	68,481	51,984	595,643	20,631,389

3. Property, plant and equipment (continued)

Group	Note	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Hospital and medical equipment, renovations, furniture and equipment RM'000	Laboratory and other teaching equipment RM'000	Motor vehicles RM'000	Construction- in-progress RM'000	Total RM'000
Accumulated depreciation and impairment losses									
At 1 January 2017		-	331,436	743,212	3,737,395	35,695	26,550	798	4,875,086
Acquisitions through business combinations	43	-	-	-	7,328	-	-	-	7,328
Disposal of a subsidiary	44	-	-	-	(465)	-	(176)	-	(641)
Depreciation charge for the year		-	45,388	118,855	738,382	6,855	4,825	-	914,305
Impairment loss made/(reversed)		-	-	-	2,267	-	-	(803)	1,464
Disposals		-	-	-	(139,619)	-	(5,168)	-	(144,787)
Write off		-	-	-	(69,035)	(2,050)	-	-	(71,085)
Translation differences		-	(5,047)	(23,981)	(317,581)	-	(832)	5	(347,436)
At 31 December 2017/1 January 2018		-	371,777	838,086	3,958,672	40,500	25,199	-	5,234,234
Acquisitions through business combinations	43	-	-	32,037	372,100	-	10,915	-	415,052
Depreciation charge for the year		-	44,450	110,983	709,003	7,646	4,900	-	876,982
Impairment loss made		-	-	-	2,184	-	-	1,535	3,719
Disposals		-	-	(43)	(82,910)	-	(4,214)	-	(87,167)
Write off		-	-	-	(12,705)	(6,520)	(119)	-	(19,344)
Reclassification		-	-	(4,942)	4,389	553	-	-	-
Translation differences		-	(1,022)	(23,867)	(371,571)	-	(835)	8	(397,287)
At 31 December 2018		-	415,205	952,254	4,579,162	42,179	35,846	1,543	6,026,189
Net carrying amount									
At 1 January 2017		567,967	3,559,005	3,549,719	2,741,009	24,504	14,554	2,683,773	13,140,531
At 31 December 2017/1 January 2018		562,359	3,487,401	4,735,856	3,688,025	27,501	12,490	627,989	13,141,621
At 31 December 2018		1,042,757	3,732,528	4,944,802	4,248,573	26,302	16,138	594,100	14,605,200

3. Property, plant and equipment (continued)

Company	Renovations, furniture and fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost			
At 1 January 2017	1,440	2,763	4,203
Additions	85	365	450
Write off	(31)	-	(31)
Translation differences	(1)	(28)	(29)
At 31 December 2017/1 January 2018	1,493	3,100	4,593
Additions	17	556	573
Disposal	-	(650)	(650)
Translation differences	-	(7)	(7)
At 31 December 2018	1,510	2,999	4,509
Accumulated depreciation			
At 1 January 2017	582	1,477	2,059
Depreciation charge for the year	280	585	865
Write off	(31)	-	(31)
Translation differences	-	(22)	(22)
At 31 December 2017/1 January 2018	831	2,040	2,871
Depreciation charge for the year	284	575	859
Disposal	-	(650)	(650)
At 31 December 2018	1,115	1,965	3,080
Net carrying amount			
At 1 January 2017	858	1,286	2,144
At 31 December 2017/1 January 2018	662	1,060	1,722
At 31 December 2018	395	1,034	1,429

Leasehold land under perpetual lease

At 31 December 2018, the carrying amount of leasehold land of the Group includes an amount of RM296,303,000 (2017: Nil) which is not depreciated as the land is taken on a perpetual lease.

Securities

As at 31 December 2018, property, plant and equipment of the Group with carrying amounts of RM1,139,559,000 (2017: RM648,664,000) are charged to licensed financial institutions for credit facilities and term loans granted to the Group.

3. Property, plant and equipment (continued)

Assets under finance lease arrangements

Included in the net carrying amount of property, plant and equipment of the Group are motor vehicles and equipment with net carrying amounts of RM427,905,000 (2017: RM106,787,000) that are held under finance lease arrangements.

Borrowing costs

Included in additions of the Group during the year are capitalised borrowing costs amounting to RM24,674,000 (2017: RM68,771,000).

Prepaid lease payments amortisation capitalised

Included in additions of construction-in-progress of the Group are the amortisation of prepaid lease payments amounting to RM3,764,000 (2017: RM6,906,000) (See Note 4).

4. Prepaid lease payments

	Group	
	2018	2017
	RM'000	RM'000
Cost		
At 1 January	1,130,005	1,221,328
Additions	4,075	-
Translation differences	11	(91,323)
At 31 December	<u>1,134,091</u>	<u>1,130,005</u>
Accumulated amortisation		
At 1 January	93,374	77,849
Amortisation charge for the year	21,509	22,879
Translation differences	1,398	(7,354)
At 31 December	<u>116,281</u>	<u>93,374</u>
Net carrying amount		
At 1 January	<u>1,036,631</u>	<u>1,143,479</u>
At 31 December	<u>1,017,810</u>	<u>1,036,631</u>

Prepaid lease payments relate to leasehold land which are in substance operating leases. The prepaid lease payments are amortised on a straight-line basis over lease term ranging from 50 to 99 years. The amortisation charge for the year ended 31 December 2018 of RM3,764,000 (2017: RM6,906,000) is capitalised in property, plant and equipment which relates to the construction of a hospital.

5. Investment properties

		Group	
	Note	2018 RM'000	2017 RM'000
At 1 January		3,109,985	3,033,107
Additions		69,613	207,927
Transfer to property, plant and equipment	3	-	(30,596)
Change in fair value recognised in profit or loss	30	74,192	22,922
Translation differences		56,639	(123,375)
At 31 December		3,310,429	3,109,985

Investment properties includes land, retail units and medical suites within hospitals, nursing homes with care services and a pharmaceutical product distributing and manufacturing facility leased or intended to be leased to external parties.

The following are recognised in profit or loss in respect of investment properties:

		Group	
		2018 RM'000	2017 RM'000
Rental income		177,267	179,934
Direct operating expenses:			
- income generating investment properties		(20,427)	(20,699)
- non-income generating investment properties		(1,386)	(1,427)
		155,454	157,808

Determination of fair value

Investment properties are stated at fair value based on independent professional valuations. The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties had each acted knowledgeably and without compulsion.

5. Investment properties (continued)

Determination of fair value (continued)

The valuers have considered valuation techniques including the direct comparison method, the direct capitalisation approach, and the discounted cash flow approach in arriving at the open market value as at the balance sheet date. The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the investment properties. The direct capitalisation approach capitalises an income stream into a present value using revenue multipliers or single-year capitalisation rates. The discounted cash flow approach involves the estimation and the projection of an income stream over a period and discounting the income stream with an appropriate rate of return.

Fair value hierarchy

The fair value of the investment properties are categorised as follows:

Group	Level 1	Level 2	Level 3	Total
2018	RM'000	RM'000	RM'000	RM'000
Land	-	-	933,737	933,737
Buildings	-	-	2,376,692	2,376,692
	-	-	3,310,429	3,310,429
2017				
Land	-	-	833,672	833,672
Buildings	-	-	2,276,313	2,276,313
	-	-	3,109,985	3,109,985

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Transfer between Level 1 and 2 fair values

There is no transfer between Level 1 and 2 fair values during the financial year.

5. Investment properties (continued)

Determination of fair value (continued)

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flow approach	Risk-adjusted discount rates range from 4.70% to 7.25% (2017: 5.00% to 7.50%)	The estimated fair value would increase/(decrease) if the risk-adjusted discount rates were lower/(higher).
Direct comparison approach	Premium made for differences in type of development (including design, use and proximity to complementary businesses) range from 0% to 25% (2017: 0% to 25%)	The estimated fair value would increase/(decrease) if premium made for differences in type of development was higher/(lower).
Direct capitalisation approach	Capitalisation rates range from 4.7% to 6.8% (2017: 5.0% to 7.0%)	The estimated fair value would increase/(decrease) if the capitalisation rates were lower/(higher).

6. Goodwill on consolidation and intangible assets

Group	Note	Brand names RM'000	Hospital licences RM'000	Customer relationships RM'000	Other intangibles* RM'000	Total intangible assets RM'000	Goodwill on consolidation RM'000	Total intangible assets and goodwill RM'000
Cost								
At 1 January 2017		1,887,237	305,613	399,372	254,161	2,846,383	11,076,000	13,922,383
Acquisitions through business combinations	43	-	7,923	-	-	7,923	15,313	23,236
Disposal of a subsidiary	44	-	-	-	(234)	(234)	-	(234)
Additions		-	-	-	7,505	7,505	-	7,505
Write off		-	-	-	(264)	(264)	-	(264)
Transfer from property, plant and equipment	3	-	-	-	3,901	3,901	-	3,901
Finalisation of purchase price allocation	43	-	-	-	-	-	33,563	33,563
Translation differences		(113,098)	(47,368)	(36,900)	(19,294)	(216,660)	(432,678)	(649,338)
At 31 December 2017/1 January 2018		1,774,139	266,168	362,472	245,775	2,648,554	10,692,198	13,340,752
Acquisitions through business combinations	43	-	-	-	144,343	144,343	1,612,732	1,757,075
Additions		-	-	-	14,511	14,511	-	14,511
Write off		-	-	-	(222)	(222)	-	(222)
Transfer from property, plant and equipment	3	-	-	-	2,525	2,525	-	2,525
Translation differences		(123,298)	(44,049)	(40,378)	(34,663)	(242,388)	(408,388)	(650,776)
At 31 December 2018		1,650,841	222,119	322,094	372,269	2,567,323	11,896,542	14,463,865

* Other intangibles include capitalised development costs, brand use rights and favourable lease arrangements.

6. Goodwill on consolidation and intangible assets (continued)

Group	Note	Brand names RM'000	Hospital licences RM'000	Customer relationships RM'000	Other intangibles* RM'000	Total intangible assets RM'000	Goodwill on consolidation RM'000	Total intangible assets and goodwill RM'000
Accumulated amortisation and impairment losses								
At 1 January 2017		-	-	250,250	106,491	356,741	-	356,741
Disposal of a subsidiary	44	-	-	-	(17)	(17)	-	(17)
Amortisation charge for the year		-	-	24,745	21,593	46,338	-	46,338
Write off		-	-	-	(16)	(16)	-	(16)
Translation differences		-	-	(20,588)	(12,346)	(32,934)	-	(32,934)
At 31 December 2017/1 January 2018		-	-	254,407	115,705	370,112	-	370,112
Acquisitions through business combinations	43	-	-	-	87,278	87,278	-	87,278
Amortisation charge for the year		-	-	19,476	21,236	40,712	-	40,712
Impairment		-	-	-	-	-	66,168	66,168
Write off		-	-	-	(48)	(48)	-	(48)
Translation differences		-	-	(25,078)	(14,789)	(39,867)	1,177	(38,690)
At 31 December 2018		-	-	248,805	209,382	458,187	67,345	525,532
Net carrying amount								
At 1 January 2017		1,887,237	305,613	149,122	147,670	2,489,642	11,076,000	13,565,642
At 31 December 2017/1 January 2018		1,774,139	266,168	108,065	130,070	2,278,442	10,692,198	12,970,640
At 31 December 2018		1,650,841	222,119	73,289	162,887	2,109,136	11,829,197	13,938,333

* Other intangibles include capitalised development costs, brand use rights and favourable lease arrangements.

6. Goodwill on consolidation and intangible assets (continued)

Goodwill, brand names and hospital licences are allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill, brand names and hospital licences are monitored for internal management purposes.

The aggregate carrying amounts of goodwill, brand names and hospital licences allocated to each operating unit are as follows:

	Goodwill		Brand names		Hospital licences	
	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Singapore healthcare services	5,796,769	5,835,854	1,145,173	1,145,173	-	-
Malaysia healthcare services	2,081,322	2,023,390	116,000	116,000	-	-
China healthcare services	185,476	184,880	-	-	-	-
India healthcare services						
- Continental Group ⁽¹⁾	-	73,151	-	-	-	-
- Global Group ⁽²⁾	607,573	659,955	-	-	-	-
- Fortis Group ⁽³⁾	1,517,088	-	-	-	-	-
Turkey healthcare services	1,249,246	1,522,161	389,668	512,966	222,119	266,168
PLife REIT	151,938	152,940	-	-	-	-
Education	224,976	224,976	-	-	-	-
Others	14,809	14,891	-	-	-	-
	<u>11,829,197</u>	<u>10,692,198</u>	<u>1,650,841</u>	<u>1,774,139</u>	<u>222,119</u>	<u>266,168</u>

1. Continental Hospitals Private Limited and its subsidiaries

2. Ravindranath GE Medical Associates Private Limited and its subsidiaries

3. Fortis Healthcare Limited and its subsidiaries

Impairment testing for cash-generating units containing goodwill, brand names and hospital licences

(a) Healthcare services and Education CGUs

Key assumptions used in determining the recoverable amount

For the purpose of impairment testing, the carrying amounts are allocated to the Group's operating divisions which are the cash-generating units ("CGU"). Recoverable amount of each CGU, except for Fortis Group and PLife REIT, is estimated based on its value in use. The value in use calculations apply a discounted cash flow model using cash flow projections based on past experience, actual operating results, approved financial budgets for 2019 and 5 to 10 years business plans.

The key assumptions for the computation of value in use of goodwill, brand names and hospital licences include the following:

(i) Revenue growth assumptions:

- Singapore healthcare services: 4% - 6% (2017: 4% - 6%) per annum for the years 2019 to 2023.

6. Goodwill on consolidation and intangible assets (continued)

Impairment testing for cash-generating units containing goodwill, brand names and hospital licences (continued)

(a) Healthcare services and Education CGUs (continued)

Key assumptions used in determining the recoverable amount (continued)

(i) Revenue growth assumptions (continued):

- Malaysia healthcare services: 8% - 9% (2017: 6% - 12%) per annum for the years 2019 to 2023
- China healthcare services: 8% - 23% (2017: 5% - 9%) per annum for the years 2019 to 2023.
- India healthcare services (Continental Group): 10% - 15% (2017: 9% - 29%) per annum for the years 2019 to 2027.
- India healthcare services (Global Group): 11% - 22% (2017: 10% - 25%) per annum for the years 2019 to 2027.
- Turkey healthcare services: 7% - 28% (2017: 13% - 17%) per annum for the years 2019 to 2023.
- Education services: 1% to 17% (2017: -4% to 1%) per annum for the years 2019 to 2023.

(ii) EBITDA margins assumptions:

- Singapore healthcare services: 25% - 27% (2017: 26%) per annum for the years 2019 to 2023.
- Malaysia healthcare services: 23% - 27% (2017: 26% - 27%) per annum for the years 2019 to 2023.
- China healthcare services: 13% - 27% (2017: 26% - 29%) per annum for the years 2019 to 2023.
- India healthcare services (Continental Group): 4% - 25% (2017: 7% - 25%) per annum for the years 2019 to 2027.
- India healthcare services (Global Group): 13% - 25% (2017: 7% - 25%) per annum for the years 2019 to 2027.
- Turkey healthcare services: 18% - 21% (2017: 17% - 22%) per annum for the years 2019 to 2023.
- Education services: 23% to 29% (2017: 28% to 32%) per annum for the years 2019 to 2023.

The projections are in line with the proposed expansion plans for the respective CGUs.

6. Goodwill on consolidation and intangible assets (continued)

Impairment testing for cash-generating units containing goodwill, brand names and hospital licences (continued)

(a) Healthcare services and Education CGUs (continued)

Key assumptions used in determining the recoverable amount (continued)

(iii) Terminal value was estimated using the perpetuity growth model:

- Singapore healthcare services: 1% (2017: 2%) per annum.
- Malaysia healthcare services: 3% (2017: 3%) per annum.
- China healthcare services: 2.5% (2017: 2.5%) per annum.
- India healthcare services (Continental Group): 5% (2017: 4%) per annum.
- India healthcare services (Global Group): 5% (2017: 4%) per annum.
- Turkey healthcare services: 5.5% (2017: 3.0%) per annum.
- Education services: 0% (2017: 0%) per annum.

The terminal values were applied to steady-state estimated earnings at the end of the projected period.

(iv) Discount rates which were based on the cost of capital plus an appropriate risk premium at the date of assessment of the respective CGUs:

- Singapore healthcare services: 7.5% (2017: 7.5%).
- Malaysia healthcare services: 10.0% (2017: 10.5%).
- China healthcare services: 9.5% (2017: 11.5%).
- India healthcare services (Continental Group): 15.3% (2017: 15.0%).
- India healthcare services (Global Group): 15.3% (2017: 15.0%).
- Turkey healthcare services: 21% (2017: 15.5%).
- Education services: 9% (2017: 9.5%).

(v) There will be no other significant changes in the government policies and regulations which will directly affect the CGUs' businesses. The inflation for the operating expenses is in line with the estimated gross domestic product growth rate for the country based on the past trends.

The values assigned to the key assumptions represent the Group's assessment of future trends in the healthcare and education market and are based on both external sources and internal sources (historical data).

6. Goodwill on consolidation and intangible assets (continued)

Impairment testing for cash-generating units containing goodwill, brand names and hospital licences (continued)

(a) Healthcare services and Education CGUs (continued)

Key assumptions used in determining the recoverable amount (continued)

The Group has identified that a reasonably possible change in discount rate and EBITDA margins for the years 2019 to 2023 could cause the carrying amount of the Global Group CGU to exceed the recoverable amount. An approximate 3% increase in discount rate or a 14% decrease in the EBITDA margins for the years 2019 to 2023 at the reporting date would have reduced the recoverable amount of Global Group to the carrying amount.

During the year, Continental Group continued to incur operating losses arising from the challenges faced in its business operations. The Group performed an assessment of the recoverable amount and determined the recoverable amount to be lower than the carrying amount. Accordingly, an impairment loss of RM66,168,000 (2017:Nil) was recognised in 'other operating expenses' in the profit or loss.

Except as mentioned above, the Group believes that no reasonably foreseeable changes in the above key assumptions that would cause the carrying values of these CGUs to materially exceed their recoverable amounts other than changes in the prevailing operating environment of which the impact is not ascertainable.

(b) PLife REIT CGU

Recoverable amount of PLife REIT is based on fair value less cost to sell, using the open market price of this CGU as at reporting date.

(c) Fortis Group CGU

The recoverable amount of Fortis Group was based on fair value less cost to sell determined using the quoted share price of Fortis Healthcare Limited ("Fortis") at the reporting date, adjusted for control premium. The fair value measurement is classified as Level 3 of the fair value hierarchy. A 3% decrease in share price or 4% decrease in control premium at the reporting date would have reduced the recoverable amount to its carrying amount.

7. Investment in subsidiaries

	Company	
	2018	2017
	RM'000	RM'000
At cost:		
Unquoted shares in Malaysia	18,582,534	15,650,619
Unquoted shares outside Malaysia	31	31
	18,582,565	15,650,650
Allowance for impairment loss	(2,295,921)	-
	<u>16,286,644</u>	<u>15,650,650</u>

The movements of cost of investment in subsidiaries are as follows:

	Company	
	2018	2017
	RM'000	RM'000
At 1 January	15,650,650	16,402,113
Subscription of new ordinary shares of a subsidiary	2,931,915	-
Redemption of redeemable preference shares by subsidiary	-	(260,000)
Return of capital by subsidiaries	-	(490,535)
Write off investment against provision	-	(928)
At 31 December	<u>18,582,565</u>	<u>15,650,650</u>

During the year, the Company continues to face challenges in its investment in Turkey, in particular the continuing depreciation of Turkish Lira currency over the years. The Company performed an assessment on the recoverable amount of its Turkey investment as the greater of value in use or fair value less cost to sell and determined the recoverable amount is lower than the Company's RM5.5 billion (2017: RM2.6 billion) cost of investment in the subsidiary that holds the Turkey investment. Accordingly, an impairment loss of RM2,295,921,000 has been recognised in the Company's profit or loss.

Details of the investment in subsidiaries are as disclosed in Note 46.

Although the Group owns less than half of the ownership interest in the following entities, the Group consolidated them as subsidiaries in accordance with the MFRS 10, *Consolidated Financial Statements*, on the following basis:

a) *PLife REIT*

The Group has *de facto* control over PLife REIT, on the basis that the remaining voting rights in PLife REIT are widely dispersed and that there is no indication that all other shareholders exercise their votes collectively.

b) *Gleneagles JPMC Sdn. Bhd. ("GJPMC")*

The Group controls the Board of GJPMC by virtue of agreement with other shareholders of GJPMC.

c) *Fortis*

The Group controls majority of Fortis Board by virtue of the share subscription agreement with Fortis.

7. Investment in subsidiaries (continued)

The Group, via PLife REIT, does not hold any ownership interest in the special purpose entities ("SPEs") listed in Note 46. Notwithstanding that the Group does not have any direct or indirect shareholdings in these SPEs, the Group has accounted for the SPEs as subsidiaries in accordance to MFRS 10, *Consolidated Financial Statements*, as the Group receives substantially all of the returns related to the SPEs' operations and net assets and has the current ability to direct these SPEs' activities that most significantly affect their returns based on the terms of agreements under which these SPEs were established.

Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	/----- Material NCI -----/			Other individually immaterial subsidiaries	Total
	PLife REIT ⁽ⁱ⁾ RM'000	Fortis Group RM'000	GHK ⁽ⁱⁱⁱ⁾ RM'000	RM'000	RM'000
2018					
NCI percentage of ownership interest and voting interest	64.34%	68.90%	40.00%		
Carrying amount of NCI	1,288,323	1,850,747 ⁽ⁱⁱ⁾	(405,521)	1,621,592	4,355,141
Profit/(Loss) allocated to NCI	166,008	5,493*	(168,266)	(141,062) ^(ix)	(137,827)
Summarised financial information before intra-group elimination					
As at 31 December					
Non-current assets	4,511,716	4,204,138	2,535,330		
Current assets	75,247	2,734,102	91,317		
Non-current liabilities	(2,389,776)	(782,438)	(3,430,505)		
Current liabilities	(41,182)	(1,569,441)	(209,945)		
Net assets/(liabilities)	2,156,005	4,586,361 ^(vii)	(1,013,803)		
Year ended 31 December					
Revenue	335,699	217,111*	290,172		
Profit/(Loss) for the year/period	239,761	10,739* ^(viii)	(420,666)		
Total comprehensive income/(expenses)	232,521	(30,569)*	(438,255)		
Cash flows from/(used in) operating activities	263,928	12,562	(176,842)		
Cash flows (used in)/from investing activities	(82,975)	34,381	(22,847)		
Cash flows (used in)/from financing activities	(193,305)	(174,471)	138,037		
Net decrease in cash and cash equivalents	(12,352)	(127,528)	(61,652)		
Dividends paid to NCI	183,131	-	-		

7. Investment in subsidiaries (continued)

Non-controlling interests in subsidiaries (continued)

	/----- Material NCI -----/				Other individually immaterial subsidiaries	Total
	PLife REIT RM'000	ASYH RM'000	PCH ^(v) RM'000	ACC ^(vi) RM'000	RM'000	RM'000
2017						
NCI percentage of ownership interest and voting interest	64.31%	40.00%	29.90%	44.47%		
Carrying amount of NCI	1,293,916	(213,531) ^(iv)	448,322	205,502	117,695	1,851,904
Profit/(Loss) allocated to NCI	142,847	(66,712)	1,424	(3,554)	(214,130)	(140,125)
Summarised financial information before intra-group elimination						
As at 31 December						
Non-current assets	4,368,218	4,820,797	448,994	596,568		
Current assets	85,898	835,164	947,612	117,574		
Non-current liabilities	(242,023)	(1,491,377)	(6,924)	(151,670)		
Current liabilities	(2,046,305)	(2,610,922)	(187,780)	(103,025)		
Net assets	2,165,788	1,553,662	1,201,902	459,447		
Year ended 31 December						
Revenue	342,317	3,853,527	222,491	492,503		
Profit/(Loss) for the year	210,096	(161,399)	17,490	(10,539)		
Total comprehensive income/(expenses)	225,792	(65,921)	12,991	84,614		
Cash flows from/(used in) operating activities	252,095	609,506	176,042	(29,171)		
Cash flows used in investing activities	(221,198)	(582,228)	(30,617)	(51,850)		
Cash flows (used in)/from financing activities	(165,083)	(18,392)	590,450	30,849		
Net (decrease)/increase in cash and cash equivalents	(134,186)	8,886	735,875	(50,172)		
Dividends paid to NCI	158,275	8,755	-	-		

* Relates only to the Group's share of post-acquisition results.

i. Parkway Life Real Estate Investment Trust ("PLife REIT").

ii. Does not include the NCI of the non-wholly owned subsidiaries of Fortis.

iii. GHK Hospital Limited ("GHK").

iv. Does not include the NCI of the non-wholly owned subsidiaries of ASYH.

v. PCH Holding Pte. Ltd. ("PCH").

vi. Acibadem City Clinic B.V. ("ACC").

vii. Includes net assets of RM774,265,000 attributable to NCIs within Fortis Group which are individually immaterial.

viii. Includes total profit of RM2,767,000 attributable to NCIs within Fortis Group which are individually immaterial.

ix. Included is an amount of RM142,809,000 losses, representing share of profit or loss for the period from January 2018 to November 2018 pertaining to the NCIs' 40% equity interest in ASYH. On 1 December 2018, NCI's equity interest has decreased to approximately 10%. Refer to Note 45(f) for details.

7. Investment in subsidiaries (continued)

Significant restrictions

PLife REIT

The Group does not have significant restrictions on its ability to access or use the assets and settle the liabilities of PLife REIT other than those resulting from the regulatory framework within which the subsidiary operates. PLife REIT is regulated by the Monetary Authority of Singapore ("MAS") and is supervised by the Singapore Exchange Securities Trading Limited ("SGX-ST") for compliance with the Singapore Listing Rules. Under the regulatory framework, transactions with PLife REIT are either subject to review by PLife REIT's Trustee or must be approved by a majority of votes by the remaining holders of Units in PLife REIT ("Unitholders") at a meeting of Unitholders.

The assets of PLife REIT are held in trust by a Trustee for the Unitholders. As at 31 December 2018, the carrying amounts of PLife REIT's assets and liabilities are RM4,586,963,000 (2017: RM4,454,116,000) and RM2,430,958,000 (2017: RM2,288,328,000) respectively.

8. Interests in associates

	Group	
	2018	2017
	RM'000	RM'000
At cost:		
Unquoted shares	2,236	2,247
Quoted shares	464,345	-
Share of post-acquisition reserves	(30,825)	6,198
	<u>435,756</u>	<u>8,445</u>
Investment in non-convertible debentures	274,280	-
	<u>710,036</u>	<u>8,445</u>
Market value of quoted shares	<u>620,177</u>	<u>-</u>

Details of the associates are disclosed in Note 47.

The non-convertible debentures ("NCDs") are issued by International Hospitals Limited ("IHL"), a wholly owned subsidiary of RHT Health Trust, an associate. The NCDs carry an interest of 9% per annum and mature in 10 years from the date of issuance. Subsequent to year-end, IHL is acquired as disclosed in Note 51.

8. Interests in associates (continued)

The Group does not have any material associates. Summarised financial information of the associates are presented in aggregate representing the Group's share, based on their respective financial statements prepared in accordance with MFRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies, if any:

	Individually immaterial associates	
	2018	2017
	RM'000	RM'000
Share of profit from continuing operations	11,515	1,543
Share of other comprehensive income	4,009	-
Share of total comprehensive income	<u>15,524</u>	<u>1,543</u>

9. Interests in joint ventures

	Group	
	2018	2017
	RM'000	RM'000
At cost:		
Unquoted shares	281,880	276,887
Share of post-acquisition reserves	(57,129)	(56,715)
Allowance for impairment loss	(129,019)	(100,764)
	<u>95,732</u>	<u>119,408</u>
Amount due from a joint venture	<u>19,602</u>	<u>19,710</u>
	<u>115,334</u>	<u>139,118</u>

Details of the joint ventures are disclosed in Note 48.

Amount due from a joint venture

The amount due from a joint venture is unsecured and interest-free. The repayment of the amount is at the discretion of the lender and is not expected to be repaid within the next 12 months from 31 December 2018.

The Group does not have any material joint ventures. Summarised financial information of the joint ventures are presented in aggregate representing the Group's share, based on their respective financial statements prepared in accordance with MFRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies, if any:

	Individually immaterial joint ventures	
	2018	2017
	RM'000	RM'000
Share of profit from continuing operations, representing share of total comprehensive income	<u>1,897</u>	<u>577</u>

9. Interests in joint ventures (continued)

In 2016, the construction of Khubchandani Hospitals Private Limited ("KHPL")'s greenfield hospital in Mumbai stalled as a result of failed negotiations over disagreements with the joint venture partner. The disagreement persisted in 2018, resulting in further delays in the construction of the hospital. Accordingly, the Group fully impaired its investment in KHPL with the recognition of an impairment loss of RM33,353,000 (2017: Nil) during the year in the Group's other operating expenses. As at the reporting date, the accumulated impairment loss recognised for KHPL was RM126,018,000 (2017: RM97,676,000).

10. Other financial assets

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Non-current				
Unquoted shares at fair value through other comprehensive income	11,334	-	-	-
Available-for-sale unquoted shares	-	11,385	-	-
Investments at amortised cost				
- Fixed deposits with tenor of more than 3 months	7,003	-	-	-
Loans and receivables				
- Fixed deposits with tenor of more than 3 months	-	3,323	-	-
Others				
- Club membership	331	344	-	-
	<u>18,668</u>	<u>15,052</u>	<u>-</u>	<u>-</u>
Current				
Fair value through profit and loss				
- Mutual funds	4,257	-	-	-
- Money market funds	179,646	-	179,646	-
Investments at amortised cost				
- Fixed deposits with tenor of more than 3 months	163,282	-	-	-
Loans and receivables				
- Fixed deposits with tenor of more than 3 months	-	160,235	-	-
	<u>347,185</u>	<u>160,235</u>	<u>179,646</u>	<u>-</u>

Equity investments designated at fair value through other comprehensive income

At 1 January 2018, the Group designated the investments in unquoted equity securities as at fair value through other comprehensive income because these equity securities represents investments that the Group intends to hold for long term strategic purposes. In 2017, these investments were designated as available-for-sale.

	Group	
	Fair value as at 31 December 2018	Dividend income recognised during 2018
	RM'000	RM'000
FWD Singapore Pte Ltd (formerly known as Shenton Insurance Pte Ltd)	<u>11,334</u>	<u>-</u>

11. Deferred tax assets and liabilities

Group	Note	Unutilised tax losses and unabsorbed capital allowance RM'000	Investment tax allowances RM'000	Receivables/provisions RM'000	Property, plant and equipment RM'000	Investment properties RM'000	Intangible assets RM'000	Others RM'000	Total RM'000
At 1 January 2017		21,049	48,540	60,689	(435,176)	(64,163)	(458,673)	1,065	(826,669)
Acquired through business combinations	43	-	-	-	2	-	-	-	2
Disposal of a subsidiary	44	-	-	(69)	117	-	3	-	51
Recognised in profit or loss	33	2,205	(42,348)	8,552	41,409	(12,498)	11,171	2,610	11,101
Recognised in other comprehensive income	31	-	-	3,321	-	-	-	-	3,321
Translation differences		(3,465)	2	(8,373)	4,311	4,316	33,786	252	30,829
At 31 December 2017/1 January 2018		19,789	6,194	64,120	(389,337)	(72,345)	(413,713)	3,927	(781,365)
Acquired through business combinations	43	225,569	5,277	195,336	(189,018)	-	(83,651)	10,888	164,401
Recognised in profit or loss	33	57,503	(2,808)	2,684	20,395	(14,620)	8,316	(88)	71,382
Recognised in other comprehensive income	31	-	-	3,667	-	-	-	-	3,667
Translation differences		(14,002)	(48)	(12,070)	4,022	(3,224)	40,094	(232)	14,540
At 31 December 2018		288,859	8,615	253,737	(553,938)	(90,189)	(448,954)	14,495	(527,375)

The amounts determined after appropriate offsetting is included in the statements of financial position are as follows:

Group	Assets		Liabilities		Net	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unutilised tax losses and unabsorbed capital allowance	288,859	19,789	-	-	288,859	19,789
Investment tax allowances	8,615	6,194	-	-	8,615	6,194
Receivables/provisions	254,556	93,678	(819)	(29,558)	253,737	64,120
Property, plant and equipment	26,984	115,423	(580,922)	(504,760)	(553,938)	(389,337)
Investment properties	-	-	(90,189)	(72,345)	(90,189)	(72,345)
Intangible assets	1,771	5,012	(450,725)	(418,725)	(448,954)	(413,713)
Others	15,407	5,297	(912)	(1,370)	14,495	3,927
	596,192	245,393	(1,123,567)	(1,026,758)	(527,375)	(781,365)
Set off	(132,294)	(15,538)	132,294	15,538	-	-
	463,898	229,855	(991,273)	(1,011,220)	(527,375)	(781,365)

11. Deferred tax assets and liabilities (continued)

Deferred tax assets and liabilities are offset where there is legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2018	2017
	RM'000	RM'000
Deductible temporary difference	336,060	712
Unutilised tax losses	<u>1,654,831</u>	<u>551,508</u>
	<u>1,990,891</u>	<u>552,220</u>

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the respective subsidiaries can utilise the benefits there from. Tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the countries in which the subsidiaries operate.

The unutilised tax losses carried forward do not expire under current tax legislations, except for amount of RM386,157,000 (2017: RM178,649,000) which will expire in 2019-2026.

12. Development properties

	Group	
	2018	2017
	RM'000	RM'000
At 1 January	75,027	28,987
Additions	<u>5,702</u>	<u>46,040</u>
As at 31 December	<u>80,729</u>	<u>75,027</u>

13. Inventories

	Group	
	2018	2017
	RM'000	RM'000
Pharmaceuticals, surgical and medical supplies	<u>350,729</u>	<u>281,914</u>

As at 31 December 2018, inventories with carrying amount of RM46,920,000 (2017: RM12,892,000) are pledged to licensed financial institutions as securities for credit facilities granted to subsidiaries in India.

14. Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Non-current				
Trade receivables	768	1,009	-	-
Other receivables	17,823	1,811	-	-
Interest receivables	38,885	-	-	-
Deposits	20,062	22,308	-	-
	77,538	25,128	-	-
Prepayments	34,882	40,334	-	12,229
	112,420	65,462	-	12,229
Current				
Trade receivables	1,670,330	1,260,097	-	-
Trade amounts due from associates	8,203	28	-	-
Trade amounts due from joint ventures	20,474	14,029	-	-
Other receivables	83,930	78,705	35	259
Non-trade amounts due from associates	14,542	12	-	-
Non-trade amounts due from joint ventures	1,350	1,223	-	-
Interest receivables	17,485	13,812	2,823	2,002
Deposits	55,396	36,492	5	5
	1,871,710	1,404,398	2,863	2,266
Prepayments	88,260	100,484	12,467	12,775
	1,959,970	1,504,882	15,330	15,041

Offsetting of financial assets and financial liabilities

Financial assets and liabilities that have been set off for presentation purpose are as follows:

		Gross amount	Balances that are set off	Net carrying amount in the statements of financial position
Group	Note	RM'000	RM'000	RM'000
2018				
Trade receivables		1,796,145	(96,370)	1,699,775
Trade payables	25	(1,528,147)	96,370	(1,431,777)
2017				
Trade receivables		1,365,744	(90,581)	1,275,163
Trade payables	25	(1,096,308)	90,581	(1,005,727)

Certain trade receivables and trade payables were set off for presentation purpose as the Group has enforceable rights to set off the amounts and intends either to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

15. Amounts due from/(to) subsidiaries

Amounts due from subsidiaries included a dividend receivable amount of RM2,523,565,000 (2017 : Nil). This dividend receivable was settled after year end by the Company's subscription of new ordinary shares of the subsidiary.

Amounts due to subsidiaries included RM77,023,000 (2017: Nil) which is unsecured, repayable on demand and bears an interest rate of 3.50% per annum.

The remaining amounts due from/(to) subsidiaries are unsecured, interest-free and are repayable on demand.

16. Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	4,166,127	4,886,821	1,227,914	1,288,920
Fixed deposits with tenor of 3 months or less	3,597,271	1,191,782	52,388	275,973
	7,763,398	6,078,603	1,280,302	1,564,893
Secured bank overdrafts	(81,215)	(68)	-	-
Deposits placed in escrow account	(1,970,800)	-	-	-
Cash collateral received	(820)	(789)	-	-
Cash and cash equivalents in statements of cash flows	5,710,563	6,077,746	1,280,302	1,564,893

Deposits placed in escrow account

These are the amounts deposited in accordance with the requirements of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations ("SEBI (SAST) Regulations") relating to the Group's Mandatory Open Offer ("Offer") to acquire up to an additional 26% equity interest in Fortis and Fortis Malar Hospitals Limited (see Note 40). These amounts can only be released in the manner prescribed in clause 17(10) of the SEBI (SAST) Regulations.

17. Assets classified as held for sale

Assets classified as held for sale as at 31 December 2018 and 31 December 2017 relates to a piece of freehold land in India that is committed for sale.

18. Share capital

	Group and Company			
	Number of shares 2018 '000	Amount 2018 RM'000	Number of shares 2017 '000	Amount 2017 RM'000
Issued and fully paid:				
Ordinary shares				
At 1 January	8,239,583	16,462,994	8,231,700	8,231,700
Issued pursuant to the surrender of vested LTIP units	4,994	30,930	7,290	41,483
Issued pursuant to the exercise of vested EOS options	226	1,747	593	4,430
New shares issued (Note 45(f))	524,493	2,931,915	-	-
	8,769,296	19,427,586	8,239,583	8,277,613
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 ⁽ⁱ⁾	-	-	-	8,185,381
At 31 December	8,769,296	19,427,586	8,239,583	16,462,994

The new ordinary shares issued during the financial year rank *pari passu* in all respects with the existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at general meetings of the Company.

^{i.} In accordance with Section 618(2) of the Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months after the commencement of Section 74 of the Companies Act 2016 on 31 January 2017 to utilise the credit.

19. Other reserves

The movements in each category of the other reserves are disclosed in the consolidated statements of changes in equity.

The nature and purpose of each category of reserves are as follows:

(a) Share option reserve

Share option reserve comprises the cumulative value of employee services received for the issue of share options and conditional award of performance shares. Upon the commencement of Companies Act 2016 on 31 January 2017, when the options are exercised, the amount from the share option reserves is transferred to share capital. Before the commencement of the Companies Act 2016 on 31 January 2017, the amount from the share option reserves is transferred to share capital and the excess value above the par value of the ordinary shares issued is transferred to share premium.

When the share options expire, the amount from the share option reserve is transferred to retained earnings. Details of the share options are disclosed in Note 22.

(b) Fair value reserve

Fair value reserve comprises the cumulative net change in the fair value of financial instruments designated at fair value through other comprehensive income (2017: available-for-sale financial instrument) until the investments are derecognised or impaired.

(c) Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment immediately prior to its reclassification as investment property.

(d) Hedge reserve

Hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges relating to hedged transactions that have not yet occurred.

19. Other reserves (continued)

(e) Capital reserve

The capital reserve comprises:

- (i) non-cash contribution from/distribution to holding companies within the Group for the common control transfer of subsidiaries;
- (ii) difference between the consideration paid/received and net assets acquired/disposed in equity transactions with non-controlling interests;
- (iii) capital gain/loss arising from the payment of a non-controlling interest's subscriptions to the share capital of subsidiaries or arising from the Group's subscription of additional shares of non-wholly owned subsidiaries; and
- (iv) financial liabilities arising from initial issue of put options to non-controlling interests for sale of interests in subsidiaries to the Group, and its subsequent remeasurement.

(f) Legal reserve

The legal reserve comprises:

- (i) first and second legal reserves for the Group's subsidiaries in Turkey. The first legal reserves are generated by annual appropriations amounting to 5 percent of income disclosed in the Group's Turkish-based subsidiaries' statutory accounts until it reaches 20 percent of the paid-up share capital of these subsidiaries. If the dividend distribution is made in accordance with statutory records, a further 1/11 of dividend distribution, in excess of 5 percent of paid-up share capital are to be appropriated to increase the second legal reserve; and
- (ii) statutory reserve fund ("SRF") for the Group's subsidiaries in the People's Republic of China ("PRC") who are required by the Foreign Enterprise Law to allocate 10% of the statutory profits after tax as determined in accordance with the applicable PRC accounting standards and regulations to the SRF annually. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SRF is not available for dividend distribution to shareholders.

19. Other reserves (continued)

(g) Foreign currency translation reserve

The foreign currency translation reserve of the Group comprises:

- (i) foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company;
- (ii) the exchange differences on monetary items which form part of the Group's net investment in the foreign operations, provided certain conditions are met; and
- (iii) the effective portion of any foreign currency differences arising from hedges of the Group's net investment in a foreign operation.

20. Perpetual securities

In July 2017, a wholly owned subsidiary, Parkway Pantai Limited ("PPL") established a US\$2.0 billion Multicurrency Term Note Programme ("MTN programme").

In the same month, senior perpetual securities ("perpetual securities") with an aggregate principal amount of US\$500.0 million (approximately RM2,130.8 million) were issued by PPL under the MTN programme. The perpetual securities bear an initial semi-annual distribution of 4.25% per annum which will be reset in July 2022 and at every 5 years thereafter.

The salient features of the perpetual securities are as follows:

- i) unrated and listed on the Singapore Stock Exchange;
- ii) direct, unconditional, unsubordinated and unsecured obligations of PPL;
- iii) no fixed redemption date but PPL has the option to redeem at the end of 5 years from date of issuance at their principal amounts and on each subsequent semi-annual periodic distribution payment date;
- iv) may also be redeemed at the option of PPL upon the occurrence of certain events as per detailed in the terms and conditions of offering circular and pricing supplement of the perpetual securities;
- v) expected periodic distribution amount may be deferred by PPL and are cumulative, subject to the terms and conditions in the offering circular of the perpetual securities; and
- vi) shall at all times rank *pari passu* and without any preference among the perpetual securities issued and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of PPL, from time to time outstanding.

20. Perpetual securities (continued)

The issued perpetual securities are classified as equity because the payment of cumulative distribution or redemption of the securities are at the option of PPL.

During the financial year, distributions amounting to RM85,846,000 (2017: RM38,639,000) were accrued to perpetual security holders, and RM87,416,000 (2017: Nil) distributions were paid to the perpetual security holders.

As at 31 December 2018, an amount of US\$3,000,000, approximately RM12,497,000 (2017 : US\$3,000,000, approximately RM12,351,000) perpetual securities was held by a Director of the Company.

21. Loans and borrowings

	Group	
	2018	2017
	RM'000	RM'000
Non-current		
Secured		
Bank borrowings	922,495	437,702
Loans from corporates	7,350	-
Finance lease liabilities	147,326	107,492
Unsecured		
Bank borrowings	6,705,248	5,257,584
Fixed rate medium term notes	444,537	301,007
Debt component of compulsory convertible debentures ("CCDs")	247,657	-
Loans from corporates	626	-
Loans from non-controlling interests ("NCI")	855,703	844,268
	<u>9,330,942</u>	<u>6,948,053</u>
Current		
Secured		
Bank borrowings	324,672	36,412
Loans from corporates	1,709	-
Finance lease liabilities	35,912	31,299
Unsecured		
Bank borrowings	760,168	622,276
Loans from corporates	647	-
	<u>1,123,108</u>	<u>689,987</u>
Total loans and borrowings	<u>10,454,050</u>	<u>7,638,040</u>

21. Loans and borrowings (continued)

The terms and conditions of the bank borrowings are as follows:

Group	Currency	Nominal interest rate %	Year of maturity	Carrying amount RM'000
2018				
Secured bank loans	EUR	4.50%	2020	3,902
Secured bank loans	EUR	Euribor ⁽¹⁾ + 1.5%	2021 - 2024	381,302
Secured bank loans	INR	MCLR ⁽²⁾ + 0.4% to 2.45%	2019 - 2027	774,789
Secured bank loans	INR	Base rate + 1.25% to 1.70%	2019 - 2028	61,066
Secured bank loans	MKD	4.50%	2019	4,367
Secured bank loans	SGD	2.88%	2019	19,811
Secured bank loans	USD	LIBOR ⁽³⁾ + 1.75%	2019	1,930
Secured loans from corporates	INR	7.78% - 9.75%	2019 - 2024	9,059
Unsecured bank loans	EUR	2.10% to 3.80%	2019 - 2021	61,613
Unsecured bank loans	EUR	Euribor + 0.38% to 3.10%	2020 - 2028	1,648,826
Unsecured bank loans	HKD	HIBOR ⁽⁴⁾ + 0.8%	2021	1,293,372
Unsecured bank loans	JPY	LIBOR + 0.3% to 1.05%	2019 - 2024	1,037,456
Unsecured bank loans	SGD	SOR ⁽⁵⁾ + 0.45% to 1.00%	2019 - 2021	1,259,187
Unsecured bank loans	SGD	SWAP rate + 0.92%	2021	1,551,003
Unsecured bank loans	TL	0% - 27%	2019	91,474
Unsecured bank loans	USD	LIBOR + 1.55% + 3.10%	2020 - 2021	522,485
Unsecured CCDs	INR	17.5%	2030	247,657
Unsecured fixed rate medium term notes				
- Issued in 2016	JPY	0.58%	2022	124,329
- Issued in 2017	JPY	0.57%	2023	188,349
- Issued in 2018	JPY	0.65%	2024	131,859
Unsecured loans from NCI	HKD	HIBOR + 1.30%	2021	853,268
Unsecured loans from NCI	RMB	PBC interest rate ⁽⁶⁾	2020 - 2025	2,435
Unsecured loans from corporates	AED	0.00%	2021	626
Unsecured loans from corporates	USD	0.00%	2019	647
				<u>10,270,812</u>
2017				
Secured bank loans	BGN	SOFIBOR ⁽⁷⁾ + 1.00%	2018	6,362
Secured bank loans	EUR	4.50% to 5.25%	2018 - 2020	9,441
Secured bank loans	EUR	Euribor + 1.50%	2018 - 2020	112,756
Secured bank loans	INR	Base rate + 1.25% to 1.70%	2018 - 2028	341,439
Secured bank loans	USD	LIBOR + 1.75%	2019	4,117
Unsecured bank loans	EUR	Euribor + 0.38% to 3.10%	2018 - 2026	1,877,875
Unsecured bank loans	EUR	2.10% to 3.90%	2018 - 2021	71,051
Unsecured bank loans	HKD	HIBOR + 0.80%	2021	1,050,721
Unsecured bank loans	JPY	LIBOR + 0.30% to 1.05%	2019 - 2021	1,079,924
Unsecured bank loans	MKD	5.25%	2018	4,848
Unsecured bank loans	SGD	SOR + 0.73% to 1.05%	2019 - 2021	1,201,112
Unsecured bank loans	SGD	COF ⁽⁸⁾	2018	48,609
Unsecured bank loans	TL	0% - 15.50%	2018	58,812
Unsecured bank loans	USD	LIBOR + 2.95% to 3.10%	2018 - 2020	486,905
Unsecured fixed rate medium term notes				
- Issued in 2016	JPY	0.58%	2022	119,642
- Issued in 2017	JPY	0.57%	2023	181,367
Unsecured loan from NCI	HKD	HIBOR + 1.30%	2021	844,268
				<u>7,499,249</u>

1. Euro Interbank Offer Rate
2. Marginal Cost of Funds Based Lending Rate
3. London Interbank Offered Rate
4. Hong Kong Interbank Offered Rate
5. Singapore Swap Offer Rate
6. People's Bank of China benchmark loan interest rate
7. Sofia Interbank Bid Rate
8. Bank's cost of funds

21. Loans and borrowings (continued)

The secured Indian Rupee (“INR”) denominated bank loans are secured over the assets and shares of certain subsidiaries and associates.

The secured INR denominated loans from corporates are secured over specific equipments of certain subsidiaries.

The Singapore Dollar (“SGD”) denominated bank loans are secured over the units in an associate held by the Group.

The secured United States Dollar (“USD”), Macedonian Denar (“MKD”) and Euro Dollars (“Euro”) denominated bank borrowings are secured over assets of certain subsidiaries in Turkey.

The secured Bulgarian Lev (“BGN”) denominated bank borrowings are secured over assets of certain subsidiaries in Bulgaria. The loan was fully repaid in 2018.

Breach of loan covenant

One of the subsidiaries, Continental breached its loan covenant in respect of a bank loan with a carrying amount of RM95,470,000. Several non-financial covenants, including the requirement for the loan to be secured with a pledge of 51% shares in Continental, was not in place as at 31 December 2018. Consequently, the bank loan became repayable on demand and was classified in full as a current liability. The breach was not remedied when these financial statements were authorised for issue.

Unsecured fixed rate medium term notes

PLife REIT has through its wholly owned subsidiary, Parkway Life MTN Pte Ltd (“PLife MTN”), has put in place a SGD500 million Multicurrency Debt Issuance Programme, to provide PLife REIT with the flexibility to tap various types of capital market products including issuance of perpetual securities when needed.

Under the Debt Issuance Programme, PLife MTN is able to issue notes while HSBC Institutional Trust Services (Singapore) Limited (in its capacity as trustee of PLife REIT) (“PLife REIT Trustee”) is able to issue perpetual securities.

All sums payable in respect of the notes issued by PLife MTN are unconditionally and irrevocably guaranteed by PLife REIT Trustee.

As at 31 December 2018, there are three series of outstanding fixed rate notes issued under the Multicurrency Debt Issuance Programme amounting to JPY11.8 billion (approximately RM444.5 million) with maturity dates between 2022 to 2024 (2017: JPY8.3 billion (approximately RM301.0 million) with maturity dates in 2022 to 2023).

21. Loans and borrowings (continued)

Debt component of compulsorily convertible debentures ("CCDs")

The compulsorily convertible debentures ("CCDs") are issued by Fortis Hospotel Limited ("FHTL"), an indirect subsidiary of the Group. The CCDs carry an interest of 17.5% per annum and are convertible into 131,026,000 shares of FHTL at a price of INR32.55 (equivalent RM1.91) per share. Subject to relevant regulatory and third party approvals, the CCD holder has the right to convert the CCDs, at any time on or prior to the maturity date in 2030. The CCDs are compulsorily convertible into shares on the maturity date.

Loans from non-controlling interests

The HKD-denominated loans from a non-controlling interest are in relation to the non-controlling interest's share of the financing granted to a subsidiary, GHK Hospital Limited ("GHK"), for the purchase of land and construction of a hospital in Hong Kong.

Finance lease liabilities

	Payments 2018	Interest 2018	Principal 2018	Payments 2017	Interest 2017	Principal 2017
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Less than 1 year	44,756	(8,844)	35,912	37,603	(6,304)	31,299
Between 1 and 5 years	133,196	(28,060)	105,136	122,352	(15,254)	107,098
More than 5 years	120,594	(78,404)	42,190	403	(9)	394
	<u>298,546</u>	<u>(115,308)</u>	<u>183,238</u>	<u>160,358</u>	<u>(21,567)</u>	<u>138,791</u>

The Group has finance lease contracts for various items of property, plant and equipment. There are no restrictions placed upon the Group by entering into these leases and no arrangements have been entered into for contingent rental payments.

21. Loans and borrowings (continued)*Reconciliation of movements of liabilities to cash flows arising from financing activities*

Group	Fixed rate medium term notes RM'000	Loan from NCI RM'000	Debt component of CCDs RM'000	Finance lease liabilities RM'000	Other loans and borrowings RM'000	Interest payable RM'000	Total RM'000
As at 1 January 2017	126,879	920,535	-	149,912	7,198,959	11,379	8,407,664
Net changes from financing cash flows	185,139	(20,621)	-	(58,455)	(585,176)	(305,329)	(784,442)
New finance leases	-	-	-	53,424	-	-	53,424
Acquisition of a subsidiary	-	-	-	3,358	2,985	-	6,343
Disposal of a subsidiary	-	-	-	-	(27)	-	(27)
Foreign exchange movements	(11,011)	(76,267)	-	(9,448)	(295,958)	(1,388)	(394,072)
Other liability related changes	-	20,621	-	-	33,191	331,420	385,232
As at 31 December 2017/1 January 2018	301,007	844,268	-	138,791	6,353,974	36,082	7,674,122
Net changes from financing cash flows	128,542	2,454	-	(38,319)	1,722,210	(363,147)	1,451,740
New finance leases	-	-	-	58,654	-	-	58,654
Acquisition of subsidiaries	-	-	252,014	29,284	753,592	12,772	1,047,662
Foreign exchange movements	14,988	8,981	(3,677)	(5,172)	(69,188)	(1,222)	(55,290)
Other liability related changes	-	-	(680)	-	(37,673)	358,152	319,799
As at 31 December 2018	444,537	855,703	247,657	183,238	8,722,915	42,637	10,496,687

Note 25

22. Employee benefits

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current					
Cash-settled LTIP		-	49	-	49
Retirement benefits	23	69,322	27,887	-	-
Employment termination benefits	24	15,958	15,353	-	-
Provision for unconsumed leave		2,347	2,301	-	-
Deferred bonus scheme		11,311	6,852	122	-
		<u>98,938</u>	<u>52,442</u>	<u>122</u>	<u>49</u>
Current					
Cash-settled LTIP		111	184	111	184
Retirement benefits	23	7,055	1,540	-	-
Employment termination benefits	24	925	846	-	-
PTM long term incentive plan (cash-settled)		1,119	1,287	-	-
Defined contribution plan		36,172	35,810	200	49
Provision for unconsumed leave		69,683	44,287	1,047	564
Deferred bonus scheme		15,482	10,079	245	-
		<u>130,547</u>	<u>94,033</u>	<u>1,603</u>	<u>797</u>

Cash-settled LTIP

The LTIP of the Company was approved and adopted by its Board on 25 March 2011 with the aim to make total employee remuneration sufficiently competitive to recruit, reward, retain and motivate outstanding employees.

Cash-settled LTIP balances refers to the amount that the Group has to pay out in the next few years to eligible personnel who are offered LTIP units but have elected to opt out of the scheme and receive cash instead of share options.

During the year, no (2017: 58,000) cash-settled LTIP units were granted to eligible employees.

PTM long term incentive plan (cash-settled)

In 2009, the long term incentive ("LTI") plan of a subsidiary, Parkway Trust Management Limited ("PTM"), was approved to award eligible employees with units in PLife REIT held by PTM when certain prescribed performance targets are met. The LTI plan is administered by the remuneration committee of PTM.

Provision for unconsumed leave

The balances represent the cash value amount of the unconsumed leave balance entitled to the employees at the end of the financial year. Employees of certain subsidiaries can carry-forward a portion of the unconsumed leave and utilise it in future service periods or receive cash compensation on termination of employment. Unconsumed leave that does not fall due wholly within twelve months after the end of the period in which the employees render the related service and are not expected to be utilised wholly within twelve months after the end of such period is classified as non-current. The obligation is measured based on independent actuarial valuation using projected unit credit method as at the reporting date.

22. Employee benefits (continued)

Deferred bonus scheme

The Group established a deferred bonus scheme for eligible employees with the aim to make total employee remuneration sufficiently competitive to recruit, reward, retain and motivate outstanding employees. The deferred bonus is paid out in cash over three years if the eligible employees remain employed by the Group.

Share-based payment scheme

(a) LTIP

On 25 March 2011, the Group established the LTIP scheme to grant non-transferrable convertible units to eligible employees of the Group.

The LTIP units granted will vest in the participants within three years from the date of grant. All LTIP units that have been granted and vested must be surrendered to the Company for allotment of shares of the Company on the basis of one share for each LTIP unit. The LTIP units have no exercise price and the LTIP scheme shall be in force for a period of 10 years from 25 March 2011.

The movement in the number of the outstanding LTIP as at 31 December 2018 are as follows:

	Key management personnel		Other eligible employees	
	2018 '000	2017 '000	2018 '000	2017 '000
<u>No of LTIP</u>				
Outstanding as at 1 January	1,948	2,575	4,110	4,701
Granted during the year	1,980	2,023	1,620	4,662
Forfeited during the year	-	-	(513)	(613)
Exercised during the year	(1,933)	(2,650)	(3,061)	(4,640)
Outstanding at 31 December	1,995	1,948	2,156	4,110
Exercisable at 31 December	-	-	-	-

The LTIP outstanding as at 31 December has the following features:

	2018	2017
Exercise price	Nil	Nil
Weighted average contractual life (in years)	3.29	4.17

Fair value of options and assumptions

The fair value of services received in return for the LTIP granted is determined based on Trinomial Option Pricing Model, and taking into account the terms and conditions under which the units were granted.

During the year, a total of 3,600,000 (2017: 6,685,000) equity settled LTIP units were granted to eligible employees.

22. Employee benefits (continued)

Share-based payment scheme (continued)

(a) LTIP (continued)

Fair value of options and assumptions (continued)

The inputs to the models used for the LTIP granted during the year are as follows:

	Key management personnel		Other eligible employees	
	2018	2017	2018	2017
Fair values at grant date	RM5.97 to RM6.03	RM5.84 to RM5.90	RM6.01 to RM6.07	RM6.12 to RM6.19
Share price at grant date	RM6.03	RM5.90	RM6.07	RM6.19
Expected volatility (average volatility)	13.31%	15.19%	13.31%	15.19%
	2.75 years	3.75 years	2.92 years	3.92 years
Option life (expected average life)				
Expected dividend yield	0.49%	0.49%	0.49%	0.49%
	3.76% - 3.82%	3.56% - 3.58%	3.76% - 3.82%	3.56% - 3.58%
Risk free rate				

(b) EOS

On 15 June 2015, at an extraordinary general meeting, the Company's shareholders approved the establishment of the EOS scheme to grant share options to eligible personnel.

The EOS options granted in each year will vest in the participants over a 3-year period. Each EOS option gives the participant a right to receive one share, upon exercise of the option and subject to the payment of the exercise price.

The exercise price for the EOS option granted shall be determined by the Board which shall be based on the 5-day weighted average market price of the underlying shares a day immediately preceding the date of offer with a discount of not more than 10% or such other percentage of discount as may be permitted by Bursa Securities or any other relevant regulatory from time to time (subject to the Board's discretion to grant the discount).

The EOS shall be in force for a period of 10 years from 22 June 2015.

The movement in the number of the outstanding EOS options as at 31 December 2018 are as follows:

	Key management personnel		Other eligible employees	
	Weighted average exercise price	No of options ('000)	Weighted average exercise price	No of options ('000)
2018				
Outstanding as at 1 January	RM6.26	14,229	RM6.17	5,310
Granted during the year	RM6.02	8,715	RM6.02	11,713
Forfeited during the year	-	-	RM6.24	(1,085)
Exercised during the year	-	-	RM5.67	(226)
Outstanding at 31 December	RM6.17	22,944	RM6.06	15,712
Exercisable at 31 December	RM6.12	8,783	RM6.08	3,410

22. Employee benefits (continued)

Share-based payment scheme (continued)

(b) EOS (continued)

	Key management personnel		Other eligible employees	
	Weighted average exercise price	No of options ('000)	Weighted average exercise price	No of options ('000)
2017				
Outstanding as at 1 January	RM6.26	14,229	RM6.17	8,077
Forfeited during the year	-	-	RM6.30	(2,174)
Exercised during the year	-	-	RM5.67	(593)
Outstanding at 31 December	RM6.26	14,229	RM6.17	5,310
Exercisable at 31 December	RM5.97	4,039	RM6.02	2,480

The EOS outstanding as at 31 December has the following features:

	2018	2017
Exercise prices	RM5.67- RM6.55	RM5.67- RM6.55
Weighted average contractual life (in years)	8.10	9.32

Fair value of options and assumptions

The fair value of services received in return for the EOS granted is determined based on Trinomial Option Pricing Model, and taking into account the terms and conditions under which the options were granted.

During the year, a total of 20,428,000 (2017: Nil) equity settled EOS options with an exercise price of RM6.02 (2017:Nil) were granted to eligible employees.

The inputs to the models used for the EOS granted during the year are as follows:

	Key management personnel		Other eligible employees	
	2018	2017	2018	2017
Fair value at grant date	RM1.58	-	RM1.58	-
Share price at grant date	RM6.00	-	RM6.00	-
Expected volatility (average volatility)	15.06%	-	15.06%	-
Option life (expected average life)	7.0 years	-	7.0 years	-
Expected dividend yield	0.50%	-	0.50%	-
Risk free rate	3.99%	-	3.99%	-

22. Employee benefits (continued)

Share-based payment scheme (continued)

(c) Fortis Employee Stock Option Plan ("Fortis ESOP")

Fortis, a non-wholly owned indirect subsidiary of the Company, has provided share-based payment scheme, "Employee Stock Option Plan 2007" and "Employee Stock Option Plan 2011" to the eligible employees and directors of Fortis and its subsidiaries. The schemes were approved by the shareholders of Fortis in 2007 and 2011 respectively.

Each option under the schemes, when exercised would be converted into one fully paid up equity share of INR10.00 each of Fortis. There are no conditions for vesting other than continued employment with Fortis and its subsidiaries.

The movement in the number of the outstanding Fortis ESOP options from the date the Group acquired Fortis ("acquisition date") to 31 December 2018 are as follows:

	Weighted average exercise price	No of options ('000)
2018		
Outstanding as at acquisition date	INR151.58	3,353
Forfeited during the period	INR158.00	(68)
Exercised during the period	INR95.62	(520)
Outstanding at 31 December	INR161.96	2,765
Exercisable at 31 December	INR161.96	2,765

The Fortis ESOP options outstanding as at 31 December has the following features:

	2018
Exercise prices	INR50-INR163.30
Weighted average contractual life (in years)	4.73

22. Employee benefits (continued)

Share-based payment scheme (continued)

(d) Malar Employee Stock Option Plan ("Malar ESOP")

Fortis Malar Hospital Limited ("FHML"), a non-wholly owned indirect subsidiary of the Company, has provided share-based payment scheme, Malar Employee Stock Option Plan 2008 ("Malar ESOP"), to the eligible employees of FHML and its subsidiary.

The Malar ESOP was approved by the board of directors of FHML on 31 July 2008 /28 May 2009 and by FHML's shareholders in the annual general meeting held on 29 September 2008/21 August 2009. The Malar ESOP was effective from 21 August 2009.

The Malar ESOP options will vest in the participants equally over a 4-year period.

There shall be no lock in period after the options have vested. The vested options will be eligible to be exercised on the vesting date itself. Notwithstanding any provisions to the contrary in this plan the options must be exercised before the end of the tenure of the plan.

The movement in the number of the outstanding Malar ESOP options from acquisition date to 31 December 2018 are as follows:

	Weighted average exercise price	No of options ('000)
<u>2018</u>		
Outstanding as at acquisition date and as at 31 December 2018	INR26.20	78,750
Exercisable at 31 December	INR26.20	78,750

The Malar ESOP options outstanding as at 31 December has the following features:

	2018
Exercise price	INR26.20
Weighted average contractual life (in years)	5.0

22. Employee benefits (continued)

Share-based payment scheme (continued)

(e) SRL Employee Stock Option Plan ("SRL ESOP")

SRL Limited ("SRL"), a non-wholly owned indirect subsidiary of the Company, has provided share-based payment scheme, "Employee Stock Option Plan 2009" and "Employee Stock Option Plan 2013" to the eligible employees and directors of SRL and its subsidiaries. The schemes were approved by the shareholders of SRL on 17 August 2009 and 20 September 2013 respectively.

There are no conditions for vesting other than continued employment with SRL and its subsidiaries.

The movement in the number of the outstanding SRL ESOP options from acquisition date to 31 December 2018 are as follows:

	Weighted average exercise price	No of options ('000)
<u>2018</u>		
Outstanding as at acquisition date and as at 31 December 2018	INR310.99	1,254
Exercisable at 31 December	INR40	537

The SRL ESOP options outstanding as at 31 December has the following features:

	2018
Exercise prices	INR40-INR674
Weighted average contractual life (in years)	3.3

22. Employee benefits (continued)

Share-based payment scheme (continued)

(e) SRL Employee Stock Option Plan ("SRL ESOP") (continued)

Value of employee services received for issue of share options

		Group		Company	
	Note	2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
Share-based payment expenses included in staff costs	28	38,964	52,186	11,309	12,069

Included in share-based payment expenses of the Group is an amount of RM54,000 (2017: Nil) representing total share-based payment expenses relating to the Fortis ESOP, Malar ESOP and SRL ESOP.

23. Retirement benefits

Certain Malaysia-based and India-based subsidiaries of the Group have defined benefits plans that provide pension benefits for employees upon retirement. The plans entitle a retired employee to receive one lump sum payment upon retirement. At the end of the financial year, the present values of the unfunded obligations are as follows:

	Note	Group	
		2018	2017
		RM'000	RM'000
Present value of unfunded obligations		76,377	29,427
Movements in the liability for defined benefits obligations			
At 1 January		29,427	26,446
Included in profit or loss			
- Current service costs		4,511	5,061
- Past service credit		33	-
- Interest on obligation		1,210	768
		5,754	5,829
Included in other comprehensive income			
Remeasurement loss			
- Actuarial gain/(loss) arising from:			
- demographic assumptions		57	-
- financial assumptions		1,207	(1,583)
- experience adjustments		(42)	9
	31	1,222	(1,574)
Others			
- Additions through business combinations		42,422	-
- Benefits paid		(2,013)	(1,364)
- Translation differences		(435)	90
At 31 December		76,377	29,427

23. Retirement benefits (continued)

Actuarial assumptions

Principal actuarial assumptions at the end of the financial year (expressed as weighted averages):

	Group	
	2018	2017
	%	%
Discount rate	5.0 – 8.4	5.0 – 7.2
Future salary growth	5.0 – 8.0	5.0 – 7.5
Future mortality	0.1 – 0.7	0.0 – 0.7

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the retirement benefits obligation at the end of the financial year would have increased/(decreased) as a result of a change in the respective assumptions by 1%, holding other assumptions constant.

	Group	
	Increase	Decrease
	RM'000	RM'000
2018		
Discount rate (1% movement)	(7,130)	8,468
Future salary growth (1% movement)	8,316	(7,112)
Future mortality (1% movement)	-	-
2017		
Discount rate (1% movement)	(3,204)	3,880
Future salary growth (1% movement)	3,779	(3,170)
Future mortality (1% movement)	(3)	3

Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

24. Employment termination benefits

Certain Turkish-based subsidiaries of the Group are required by local laws to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military services, dies or who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 years for women and 60 years for men).

The termination benefits is calculated as one month gross salary for every employment year and as at 31 December 2018, the ceiling amount has been limited to TL5,434 (2017: TL4,732), equivalent to RM4,240 (2017: RM4,916). The reserve has been calculated by estimating the present value of future probable obligations of these subsidiaries arising from retirement. The calculation was based upon the retirement pay ceiling announced by the local government.

24. Employment termination benefits (continued)

		Group	
	Note	2018 RM'000	2017 RM'000
Present value of unfunded obligations		16,883	16,199
Movements in the liability for defined benefits obligations			
At 1 January		16,199	14,548
Included in profit or loss			
- Current service costs		2,390	2,752
- Interest on obligation		1,115	1,416
		3,505	4,168
Remeasurement loss			
- Actuarial loss arising from financial assumptions	31	13,686	16,737
Others			
- Benefits paid		(13,911)	(16,541)
- Translation differences		(2,596)	(2,713)
At 31 December		16,883	16,199

Actuarial assumptions

Principal actuarial assumptions at the end of the financial year (expressed as weighted averages):

	Group	
	2018	2017
Annual inflation rate	11.0%	6.0%
Discount rate	15.0%	11.0%
Retirement pay ceiling amount	TL5,434	TL4,732

Sensitivity analysis

No sensitivity analysis is presented as any reasonably possible changes in the above key assumptions are not expected to materially affect the employment termination benefits obligation.

25. Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Non-current				
Trade payables	3,779	16,799	-	-
Other payables	38,344	37,616	-	-
Accruals	15,557	10,589	-	-
CCPS liabilities	-	7,895	-	-
Put options granted to non-controlling interests	567,586	837,526	-	-
	625,266	910,425	-	-
Deposits	65,998	59,484	-	-
	691,264	969,909	-	-
Current				
Trade payables	1,385,657	988,928	-	-
Trade amounts due to associates	42,341	-	-	-
Other payables	365,577	554,569	3,277	276
Non-trade amounts due to associates	1,171	853	-	-
Non-trade amounts due to joint ventures	927	400	-	-
Accruals	961,266	777,335	8,090	7,329
Interest payables	42,637	36,082	-	-
CCPS liabilities	-	85,290	-	-
Financial guarantee provision	39,739	35,273	-	-
Put options granted to non-controlling interests	706,632	160,783	-	-
	3,545,947	2,639,513	11,367	7,605
Deposits and rental advance billings	135,296	87,084	-	-
Contract liabilities	70,325	69,230	-	-
	3,751,568	2,795,827	11,367	7,605

Contract liabilities

Contract liabilities mainly relate to considerations received/receivable from students for education services. Revenue from educational services is recognised overtime during the course semester. The contract liabilities are recognised as revenue over a period of 30 to 210 days when the services is rendered.

Significant changes to contract liabilities balance during the year are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Contract liabilities at the beginning of the period recognised as revenue	69,230	60,319	-	-

25. Trade and other payables (continued)

CCPS liabilities

Ravindranath GE Medical Associates Pte Ltd ("RGE"), a 76.25% owned subsidiary, issued CCPS to its non-controlling shareholders. The CCPS are currently convertible at the option of the holder to ordinary shares of RGE and will be compulsory converted to ordinary shares at the end of 20 years from the date of issue. The conversion ratios of the different tranches of CCPS held by a non-controlling interest vary upon the occurrence of certain pre-determined events as agreed amongst RGE's shareholders. Accordingly, these CCPS are classified as financial liabilities at fair value through profit or loss. When the conversion ratios for each tranche of CCPS are fixed, the CCPS are reclassified to equity at its carrying amount.

During the year, as the conversion ratio for the remaining tranches of CCPS held by the non-controlling interests was fixed, all CCPS were reclassified from other payables to equity. In 2017, change in fair value loss amounting to RM13,753,000 was recognised in profit or loss.

Put options granted to non-controlling interests

As at 31 December 2018, put options granted to non-controlling interests consist of:

- (i) Pursuant to the acquisition of RGE, the Group granted the following put options to a non-controlling interest of RGE:
 - a. An option for the non-controlling interest to sell its 7.13% interest in RGE, on a fully diluted basis, to the Group at a fixed consideration of INR1,463.0 million (equivalent to RM85.9 million) (2017: RM93.3 million) less price adjustment of not more than INR110.0 million, upon achievement of a certain financial target pursuant to an option agreement entered with the non-controlling interest. As at 31 December 2018, this put option does not have any value as the target is not met; and
 - b. Another option for the non-controlling interest to sell its remaining interest in RGE to the Group at the prevailing market price on the date the option is exercised. This put option can only be exercised from December 2020 onwards and does not have an expiry date.
- (ii) Pursuant to the acquisition of Continental Hospitals Private Limited ("CHL"), the Group granted a put option to a non-controlling interest to sell its existing interest in CHL to the Group at the prevailing market price on the date the option is exercised. The put option can only be exercised from March 2018 onwards and does not have an expiry date.
- (iii) Pursuant to the acquisition of City Hospitals and Clinics AD ("City Clinic"), the Group granted put options to non-controlling interests of Acibadem City Clinic B.V. ("ACC"), who were formerly shareholders of City Clinic, to sell their shares in ACC, to the Group at the higher of the prevailing market price or an amount determined by the formula stated in the agreement. The put options can only be exercised from June 2019 to May 2022.

25. Trade and other payables (continued)

Put options granted to non-controlling interests (continued)

- (iv) Pursuant to the disposal of 15% equity interest in ACC by the Group to International Finance Corporation (“IFC”), the Group granted put options to IFC to sell their shares in ACC, to the Group at the higher of the cost of investment of IFC or an amount determined by the formula stated in the agreement. The put options can only be exercised from June 2022 to May 2026.
- (v) Pursuant to the acquisition of Angsana Holdings Pte. Ltd. (“Angsana”), the Group granted put option to the non-controlling interest to sell their existing interest in Angsana to the Group at the prevailing market price on the date the option are exercised. The put option can only be exercised from August 2020 onwards and does not have an expiry date.
- (vi) Pursuant to a shareholders’ agreement and exit agreement entered into by SRL, Fortis and certain non-controlling interest of SRL, Fortis granted a cash put option to certain non-controlling interest of SRL to sell their shares in SRL to Fortis upon the occurrence of certain trigger event (i.e. Cash Option Trigger Event) as stated by the exit agreement. The Cash Option Trigger Event occurred prior to the Group’s acquisition of Fortis and the exercise period for the cash put option was extended several times, with the latest extension of the exercise period given till 31 August 2019.

During the year, change in fair values of put options granted to non-controlling interests amounting to RM296,334,000 gain (2017: RM45,229,000 loss) was recognised in equity (see Note 37(vii)).

In 2017, the Group recognised RM139,014,000 and RM22,426,000 being the fair value of put options granted to non-controlling interests relating to the disposal of 15% equity interest in ACC and acquisition of Angsana.

Financial guarantee provision

Financial guarantee comprises a proportionate guarantee given by Parkway Holdings Limited (“PHL”), a wholly-owned subsidiary, to a bank in respect of a term loan facility granted to KHPL, a 50% owned joint venture. On 5 January 2017, the bank served a notice to KHPL that an Event of Default has occurred. In view that KHPL is unlikely to be able to repay the loan, PHL made a provision for its 50% share of the amounts that KHPL owes the licensed bank.

26. Derivative assets and liabilities

	Group			
	2018	2017		
	RM'000	RM'000		
Non-current assets				
Foreign exchange forward contracts	722	5,761		
Cross currency interest rate swaps	-	5,036		
Put option	-	1,625		
	<u>722</u>	<u>12,422</u>		
Current assets				
Foreign exchange forward contracts	5,559	13,406		
Put option	3,756	-		
	<u>9,315</u>	<u>13,406</u>		
Non-current liabilities				
Foreign exchange forward contracts	(956)	-		
Interest rate swaps	(2,021)	(3,742)		
Cross currency interest rate swaps	(9,191)	-		
	<u>(12,168)</u>	<u>(3,742)</u>		
Current liabilities				
Interest rate swaps	(1,070)	(498)		
Call option granted to NCI	(4,861)	(22,493)		
	<u>(5,931)</u>	<u>(22,991)</u>		
	Nominal value		Fair value	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Derivatives at fair value through profit or loss				
- Foreign exchange forward contracts	808,076	413,415	5,325	19,167
- Call option granted to NCI	29,355	31,886	(4,861)	(22,493)
- Put option	16,199	16,288	3,756	1,625
Derivatives used for hedging				
- Interest rate swaps	1,040,480	1,023,701	(3,091)	(4,240)
- Cross currency interest rate swaps	380,626	382,719	(9,191)	5,036
	<u>2,274,736</u>	<u>1,868,009</u>	<u>(8,062)</u>	<u>(905)</u>

The Group enters into interest rate swaps, cross currency interest rate swaps and foreign exchange forward contracts to manage interest rate fluctuations and exchange rate fluctuations on certain loans, as set out in Note 37(v) and (vi).

26. Derivative assets and liabilities (continued)

Call option granted to NCI

The Group granted a call option to non-controlling interests of RGE to purchase the Group's 3% interest in RGE on a fully diluted basis, at a fixed price of INR500.0 million (equivalent to RM33.0 million), pursuant to an option agreement entered with the non-controlling interests. The call option granted to non-controlling interests is classified as a financial derivative liability.

During the year, change in fair value of RM17,202,000 gain (2017: RM4,753,000 loss) was charged to profit or loss.

Put option

On disposal of the Group's controlling stake in FWD Singapore Pte Ltd ("FSPL") (formerly known as Shenton Insurance Pte. Ltd.), the Group entered into an agreement with the purchaser and is granted a put option to sell all of its remaining shares in FSPL only after April 2019 and at the higher of the prevailing market price or consideration determined pursuant to the agreement. The put option is classified as a financial derivative asset.

During the year, change in fair value of RM2,102,000 gain (2017: Nil) was recognised in profit or loss.

Offsetting financial assets and financial liabilities

The Group's derivative transactions are entered into under International Swaps and Derivatives Association ("ISDA") master netting agreements. In general, under such agreements, the amounts owed by each counterparty in respect of the same transactions outstanding in the same currency under the agreement are aggregated into a single net amount that is payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all outstanding transactions.

The above agreements do not meet the criteria for offsetting in the statement of financial position as the right to set-off recognised amounts is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously in its normal course of business.

27. Revenue

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Healthcare services	11,006,467	10,630,873	-	-
Education services	267,336	261,718	-	-
Management fees	10,284	13,139	-	-
Revenue from contracts with customers	11,284,087	10,905,730	-	-
Rental income	233,206	234,781	-	-
Dividend income				
- from subsidiaries	-	-	2,573,565	603,979
- from unquoted money market funds	3,639	2,128	3,639	2,128
	<u>11,520,932</u>	<u>11,142,639</u>	<u>2,577,204</u>	<u>606,107</u>

Included in the dividend income from subsidiaries was an amount of RM2,523,565,000 dividend which was settled after year end by the Company's subscription of new ordinary shares of the subsidiary.

Disaggregation of revenue from contracts with customers:

In the following table, revenue from contracts with customers is disaggregated by reportable segments.

	Healthcare services	Education services	Management fees	Total
	RM'000	RM'000	RM'000	RM'000
2018				
Reportable segments				
Singapore	3,801,649	11,119	554	3,813,322
Malaysia	2,000,266	256,029	-	2,256,295
India	847,630	188	1,888	849,706
North Asia	498,494	-	347	498,841
Central and Eastern Europe, Middle East and North Africa ("CEEMENA")	3,676,198	-	-	3,676,198
Others	182,230	-	7,495	189,725
	<u>11,006,467</u>	<u>267,336</u>	<u>10,284</u>	<u>11,284,087</u>

27. Revenue (continued)

Disaggregation of revenue from contracts with customers (continued):

	Healthcare services RM'000	Education services RM'000	Management fees RM'000	Total RM'000
2017				
Reportable segments				
Singapore	3,754,830	12,245	983	3,768,058
Malaysia	1,817,691	249,473	-	2,067,164
India	708,039	-	59	708,098
North Asia	331,904	-	362	332,266
CEEMENA	3,853,527	-	-	3,853,527
Others	164,882	-	11,735	176,617
	<u>10,630,873</u>	<u>261,718</u>	<u>13,139</u>	<u>10,905,730</u>

Healthcare services revenue

Healthcare services revenue generally relates to contracts with patients in which performance obligations are to provide healthcare services. The performance obligations for inpatient services are generally satisfied over a short period, and revenue from inpatients is recorded when the healthcare services is performed. The performance obligations for outpatient and daycase services are generally satisfied over a period of less than one day, and revenue is also recorded when the healthcare services is performed. The Group has a range of credit terms which are typically short term, in line with market practice, and without any financing component. There are no variable considerations, and no obligation for returns or refunds or warranties for healthcare-related services.

Education services income

Education services revenue primarily consist of tuition fees. Tuition fee for educational services not yet provided is recorded as contract liability (see Note 25) and recognised as revenue over the period as the services is rendered.

Management fees

Management fee is recognised over time for management and consultancy services provided. The stage of completion is assessed by reference to surveys of work performed. The Group has a range of credit terms which are typically short term, in line with market practice, and without any financing component.

28. Staff costs

	Note	Group		Company	
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
Salaries, bonuses and other costs		4,325,300	4,305,145	31,083	22,991
Contribution to defined contribution plans		173,811	172,411	717	819
Equity-settled share-based payments	22	38,964	52,186	11,309	12,069
		<u>4,538,075</u>	<u>4,529,742</u>	<u>43,109</u>	<u>35,879</u>

29. Finance income and costs

		Group		Company	
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
Finance income					
Interest income		128,052	78,779	25,491	18,689
Exchange gain on loans		110	51,614	-	-
Fair value gain on financial derivatives		46,781	21,446	235	-
		<u>174,943</u>	<u>151,839</u>	<u>25,726</u>	<u>18,689</u>
Finance costs					
Interest expense on loans and borrowings		(283,682)	(277,196)	-	-
Interest expense on amount due to subsidiaries		-	-	(2,023)	-
Exchange loss on loans		(644,949)	(463,804)	-	-
Fair value loss on financial derivatives		(11,838)	(4,753)	-	-
Fair value loss on CCPS liabilities		-	(13,753)	-	-
Other finance costs		(38,353)	(34,798)	(19)	(8)
		<u>(978,822)</u>	<u>(794,304)</u>	<u>(2,042)</u>	<u>(8)</u>

30. Profit before tax

(a) Auditors' remuneration charged to profit or loss comprises:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Audit fees				
- KPMG Malaysia	(1,212)	(1,021)	(458)	(373)
- Affiliates of KPMG Malaysia	(7,850)	(5,123)	(424)	(452)
- Other auditors	(778)	(765)	-	-
Non-audit fees paid to				
- KPMG Malaysia	(810)	(680)	(810)	(680)
- Affiliates of KPMG Malaysia	(859)	(775)	-	-

30. Profit before tax (continued)

(b) Profit before tax is arrived at after crediting/(charging):

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Material (expenses)/income					
Exchange gains/(loss) - net		67,699	(66,453)	14,212	(60,703)
Impairment loss (made)/ written back on:					
- Investment in subsidiary		-	-	(2,295,921)	72
- Goodwill		(66,168)	-	-	-
- Investment in a joint venture	9	(33,353)	-	-	-
- Trade and other receivables		34,539	(11,066)	-	-
- Amounts due from associates		-	901	-	-
- Amounts due from joint ventures		(52)	(575)	-	-
Write-off:					
- Property, plant and equipment	3	(1,219)	(2,874)	-	-
- Intangible assets	6	(174)	(248)	-	-
- Inventories		(1,903)	(5,137)	-	-
- Trade and other receivables		(13,337)	(28,074)	-	-
Gain on disposal of property, plant and equipment		831	15,349	107	-
Gain on disposal of a subsidiary	44	-	1,149	-	-
Realised gain on foreign exchange on return of capital by a foreign subsidiary		-	-	-	202,365
Gain on disposal of available-for- sale financial instruments					
- quoted		-	554,500	-	-
- unquoted		-	4,695	-	167
Gain/(Loss) on disposal of businesses	42	2,925	(776)	-	-
Change in fair value of investment properties	5	74,192	22,922	-	-
Provision for financial guarantee given on a joint venture's loan facility		(3,967)	(1,570)	-	-
Insurance compensation for flood		17,186	-	-	-

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31. Other comprehensive income

Group	Before tax RM'000	2018 Tax benefit RM'000 (Note 11)	Net of tax RM'000	Before tax RM'000	2017 Tax benefit RM'000 (Note 11)	Net of tax RM'000
Items that may be reclassified subsequently to profit or loss						
Foreign currency translation differences from foreign operations	(349,175)	-	(349,175)	(790,190)	-	(790,190)
Hedge of net investments in foreign operations	(78,542)	-	(78,542)	21,344	-	21,344
Available-for-sale financial instruments:						
- Changes in fair value	-	-	-	239,990	-	239,990
- Reclassification adjustments for gain on disposal included in profit or loss	-	-	-	(559,195)	-	(559,195)
	-	-	-	(319,205)	-	(319,205)
Cash flow hedge:						
- Changes in fair value	2,571	-	2,571	731	-	731
- Reclassification adjustments for losses included in profit or loss	1,678	-	1,678	2,429	-	2,429
	4,249	-	4,249	3,160	-	3,160
	(423,468)	-	(423,468)	(1,084,891)	-	(1,084,891)
Items that will not be reclassified subsequently to profit or loss						
Remeasurement of defined benefit liabilities (Note 23 and 24)	(14,908)	3,667	(11,241)	(15,566)	3,321	(12,245)
Net change in fair value of FVOCI financial instruments	759	-	759	-	-	-
	(14,149)	3,667	(10,482)	(15,566)	3,321	(12,245)
	(437,617)	3,667	(433,950)	(1,100,457)	3,321	(1,097,136)

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31. Other comprehensive income (continued)

Company	Before tax RM'000	2018 Tax benefit RM'000 (Note 11)	Net of tax RM'000	Before tax RM'000	2017 Tax benefit RM'000 (Note 11)	Net of tax RM'000
Items that may be reclassified subsequently to profit or loss						
Foreign currency translation differences from foreign operations	8	-	8	(27)	-	(27)
Available-for-sale financial instruments:						
- Changes in fair value	-	-	-	(300)	-	(300)
- Reclassification adjustments for gain on disposal included in profit or loss	-	-	-	(167)	-	(167)
	-	-	-	(467)	-	(467)
	8	-	8	(494)	-	(494)
Items that will not be reclassified subsequently to profit or loss						
Net change in fair value of FVOCI financial instruments	759	-	759	-	-	-
Total	767	-	767	(494)	-	(494)

32. 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. The Group considers the Directors of the Company to be key management personnel in accordance with MFRS 124, *Related Party Disclosures*.

The key management personnel compensation are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Non-executive Directors:				
- Fees	4,719	5,267	3,993	2,578
- Remuneration and other benefits	25	8	25	8
	4,744	5,275	4,018	2,586
Executive Directors:				
- Fees	2,065	1,556	-	-
- Remuneration and other benefits	21,366	17,672	16,092	11,026
- Share-based payment	20,463	23,291	8,058	9,555
	43,894	42,519	24,150	20,581
	48,638	47,794	28,168	23,167

The estimated monetary value of Directors' benefit-in-kind is RM250,000 (2017: RM327,000).

33. Income tax expense

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Current year	394,255	330,955	3,278	4,670
(Over)/Under provided in prior years	(60,263)	14,771	(387)	(335)
	333,992	345,726	2,891	4,335
Deferred tax income				
Reversal of temporary differences	(67,670)	(6,394)	-	-
Over provided in prior years	(3,712)	(4,707)	-	-
	(71,382)	(11,101)	-	-
	262,610	334,625	2,891	4,335

33. Income tax expense (continued)***Reconciliation of income tax expense***

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit before tax	752,470	1,164,453	246,664	715,361
Less:				
Share of profits of associates (net of tax)	(11,515)	(1,543)	-	-
Share of profits of joint ventures (net of tax)	(1,897)	(577)	-	-
	<u>739,058</u>	<u>1,162,333</u>	<u>246,664</u>	<u>715,361</u>
Income tax calculated using Malaysia tax rate of 24% (2017: 24%)	177,374	278,960	59,199	171,687
Effect of tax rates in foreign jurisdictions	(30,257)	(62,718)	(205)	(102)
Tax exempt income	(62,790)	(137,657)	(618,636)	(196,067)
Tax incentive	-	(2,672)	-	-
Non-deductible expenses	93,709	163,543	562,920	29,152
Recognition of previously unrecognised deferred tax assets	(11,652)	(11,198)	-	-
Deferred tax assets not recognised	160,201	96,303	-	-
(Over)/Under provided in prior years	(63,975)	10,064	(387)	(335)
	<u>262,610</u>	<u>334,625</u>	<u>2,891</u>	<u>4,335</u>

34. Earnings per share

	Group	
	2018	2017
Basic and diluted earnings per share is based on:		
Net profit attributable to ordinary shareholders (RM'000)		
Profit after tax and non-controlling interest	627,687	969,953
Perpetual securities distribution	(85,846)	(38,639)
	<u>541,841</u>	<u>931,314</u>
<i>Basic earnings per share</i>		
Weighted average number of shares ('000)	<u>8,288,793</u>	<u>8,236,349</u>
Basic earnings per share (sen)	<u>6.54</u>	<u>11.31</u>

34. Earnings per share (continued)

Diluted earnings per share

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

	Group	
	2018	2017
Weighted average number of ordinary shares used in calculation of basic earnings per share ('000)	8,288,793	8,236,349
Weighted average number of unissued ordinary shares from units under LTIP ('000)	3,264	4,080
Weighted average number of unissued ordinary shares from share options under EOS ('000)	55	196
Weighted average number of ordinary shares used in calculation of diluted earnings per share ('000)	<u>8,292,112</u>	<u>8,240,625</u>
Diluted earnings per share (sen)	<u>6.53</u>	<u>11.30</u>

At 31 December 2018, 32,850,000 outstanding EOS options (2017: 13,253,000) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

35. Dividends

Dividends recognised by the Company:

	Per ordinary share Sen	Total amount RM'000	Date of payment
2018			
First and final single tier cash dividend for financial year ended 31 December 2017	3.0	<u>247,338</u>	18 July 2018
2017			
First and final single tier cash dividend for financial year ended 31 December 2016	3.0	<u>247,171</u>	18 July 2017

35. Dividends (continued)

The Directors have proposed the following dividend which is subject to shareholders' approval at the forthcoming Annual General Meeting:

	Per ordinary share Sen	Total amount RM'000
First and final single tier cash dividend for financial year ended 31 December 2018	3.0	<u>263,079</u>

* Based on 8,769,296,000 ordinary shares as at 31 December 2018.

36. Segment reporting

Operating segments

The Group has seven reportable segments, as described below, which are the Group's strategic business units. Except for IMU Health and PLife REIT, the strategic business units offer hospital and healthcare services in different locations, and are managed separately. IMU Health is an educational service provider while PLife REIT is a real estate investment trust. For each of the strategic business units, the Group's Board of Directors reviews internal management reports on at least a quarterly basis.

The Group's reportable segments comprise:

- Singapore
- Malaysia
- India
- North Asia
- Acibadem Holdings
- IMU Health
- PLife REIT

Management monitors the operating results of each of its business units for the purpose of making decisions on resource allocation and performance assessment. Performance is measured based on segment EBITDA.

Inter-segment pricing is determined on negotiated basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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36. Segment reporting (continued)

	Parkway Pantai ⁽¹⁾					Acibadem	IMU	PLife		Eliminations	Total
	Singapore	Malaysia	India	North	PPL	Holdings	Health	REIT ⁽¹⁾	Others ⁽⁴⁾		
2018	RM'000	RM'000	RM'000	Asia	Others ⁽²⁾	CEEMENA ⁽³⁾	Malaysia	RM'000	RM'000	RM'000	RM'000
<u>Revenue and expenses</u>											
Revenue from external customers	3,890,725	2,019,834	851,269	499,623	188,936	3,676,198	257,540	133,168	3,639	-	11,520,932
Inter-segment revenue	100,711	1,000	-	-	1,879	-	3,461	202,531	2,573,636	(2,883,218)	-
Total segment revenue	3,991,436	2,020,834	851,269	499,623	190,815	3,676,198	261,001	335,699	2,577,275	(2,883,218)	11,520,932
EBITDA	1,213,407	578,513	6,319	(208,714)	(1,178)	617,320	84,935	321,688	2,509,239	(2,643,830)	2,477,699
Depreciation and impairment losses of property, plant and equipment	(214,268)	(157,622)	(63,374)	(146,981)	(6,156)	(242,430)	(14,364)	(34,647)	(859)	-	(880,701)
Amortisation and impairment losses of intangible assets	(3,644)	(709)	(10,439)	(23,115)	-	(19,760)	(790)	-	-	-	(58,457)
Foreign exchange differences	(239)	68	41,073	(213)	9,926	(91)	(1)	2,964	14,212	-	67,699
Finance income	603	22,830	49,056	48,176	40,690	34,622	5,701	19	25,726	(52,480)	174,943
Finance costs	(14,669)	(2,329)	(56,458)	(86,933)	(24,546)	(817,452)	(16)	(26,857)	(2,042)	52,480	(978,822)
Share of profits of associates (net of tax)	1,667	-	9,848	-	-	-	-	-	-	-	11,515
Share of profits of joint ventures (net of tax)	1,213	-	669	15	-	-	-	-	-	-	1,897
Others	29,873	(6,070)	(86,301)	2,925	-	-	-	-	(3,730)	-	(63,303)
Profit/(Loss) before tax	1,013,943	434,681	(109,607)	(414,840)	18,736	(427,791)	75,465	263,167	2,542,546	(2,643,830)	752,470
Income tax (expense)/credit	(140,713)	(88,823)	(2,355)	(11,987)	(23,742)	51,040	(19,733)	(23,406)	(2,891)	-	(262,610)
Profit/(Loss) for the year	873,230	345,858	(111,962)	(426,827)	(5,006)	(376,751)	55,732	239,761	2,539,655	(2,643,830)	489,860
<u>Assets and liabilities</u>											
Cash and cash equivalents	202,779	625,241	4,339,118	701,685	448,447	73,512	24,789	67,201	1,280,626	-	7,763,398
Other assets	12,321,766	4,795,784	6,634,382	3,206,234	4,389,347	5,027,213	530,141	4,519,762	196,423	(4,269,940)	37,351,112
Segment assets as at 31 December 2018	12,524,545	5,421,025	10,973,500	3,907,919	4,837,794	5,100,725	554,930	4,586,963	1,477,049	(4,269,940)	45,114,510
Loans and borrowings	7,310	256	1,159,274	2,153,906	1,551,003	3,504,877	247	2,077,177	-	-	10,454,050
Other liabilities	4,364,225	546,688	3,244,401	327,793	327,921	1,040,113	149,212	353,781	69,181	(4,269,940)	6,153,375
Segment liabilities as at 31 December 2018	4,371,535	546,944	4,403,675	2,481,699	1,878,924	4,544,990	149,459	2,430,958	69,181	(4,269,940)	16,607,425

36. Segment reporting (continued)

	Parkway Pantai ⁽¹⁾					Acibadem	IMU	PLife		Eliminations	Total
	Singapore	Malaysia	India	North	PPL	Holdings	Health	REIT ⁽¹⁾	Others ⁽⁴⁾		
2017	RM'000	RM'000	RM'000	Asia	Others ⁽²⁾	CEEMENA ⁽³⁾	Malaysia	RM'000	RM'000	RM'000	RM'000
<u>Revenue and expenses</u>											
Revenue from external customers	3,848,308	1,836,415	708,596	332,658	176,615	3,853,527	250,386	134,006	2,128	-	11,142,639
Inter-segment revenue	106,377	1,000	-	-	1,138	-	3,875	208,311	60,075	(380,776)	-
Total segment revenue	3,954,685	1,837,415	708,596	332,658	177,753	3,853,527	254,261	342,317	62,203	(380,776)	11,142,639
EBITDA	1,135,100	513,755	13,696	(251,954)	12,722	617,888	80,645	282,684	9,236	(134,292)	2,279,480
Depreciation and impairment losses of property, plant and equipment	(225,822)	(143,717)	(64,907)	(134,242)	(5,386)	(292,047)	(13,988)	(34,795)	(865)	-	(915,769)
Amortisation and impairment losses of intangible assets	(3,643)	(709)	(10,077)	(22,624)	-	(24,473)	(785)	-	-	-	(62,311)
Foreign exchange differences	(119)	106	(182)	(137)	(9,824)	(447)	(90)	4,943	(60,703)	-	(66,453)
Finance income	604	17,000	4,064	35,599	98,521	26,303	5,760	6,103	18,689	(60,804)	151,839
Finance costs	(12,825)	(4,106)	(61,480)	(104,136)	(119,126)	(528,015)	(286)	(25,108)	(26)	60,804	(794,304)
Share of profits of associates (net of tax)	1,543	-	-	-	-	-	-	-	-	-	1,543
Share of profits of joint ventures (net of tax)	1,402	-	(947)	122	-	-	-	-	-	-	577
Others	16,548	-	(1,570)	(776)	-	1,149	-	-	554,500	-	569,851
Profit/(Loss) before tax	912,788	382,329	(121,403)	(478,148)	(23,093)	(199,642)	71,256	233,827	520,831	(134,292)	1,164,453
Income tax (expense)/credit	(157,261)	(110,669)	6,681	(18,643)	(29,021)	21,838	(19,484)	(23,731)	(4,335)	-	(334,625)
Profit/(Loss) for the year	755,527	271,660	(114,722)	(496,791)	(52,114)	(177,804)	51,772	210,096	516,496	(134,292)	829,828
<u>Assets and liabilities</u>											
Cash and cash equivalents	169,752	505,273	95,705	1,057,205	2,495,611	85,421	25,776	78,629	1,565,231	-	6,078,603
Other assets	12,318,066	4,583,654	1,837,470	3,163,011	4,908,611	5,856,343	514,277	4,375,487	43,044	(4,753,085)	32,846,878
Segment assets as at 31 December 2017	12,487,818	5,088,927	1,933,175	4,220,216	7,404,222	5,941,764	540,053	4,454,116	1,608,275	(4,753,085)	38,925,481
Loans and borrowings	9,434	318	347,229	1,895,445	-	3,421,866	182	1,963,566	-	-	7,638,040
Other liabilities	4,830,012	536,655	2,198,383	420,431	329,442	1,349,860	140,131	324,762	10,120	(4,753,085)	5,386,711
Segment liabilities as at 31 December 2017	4,839,446	536,973	2,545,612	2,315,876	329,442	4,771,726	140,313	2,288,328	10,120	(4,753,085)	13,024,751

1. Parkway Pantai Group, per the corporate structure, comprises the "Parkway Pantai" and "PLife REIT" segments.

2. "PPL Others" comprises mainly Parkway Pantai's hospital in Brunei, corporate office as well as other investment holding entities within Parkway Pantai.

3. "CEEMENA" refers to Central and Eastern Europe, Middle East and North Africa.

4. Others comprises mainly the Group's corporate office as well as other investment holding entities.

36. Segment reporting (continued)

Geographical segment

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of operations. Segment assets are based on the geographical location of the assets.

	Singapore RM'000	Malaysia RM'000	North Asia RM'000	India RM'000	Japan RM'000	CEEMENA RM'000	Other regions RM'000	Others ⁽¹⁾ RM'000	Eliminations RM'000	Total RM'000
2018										
Revenue from external customers	3,888,843	2,277,686	499,624	851,268	132,857	3,676,198	190,817	3,639	-	11,520,932
Inter-segment revenue	-	-	-	-	-	-	-	2,529,534	(2,529,534)	-
Total segment revenue	<u>3,888,843</u>	<u>2,277,686</u>	<u>499,624</u>	<u>851,268</u>	<u>132,857</u>	<u>3,676,198</u>	<u>190,817</u>	<u>2,533,173</u>	<u>(2,529,534)</u>	<u>11,520,932</u>
Non-current assets ⁽²⁾	<u>14,154,746</u>	<u>4,725,583</u>	<u>3,084,320</u>	<u>4,558,805</u>	<u>2,106,266</u>	<u>4,192,607</u>	<u>48,016</u>	<u>1,429</u>	<u>-</u>	<u>32,871,772</u>
2017										
Revenue from external customers	3,848,308	2,086,801	332,658	708,596	134,006	3,853,527	164,881	13,862	-	11,142,639
Inter-segment revenue	-	-	-	-	-	-	-	60,000	(60,000)	-
Total segment revenue	<u>3,848,308</u>	<u>2,086,801</u>	<u>332,658</u>	<u>708,596</u>	<u>134,006</u>	<u>3,853,527</u>	<u>164,881</u>	<u>73,862</u>	<u>(60,000)</u>	<u>11,142,639</u>
Non-current assets ⁽²⁾	<u>14,269,735</u>	<u>4,518,716</u>	<u>3,077,337</u>	<u>1,468,853</u>	<u>1,943,002</u>	<u>4,923,480</u>	<u>54,668</u>	<u>3,086</u>	<u>-</u>	<u>30,258,877</u>

¹ Others include balances relating to corporate offices, which is unallocated.

² Non-current assets consist of property, plant and equipment, prepaid lease payments, investment properties, goodwill and intangible assets.

37. Financial instruments

(i) Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 December 2018 categorised as follows:

- (a) Fair value through profit or loss ("FVTPL");
 - Mandatorily required by MFRS 9
- (b) Amortised cost ("AC");
- (c) Fair value through other comprehensive income ("FVOCI"); and
 - Equity instruments designated upon initial recognition ("EIDUIR")
- (d) Fair value of derivatives used for hedging

	Carrying amount RM'000	AC RM'000	Mandatorily at FVTPL RM'000	FVOCI - EIDUIR RM'000	Derivatives used for hedging RM'000
2018					
Financial assets					
Group					
Amount due from a joint venture	19,602	19,602	-	-	-
Investment in NCDs of an associate	274,280	274,280	-	-	-
Other financial assets					
- Unquoted shares	11,334	-	-	11,334	-
- Mutual funds	4,257	-	4,257	-	-
- Money market funds	179,646	-	179,646	-	-
- Fixed deposits	170,285	170,285	-	-	-
- Trade and other receivables ⁽¹⁾	1,949,248	1,949,248	-	-	-
Derivative assets					
- Foreign exchange forward contracts	6,281	-	6,281	-	-
- Put option	3,756	-	3,756	-	-
Cash and cash equivalents	7,763,398	7,763,398	-	-	-
	10,382,087	10,176,813	193,940	11,334	-
Company					
Money market funds	179,646	-	179,646	-	-
Trade and other receivables ⁽¹⁾	2,863	2,863	-	-	-
Amount due from subsidiaries	2,546,875	2,546,875	-	-	-
Cash and cash equivalents	1,280,302	1,280,302	-	-	-
	4,009,686	3,830,040	179,646	-	-
Financial liabilities					
Group					
Trade and other payables ⁽²⁾	(2,896,995)	(2,896,995)	-	-	-
Loans and borrowings	(10,454,050)	(10,454,050)	-	-	-
Bank overdrafts	(81,215)	(81,215)	-	-	-
Derivative liabilities					
- Interest rate swaps	(3,091)	-	-	-	(3,091)
- Cross currency interest swaps	(9,191)	-	-	-	(9,191)
- Call option granted to NCI	(4,861)	-	(4,861)	-	-
- Foreign exchange forward contracts	(956)	-	(956)	-	-
	(13,450,359)	(13,432,260)	(5,817)	-	(12,282)
Company					
Trade and other payables ⁽²⁾	(11,367)	(11,367)	-	-	-
Amounts due to subsidiaries	(78,589)	(78,589)	-	-	-
	(89,956)	(89,956)	-	-	-

¹ Excludes prepayments

² Excludes deposits, rental advance billings, put option liabilities and contract liabilities

37. Financial instruments (continued)

(i) Categories of financial instruments (continued)

The table below provides an analysis of financial instruments as at 31 December 2017 categorised as follows:

- (a) Loans and receivables (“L&R”);
- (b) Available-for-sale financial instruments (“AFS”);
- (c) Financial liabilities measured at amortised cost (“FL”);
- (d) Fair value through profit or loss (“FVTPL”); and
- (e) Fair value of derivatives used for hedging

2017 Financial assets Group	Carrying amount RM'000	L&R/(FL) RM'000	AFS RM'000	FVTPL RM'000	Derivatives used for hedging RM'000
Amount due from a joint venture	19,710	19,710	-	-	-
Other financial assets					
- Available-for-sale equity instruments	11,385	-	11,385	-	-
- Fixed deposits	163,558	163,558	-	-	-
- Trade and other receivables ⁽¹⁾	1,429,526	1,429,526	-	-	-
Derivative assets					
- Foreign exchange forward contracts	19,167	-	-	19,167	-
- Cross currency interest swap	5,036	-	-	-	5,036
- Put option	1,625	1,625	-	-	-
Cash and cash equivalents	6,078,603	6,078,603	-	-	-
	<u>7,728,610</u>	<u>7,693,022</u>	<u>11,385</u>	<u>19,167</u>	<u>5,036</u>
Company					
Trade and other receivables ⁽¹⁾	2,266	2,266	-	-	-
Amounts due from subsidiaries	14,848	14,848	-	-	-
Cash and cash equivalents	1,564,893	1,564,893	-	-	-
	<u>1,582,007</u>	<u>1,582,007</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities Group					
Trade and other payables ⁽²⁾	(2,458,444)	(2,458,444)	-	-	-
CCPS liabilities	(93,185)	-	-	(93,185)	-
Loans and borrowings	(7,638,040)	(7,638,040)	-	-	-
Bank overdrafts	(68)	(68)	-	-	-
Derivative liabilities					
- Interest rate swaps	(4,240)	-	-	-	(4,240)
- Call option granted to NCI	(22,493)	-	-	(22,493)	-
	<u>(10,216,470)</u>	<u>(10,096,552)</u>	<u>-</u>	<u>(115,678)</u>	<u>(4,240)</u>
Company					
Trade and other payables ⁽²⁾	(7,605)	(7,605)	-	-	-
Amounts due to subsidiaries	(814)	(814)	-	-	-
	<u>(8,419)</u>	<u>(8,419)</u>	<u>-</u>	<u>-</u>	<u>-</u>

¹ Excludes prepayments

² Excludes deposits, rental advance billings, put option liabilities, contract liabilities and CCPS liabilities

37. Financial instruments (continued)

(i) Categories of financial instruments (continued)

Net gains/(losses) arising from financial instruments

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Mandatorily at FVTPL financial instruments				
- fair value changes recognised in profit or loss	273	(13,753)	235	-
- dividend income	3,639	-	3,639	-
Financial assets at amortised cost	149,254	-	25,491	-
Financial liabilities at amortised cost	(966,874)	(724,184)	(2,042)	-
AFS financial instruments				
- recognised in other comprehensive income	-	(319,205)	-	-
- dividend income	-	2,128	-	-
- gain on disposals	-	559,195	-	-
Loans and receivables	-	39,639	-	18,689
Derivative liabilities				
- recognised in other comprehensive income	(11,873)	24,971	-	-
- recognised in profit or loss	34,670	16,693	-	-
	<u>(790,911)</u>	<u>(414,516)</u>	<u>27,323</u>	<u>18,689</u>

(ii) Financial risk management

The Group and the Company have exposures to the following risks from their financial instruments:

- Credit risk
- Liquidity risk
- Market risk

(iii) Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's primary exposure to credit risk, arises principally through its trade receivables and investment in debt securities. The Company's exposure to credit risk arises principally from its amounts due from subsidiaries and financial guarantee provided to a bank for credit facilities granted to a subsidiary. There are no significant changes as compared to prior periods.

37. Financial instruments (continued)

(iii) Credit risk (continued)

Trade receivables

Risk management objectives, policies and processes for managing the risk

The Group has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on major customers requiring credit over a certain amount. For the hospital operations, the Group does not grant credit to self-pay customers. Instead, a self-pay customer is requested to place an initial deposit at the time of admission to the hospital. Additional deposit is requested from the customer when the hospital charges exceed a certain level.

At the end of each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or fully) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have the assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

Exposure to credit risk, credit quality and collateral

As the Group does not require any collateral in respect of its financial assets, the maximum exposures to credit risk are represented by the carrying amounts of financial assets in the statements of financial position.

Credit risk concentration profile

The exposure to credit risk for trade receivables at the date of reporting (by geographical distribution) are as follows:

	Note	Group	
		2018 RM'000	2017 RM'000
Malaysia		449,361	263,744
Singapore		283,008	371,389
India		608,523	74,738
North Asia		49,576	47,438
Middle East		30,239	76,901
South East Asia		106,511	86,469
CEEMENA		543,290	602,342
Others		15,647	4,987
		2,086,155	1,528,008
Impairment losses		(386,380)	(252,845)
	14	<u>1,699,775</u>	<u>1,275,163</u>

37. Financial instruments (continued)

(iii) Credit risk (continued)

Trade receivables (continued)

Credit risk concentration profile (continued)

At 31 December 2018, the Group has no outstanding trade receivables from significant customers (2017: two significant customers amounting to RM201,467,000 for which allowance for impairment of RM32,687,000 has been recognised).

Recognition and measurement of impairment losses

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. In measuring the expected credit losses, trade receivables are grouped based on shared credit risk characteristics such as customer types, geographic region, and days past due. Customer types include self-pay customers, insurers, third party administrators, government bodies etc.

Loss rate is calculated using a “roll-rate” method based on the probability of a receivable progressing through successive stages of delinquency to being written off.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers, based on actual credit loss experience over the past four years. This is adjusted by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. The scalar factors for self-pay customers are based on actual and forecast real income growth rates of respective countries. The scalar factors for corporate and government customers are based on default probability risk rates of the customer.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018.

Group	Gross carrying amount RM'000	Impairment loss RM'000	Net balance RM'000
Not credit impaired			
Not past due	769,828	(350)	769,478
Past due 1 – 30 days	315,340	(3,241)	312,099
Past due 31 – 180 days	431,600	(19,854)	411,746
Past due 181 days – 1 year	123,465	(43,405)	80,060
Past due more than 1 year	309,553	(258,078)	51,475
	1,949,786	(324,928)	1,624,858
Credit impaired			
Individually impaired	136,369	(61,452)	74,917
	2,086,155	(386,380)	1,699,775

37. Financial instruments (continued)

(iii) Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment losses (continued)

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

	Group RM'000
At 1 January 2018 per MFRS 9/MFRS 139	252,845
Additions through business combinations	197,186
Impairment loss reversed	(35,037)
Written off	(8,799)
Translation differences	(19,815)
At 31 December 2018	<u>386,380</u>

Comparative information under MFRS 139, Financial instruments: Recognition and Measurement

The aging of trade receivables as at 31 December 2017 was as follows:

	Gross carrying amount RM'000	Impairment loss RM'000	Net balance RM'000
Group			
Not past due	766,414	(3,485)	762,929
Past due 1 – 30 days	237,539	(3,953)	233,586
Past due 31 – 180 days	258,795	(33,836)	224,959
Past due 181 days – 1 year	85,534	(48,275)	37,259
Past due more than 1 year	179,726	(163,296)	16,430
	<u>1,528,008</u>	<u>(252,845)</u>	<u>1,275,163</u>

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

	Group RM'000
At 1 January 2017	266,803
Impairment loss recognised	10,856
Written off	(6,558)
Translation differences	(18,256)
At 31 December 2017	<u>252,845</u>

37. Financial instruments (continued)

(iii) Credit risk (continued)

Trade receivables (continued)

Comparative information under MFRS 139, Financial instruments: Recognition and Measurement (continued)

The Group provides for impairment allowance in respect of trade receivables based on historical default rates. Specific impairment allowance is provided on a case-by-case basis depending on the circumstances.

The gross amount of the trade receivables which are individually assessed for impairment, and specific impairment allowance are made on a case-by-case basis are as follows:

	Individually assessed balance RM'000	Specific allowances made RM'000	Net RM'000
Group 2017			
Trade receivables	250,872	(141,650)	109,222

Fixed deposits and cash and cash equivalents

Cash and fixed deposits are placed with financial institutions which are regulated and with good credit ratings. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

The Group and the Company consider its fixed deposits and cash and cash equivalents to have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on fixed deposits and cash and cash equivalents was negligible.

Amount due from subsidiaries

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the financial year, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

The Company determines the probability of default from these receivables individually using internal information available. The Company considers these receivable balances as low credit risk unless there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly or the balance is overdue for more than 365 days. As at reporting date, the expected credit loss allowance on these low-credit-risk balances is insignificant.

37. Financial instruments (continued)

(iii) Credit risk (continued)

Financial guarantees

Risk management objectives, policies and processes for managing the risk

Financial guarantees to banks in respect of banking facilities are granted by the Company and PHL, a wholly owned subsidiary.

The financial guarantees are granted by the Company and PHL for Integrated Healthcare Turkey Yatirimlari Limited ("IHTYL"), a wholly owned subsidiary, and KHPL, a 50% owned joint venture, based on the Company's and Group's shareholding interests in these borrowing entities. The Group monitors on an ongoing basis the results of and repayments made by the borrowing entities.

Exposure to credit risk, credit quality and collateral

Group

The maximum exposure of the Group in respect of financial guarantee (Note 25) at the reporting date amounted to RM39,739,000 (2017: RM35,273,000) representing the Group's share of amount drawn down by KHPL.

On 5 January 2017, the bank served a notice to KHPL that an Event of Default has occurred. In view that KHPL is unlikely to be able to repay the loan, the Group had made a provision for its 50% share of the amounts that KHPL owes the bank (Note 25).

Company

The maximum exposure of the Company in respect of financial guarantee at the reporting date amounted to RM664,003,000 (2017: RM669,360,000) representing the outstanding bank loans of IHTYL.

At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the financial guarantee.

The financial guarantee is not recognised since the fair value on initial recognition was not material.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its payables and loans and borrowings.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. The Group ensures that it has sufficient cash and available undrawn credit facilities to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

37. Financial instruments (continued)

(iv) Liquidity risk (continued)

Maturity analysis

The following table provides the maturity profile of the Group's and the Company's financial liabilities as at the end of the financial year. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting arrangements:

Group	Carrying amount	Contractual cash flows	Within 1 year	After 1 year but within 5 years	After 5 years
2018	RM'000	RM'000	RM'000	RM'000	RM'000
Non-derivative financial liabilities					
Loans and borrowings	10,454,050	11,762,370	1,416,756	9,173,881	1,171,733
Bank overdrafts	81,215	81,215	81,215	-	-
Trade and other payables*	4,171,213	4,179,266	3,553,999	413,012	212,255
	<u>14,706,478</u>	<u>16,022,851</u>	<u>5,051,970</u>	<u>9,586,893</u>	<u>1,383,988</u>
Derivative financial instruments					
Foreign exchange forward contracts (gross-settled)					
- inflows	(272,590)	(278,318)	(173,432)	(104,886)	-
- outflows	267,265	272,974	168,194	104,780	-
Cross currency interest rate swaps (gross-settled)					
- inflows	(4,738)	(4,889)	(2,563)	(2,326)	-
- outflows	13,929	14,372	7,534	6,838	-
Interest rate swaps (net-settled)	3,091	3,189	2,013	1,149	27
	<u>6,957</u>	<u>7,328</u>	<u>1,746</u>	<u>5,555</u>	<u>27</u>
	<u>14,713,435</u>	<u>16,030,179</u>	<u>5,053,716</u>	<u>9,592,448</u>	<u>1,384,015</u>
2017					
Non-derivative financial liabilities					
Loans and borrowings	7,638,040	9,130,871	814,755	7,103,245	1,212,871
Bank overdrafts	68	68	68	-	-
Trade and other payables*	3,456,753	3,463,071	2,560,539	781,446	121,086
	<u>11,094,861</u>	<u>12,594,010</u>	<u>3,375,362</u>	<u>7,884,691</u>	<u>1,333,957</u>
Derivative financial instruments					
Foreign exchange forward contracts (gross-settled)					
- inflows	(416,119)	(422,659)	(290,409)	(132,250)	-
- outflows	396,952	403,302	274,818	128,484	-
Cross currency interest rate swaps (gross-settled)					
- inflows	(13,156)	(13,576)	(4,625)	(8,951)	-
- outflows	8,120	8,379	2,855	5,524	-
Interest rate swaps (net-settled)	4,240	4,378	2,926	1,452	-
	<u>(19,963)</u>	<u>(20,176)</u>	<u>(14,435)</u>	<u>(5,741)</u>	<u>-</u>
	<u>11,074,898</u>	<u>12,573,834</u>	<u>3,360,927</u>	<u>7,878,950</u>	<u>1,333,957</u>

* Excludes deposits, rental advance billings, contract liabilities and CCPS liabilities

37. Financial instruments (continued)

(iv) Liquidity risk (continued)

Maturity analysis (continued)

Company 2018	Carrying amount RM'000	Contractual cash flows RM'000	Within 1 year RM'000	After 1 year but within 5 years RM'000	After 5 years RM'000
Non-derivative financial liabilities					
Amounts due to subsidiaries	78,589	78,589	78,589	-	-
Trade and other payables [#]	11,367	11,367	11,367	-	-
	89,956	89,956	89,956	-	-
2017					
Non-derivative financial liabilities					
Amounts due to subsidiaries	814	814	814	-	-
Trade and other payables [#]	7,605	7,605	7,605	-	-
	8,419	8,419	8,419	-	-

[#] Excludes deposits and rental advance billings

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's financial position or cash flows.

(a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign exchange risk on sales, purchases, cash and cash equivalents, receivables and payables, and loans and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily the Singapore Dollar, United States Dollar, Euro, Japanese Yen, Chinese Renminbi and India Rupee.

Risk management objectives, policies and processes for managing the risk

The Group uses foreign exchange forward contracts to manage its exposure to foreign currency movements on its net income denominated in Japanese Yen from its investment in Japan. Where necessary, the foreign exchange forward contracts are rolled over at maturity.

The Group actively monitors its foreign currency risk and minimises such risk by borrowing in the functional currency of the borrowing entity or by borrowing in the same currency as the foreign investment (i.e. natural hedge of net investments).

The Group also enters in cross currency interest rate swaps to realign borrowings to the same currency of the Group's foreign investments to achieve a natural hedge (See Note 37(vi)).

37. Financial instruments (continued)

(v) Market risk (continued)

(a) Foreign currency risk (continued)

Risk management objectives, policies and processes for managing the risk (continued)

In respect of other monetary assets and liabilities held in currencies other than the functional currencies, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rate where necessary to address short term imbalances.

The nominal value and fair value of the foreign exchange forward contracts and cross currency interest rate swaps is disclosed in Note 26.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currencies of the Group entities) risk are as follows:

Group 2018	Singapore Dollar RM'000	United States Dollar RM'000	Euro RM'000	Japanese Yen RM'000	India Rupee RM'000	Chinese Renminbi RM'000	Others* RM'000
Carrying value							
Trade and other receivables	1,037	18,178	2,700	-	17,708	-	6,703
Intra-group receivables	2,544,330	126,563	-	-	3,937	417	1,307
Cash and cash equivalents	60,048	1,269,047	5,716	818	-	220,234	2,666
Loans and borrowings	(19,811)	(525,423)	(2,023,337)	-	-	-	(626)
Trade and other payables	(141,028)	(111,186)	(4,618)	(1,754)	-	(27,601)	(1,383)
Intra-group payables	(1,029,486)	(125,935)	-	-	-	(1,353)	(24,048)
Put options granted to non-controlling interests	-	-	(224,272)	-	(362,967)	-	-
Call option granted to non-controlling interests	-	-	-	-	(4,862)	-	-
	<u>1,415,090</u>	<u>651,244</u>	<u>(2,243,811)</u>	<u>(936)</u>	<u>(346,184)</u>	<u>191,697</u>	<u>(15,381)</u>
Off balance sheet derivative net assets/liabilities							
Foreign exchange forward contracts	-	32,017	55,028	(180,061)	-	-	-
	<u>1,415,090</u>	<u>683,261</u>	<u>(2,188,783)</u>	<u>(180,997)</u>	<u>(346,184)</u>	<u>191,697</u>	<u>(15,381)</u>

37. Financial instruments (continued)**(v) Market risk (continued)****(a) Foreign currency risk (continued)***Exposure to foreign currency risk (continued)*

Group	Singapore Dollar RM'000	United States Dollar RM'000	Euro RM'000	Japanese Yen RM'000	India Rupee RM'000	Chinese Renminbi RM'000	Others* RM'000
2017							
Carrying value							
Trade and other receivables	-	8,133	3,247	-	1,134	-	155
Intra-group receivables	22,148	1,648	-	-	23,699	-	330
Cash and cash equivalents	2,055	2,908,230	28,840	14,702	-	222,929	2,927
Loans and borrowings	-	(495,400)	(1,739,258)	-	-	-	-
Trade and other payables	(13,922)	(87,816)	(15,561)	(1,776)	-	(28,319)	(507)
Intra-group payables	(49,612)	(957)	-	-	-	(1,281)	(15,768)
Put options granted to non-controlling interests	-	-	(311,281)	-	(664,943)	-	-
Call option granted to non-controlling interests	-	-	-	-	(22,493)	-	-
	<u>(39,331)</u>	<u>2,333,838</u>	<u>(2,034,013)</u>	<u>12,926</u>	<u>(662,603)</u>	<u>193,329</u>	<u>(12,863)</u>
Off balance sheet derivative net assets/liabilities							
Foreign exchange forward contracts	-	-	203,106	(198,933)	-	-	-
	<u>(39,331)</u>	<u>2,333,838</u>	<u>(1,830,907)</u>	<u>(186,007)</u>	<u>(662,603)</u>	<u>193,329</u>	<u>(12,863)</u>

* Others include mainly British Pound, Hong Kong Dollar, Malaysian Ringgit, Swiss Franc, Australian Dollar, and Bangladeshi Taka.

37. Financial instruments (continued)**(v) Market risk (continued)****(a) Foreign currency risk (continued)*****Exposure to foreign currency risk (continued)***

Company	Singapore Dollar RM'000	Malaysian Ringgit RM'000	United States Dollar RM'000
2018			
Cash and cash equivalents	615	-	1,209,438
Amounts due from/(to) subsidiaries	2,536,971	(7,027)	227
Trade and other payables	(152)	-	(3,508)
	<u>2,537,434</u>	<u>(7,027)</u>	<u>1,206,157</u>
2017			
Cash and cash equivalents	189	-	1,182,977
Amounts due from/(to) subsidiaries	14,706	(12,567)	-
Trade and other payables	(354)	-	-
	<u>14,541</u>	<u>(12,567)</u>	<u>1,182,977</u>

Sensitivity analysis

A 10% strengthening of the following currencies against the respective functional currencies of the Group entities at the end of the financial year would have increased/(decreased) profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

Group	2018		2017	
	Equity RM'000	Profit or loss RM'000	Equity RM'000	Profit or loss RM'000
Singapore Dollar	-	141,509	-	(3,933)
United States Dollar	-	68,326	-	233,384
Euro	(22,427)	(196,451)	(31,128)	(151,963)
Japanese Yen				
- Foreign exchange forward contracts	-	(18,006)	-	(19,893)
- Non-derivative financial assets and liabilities	-	(94)	-	1,293
India Rupee	(36,297)	1,678	(66,494)	232
Chinese Renminbi	-	19,170	-	19,333
Others*	-	(1,538)	-	(1,286)
	<u>(58,724)</u>	<u>14,594</u>	<u>(97,622)</u>	<u>77,167</u>

* Others include mainly British Pound, Malaysian Ringgit, Swiss Franc, Australian Dollar, and Bangladeshi Taka.

37. Financial instruments (continued)

(v) Market risk (continued)

(a) Foreign currency risk (continued)

Sensitivity analysis (continued)

Company	2018		2017	
	Equity RM'000	Profit or loss RM'000	Equity RM'000	Profit or loss RM'000
Singapore Dollar	-	253,743	-	1,454
Malaysian Ringgit	-	(703)	-	(1,257)
United States Dollar	-	120,616	-	118,298
	-	373,656	-	118,495

The foreign currency risk associated with the Japanese denominated outstanding forward foreign exchange contracts as at 31 December 2018 would have no significant impact to the Group as the Group would have a corresponding gain in its net future income from Japan as a result of the weakening of Malaysian Ringgit.

A 10% weakening of the above currencies against the respective functional currencies of the Group entities at the end of the financial year would have an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

(b) Interest rate risk

This relates to changes in interest rates which affect mainly the Group's fixed deposits and its loans and borrowings. The Group's fixed-rate financial assets and loans and borrowings are exposed to a risk of change in their fair value while the variable-rate financial assets and borrowings are exposed to a risk of change in cash flows. Short term receivables and payables are not significantly exposed to interest rate risk.

The Group has no significant concentration of interest rate risk that may arise from exposure to Group's fixed deposits and its obligations with banks and financial institutions.

Risk management objectives, policies and processes for managing the risk

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts as well as by rolling over its fixed deposits and variable rate borrowings on a short-term basis. In respect of long-term borrowings, the Group may enter into interest rate derivatives to manage its exposure to adverse movements in interest rates.

Interest rate swaps have been entered into to achieve an appropriate mix of fixed and floating rate exposures within the Group's policy (See Note 36(vi)).

The nominal value and fair value of the interest rate swaps is disclosed in Note 26.

37. Financial instruments (continued)

(v) Market risk (continued)

(b) Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the financial year are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Investment in NCDs	274,280	-	-	-
Fixed deposits	3,767,556	1,355,340	52,388	275,973
Amount due to a subsidiary	-	-	(77,023)	-
Fixed rate medium term notes	(444,537)	(301,007)	-	-
Debt component of CCD	(247,657)	-	-	-
Finance lease liabilities	(183,238)	(133,407)	-	-
Other loans and borrowings	(171,706)	(143,944)	-	-
Variable rate instruments				
Cash and bank balances	1,203,480	3,333,110	1,203,480	1,182,936
Loans and borrowings	(9,406,912)	(7,054,298)	-	-
Bank overdrafts	(81,215)	(68)	-	-
Finance lease liabilities	-	(5,384)	-	-
Financial guarantee provision	(39,739)	(35,273)	-	-
Interest rate swaps	(3,091)	(4,240)	-	-
Cross currency interest rate swaps	(9,191)	5,036	-	-

Sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the financial year would not affect profit or loss.

37. Financial instruments (continued)**(v) Market risk (continued)****(b) Interest rate risk (continued)*****Sensitivity analysis (continued)******Cash flow sensitivity analysis for variable rate instruments***

A change of 100 basis points ("bp") in interest rates at the reporting date would increase/(decrease) amounts charged or credited to assets, profit or loss or equity as shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Equity		Profit or loss	
	100bp increase RM'000	100bp decrease RM'000	100bp increase RM'000	100bp decrease RM'000
Group				
2018				
Interest rate swaps	15,312	(8,489)	10,404	(10,404)
Cross currency interest rate swaps	7,853	(8,042)	3,807	(3,807)
Other variable rate instruments	-	-	(83,228)	83,228
	<u>23,165</u>	<u>(16,531)</u>	<u>(69,017)</u>	<u>69,017</u>
2017				
Interest rate swaps	12,501	(15,567)	10,238	(10,238)
Cross currency interest rate swaps	11,119	(11,363)	3,828	(3,828)
Other variable rate instruments	-	-	(37,709)	37,709
	<u>23,620</u>	<u>(26,930)</u>	<u>(23,643)</u>	<u>23,643</u>
Company				
2018				
Other variable rate instruments	-	-	12,035	(12,035)
2017				
Other variable rate instruments	-	-	11,829	(11,829)

37. Financial instruments (continued)

(vi) Hedging activities

Cash flow hedge

The Group manages its exposure to interest rate movements on certain floating rate loans and borrowings by entering into interest rate swaps, where appropriate. As at 31 December 2018, the Group has interest rate swaps with a total notional amount of RM1,040,480,000 (2017: RM1,023,701,000) to provide fixed rate funding up to 2024 (2017: up to 2020) at a weighted average effective interest rate of 0.25% (2017: 0.34%) per annum.

Also, the Group has cross currency interest rate swaps ("CCIRS") with notional amount of RM380,626,000 (2017: RM382,719,000) as at 31 December 2018 to manage its foreign currency risk and interest rate risk arising from the financing of Japanese properties using Singapore dollar facilities. To maintain a natural hedge, the Group utilised CCIRS to realign the Singapore dollar denominated loans back into effective Japanese Yen denominated loans to match its underlying Japanese Yen denominated assets.

As at 31 December 2018, where the interest rate swaps and cross currency interest rate swaps were designated as hedging instruments in qualifying cash flow hedges, the effective portion of the changes in fair value of the swaps amounting to RM2,571,000 gain (2017: RM731,000 gain) was recognised in other comprehensive income (see Note 31).

During the year, where hedge accounting was discontinued, not practised or ineffective, the changes in fair value of interest rate swaps amounting to RM971,000 loss (2017: RM815,000 loss) was charged to profit or loss. Accordingly, the changes in fair value of these interest rate swaps, previously recognised in the hedge reserve amounting to RM1,678,000 loss (2017: RM2,429,000 loss) were reclassified to profit or loss.

At 31 December 2018, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates.

	Maturity	
	Within 1 year	More than 1 year
Interest rate risk		
Cross currency interest rate swaps		
Net exposure (RM'000)	–	380,626
Average fixed interest rate	–	0.75%
Interest rate swaps		
Net exposure (RM'000)	442,238	598,242
Average fixed interest rate	0.31%	0.20%

37. Financial instruments (continued)

(vi) Hedging activities (continued)

Cash flow hedge (continued)

The amounts at the reporting date relating to items designated as hedged items were as follows:

	2018	
	Change in value used for calculating hedge ineffectiveness RM'000	Hedge reserve RM'000
		Balances remaining in the hedge reserve from hedging relationships for which hedge accounting is no longer applied RM'000
Interest rate risk		
Variable-rate instruments	23,074	16,715
		407

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items resulting from cash flow hedge accounting.

	2018 Hedge reserve RM'000
Cash flow hedges	
At 1 January	15,200
Changes in fair value	2,571
Hedge ineffectiveness recognised in profit or loss	1,678
	4,249
OCI attributed to NCI	(2,735)
Changes in ownership interest in subsidiaries with no change in control	1
At 31 December	16,715

37. Financial instruments (continued)

(vi) Hedging activities (continued)

Cash flow hedge (continued)

The amounts relating to items designated as hedging instruments were as follows:

		2018							
		Carrying amount		Line item in the statement of financial position where the hedging instrument is included		Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	
	Nominal amount RM'000	Assets RM'000	Liabilities RM'000			RM'000	RM'000		
Interest rate risk									
Cross currency interest rate swaps	380,626	–	(9,191)	Financial derivatives	Loans and borrowings	2,171	–	Finance costs	
Interest rate swaps	1,040,480	–	(3,091)	Financial derivatives	Loans and borrowings	400	1,678	Finance costs	
						<u>2,571</u>	<u>1,678</u>		

Hedge of net investments in foreign operations

The Group's Japanese Yen denominated unsecured bank loans has been designated as a natural hedge of the Group's net investments in Japan. In 2014, the Group refinanced a Japanese Yen denominated loan with a Singapore Dollar denominated loan which was overlaid with a cross currency interest rate swaps to realign this SGD borrowing into an effective Japanese Yen loan to maintain as a natural hedge for its foreign investment in Japan. The carrying value of these Japanese denominated loan and Japanese medium term notes as at end of financial year was RM1,481,993,000 (2017: RM1,380,933,000).

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37. Financial instruments (continued)**(vi) Hedging activities (continued)*****Hedge of net investments in foreign operations (continued)***

The amounts related to items designated as hedging instruments were as follows:

	2018						
	Nominal amount RM'000	Carrying amount		Line item in the statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognised in OCI RM'000	Hedge ineffectiveness recognised in profit or loss RM'000	Line item in profit or loss that includes hedge ineffectiveness
		Assets RM'000	Liabilities RM'000				
Foreign exchange denominated loans and borrowings	1,865,984	–	(1,861,785)	Loans and borrowings	(78,542)	–	Not applicable
	2018						
		Change in value used for calculating hedge ineffectiveness RM'000		Exchange fluctuation reserve RM'000	Balances remaining in the exchange fluctuation reserve from hedging relationships for which hedge accounting is no longer applied RM'000		
JPY net investment		46,414		(85,518)	–		

(vii) Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables reasonably approximate their fair values due to the relatively short term of nature of these financial instruments.

37. Financial instruments (continued)

(vii) Fair value information (continued)

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Group	Note	Fair value of financial instruments carried at fair value				Total fair value	Carrying amount
		Level 1	Level 2	Level 3	Total		
2018		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets							
FVOCI unquoted shares	10	-	-	11,334	11,334	11,334	11,334
FVTPL money market funds	10	-	179,646	-	179,646	179,646	179,646
FVTPL mutual funds	10	-	4,257	-	4,257	4,257	4,257
Foreign exchange forward contracts	26	-	6,281	-	6,281	6,281	6,281
Put option	26	-	-	3,756	3,756	3,756	3,756
		-	190,184	15,090	205,274	205,274	205,274
Financial liabilities							
Put options granted to NCI	25	-	-	(1,274,218)	(1,274,218)	(1,274,218)	(1,274,218)
Interest rate swaps	26	-	(3,091)	-	(3,091)	(3,091)	(3,091)
Foreign exchange forward contracts	26	-	(956)	-	(956)	(956)	(956)
Cross currency interest rate swaps	26	-	(9,191)	-	(9,191)	(9,191)	(9,191)
Call option granted to NCI	26	-	-	(4,861)	(4,861)	(4,861)	(4,861)
		-	(13,238)	(1,279,079)	(1,292,317)	(1,292,317)	(1,292,317)

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37. Financial instruments (continued)**(vii) Fair value information (continued)**

Group	Note	Fair value of financial instruments carried at fair value				Total fair value	Carrying amount
		Level 1	Level 2	Level 3	Total		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017							
Financial assets							
Foreign exchange forward contracts	26	-	19,167	-	19,167	19,167	19,167
Cross currency interest rate swaps	26	-	5,036	-	5,036	5,036	5,036
		-	24,203	-	24,203	24,203	24,203
Financial liabilities							
CCPS liabilities	25	-	-	(93,185)	(93,185)	(93,185)	(93,185)
Put options granted to NCI	25	-	-	(998,309)	(998,309)	(998,309)	(998,309)
Interest rate swaps	26	-	(4,240)	-	(4,240)	(4,240)	(4,240)
Call option granted to NCI	26	-	-	(22,493)	(22,493)	(22,493)	(22,493)
		-	(4,240)	(1,113,987)	(1,118,227)	(1,118,227)	(1,118,227)
Company	Note	Fair value of financial instruments carried at fair value				Total fair value	Carrying amount
		Level 1	Level 2	Level 3	Total		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2018							
Financial assets							
Other financial assets							
- FVTPL money market funds	10	-	179,646	-	179,646	179,646	179,646

37. Financial instruments (continued)**(vii) Fair value information (continued)*****Policy on transfer between levels***

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted that are observable for the financial assets or liabilities either directly or indirectly.

Derivatives, money market funds and mutual funds

The fair value of foreign exchange forward contracts, cross currency interest rate swaps, interest rate swaps, money market funds and mutual funds are based on banker quotes.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2017: no transfer in either direction).

37. Financial instruments (continued)**(vii) Fair value information (continued)*****Level 3 fair value***

The following table shows a reconciliation of level 3 fair values:

	Call option granted to NCI RM'000	Put option RM'000	FVOCI unquoted shares RM'000	CCPS liabilities RM'000	Put options granted to NCI RM'000
At 1 January 2017	(18,128)	-	-	(82,645)	(864,608)
Arising from business combination	-	-	-	-	(22,426)
Granted to non-controlling interests	-	-	-	-	(139,014)
Reclassification to equity	-	-	-	-	(45,229)
Change in fair value	(4,753)	-	-	(13,753)	-
Translation differences	388	-	-	3,213	72,968
At 31 December 2017/1 January 2018	(22,493)	-	-	(93,185)	(998,309)
Reclassification on application of MFRS 9	-	1,625	11,385	-	-
Arising from business combination	-	-	-	-	(667,285)
Reclassification to equity	-	-	-	85,460	-
Change in fair value	17,202	2,102	-	-	296,334
Translation differences	430	29	(51)	7,725	95,042
At 31 December 2018	(4,861)	3,756	11,334	-	(1,274,218)

Measurement of fair values

The carrying amounts of financial assets and financial liabilities with a maturity of less than one year (including trade and other receivables, other financial assets, cash and cash equivalents, bank overdrafts and trade and other payables) are measured on the amortised cost basis and approximate their fair values due to their short-term nature and where the effect of discounting is immaterial.

37. Financial instruments (continued)

(vii) Fair value information (continued)

Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

(a) Financial instruments measured at fair value

Type Group	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Interest rate swaps, foreign exchange forward contracts and cross currency interest rate swaps	<i>Market comparison technique:</i> The fair values are based on valuations provided by the financial institutions that are the counterparties to the transactions. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the reporting date.	Not applicable	Not applicable
Call option granted to non-controlling interests	<i>Black Scholes model</i>	• Risk-adjusted discount rate at 7.0% (2017: 6.4%) • Dividend yield at nil% (2017: nil%) • Volatility at 31.2% (2017: 33.2%)	The estimated fair value would increase/(decrease) if the risk-adjusted discount rates were lower/(higher). The estimated fair value would increase/(decrease) if the dividend yield were lower/(higher). The estimated fair value would increase/(decrease) if volatility were higher/(lower).
CCPS liabilities and put options granted to non-controlling interests	<i>Discounted cash flows:</i> The fair values are based on the subsidiary's equity value computed mainly using the discounted cash flow method based on present value of projected free cash flows of the subsidiary discounted using a risk-adjusted discount rate. For put options granted to non-controlling interests, the expected payment is then discounted using a risk-adjusted discount rate.	Risk-adjusted discount rates at 13.25% to 15.25% (2017: 13.3% to 15.0%)	The estimated fair value would increase/(decrease) if the risk-adjusted discount rates were lower/(higher).

37. Financial instruments (continued)

(vii) Fair value information (continued)

Valuation techniques and significant unobservable inputs (continued)

(b) Financial instruments not carried at fair value

Type	Valuation technique
Group	
Unsecured fixed rate medium term notes	Market comparison: The fair value is estimated considering recent quoted prices in markets that are not active.
Loans and borrowings, finance lease liabilities payables	Discounted cash flows using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date

38. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors and maintains an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

		Group	
	Note	2018 RM'000	2017 RM'000
Loans and borrowings	21	10,454,050	7,638,040
Bank overdrafts		81,215	68
Less: Cash and cash equivalents	16	(7,763,398)	(6,078,603)
Net debt		<u>2,771,867</u>	<u>1,559,505</u>
Total equity		<u>28,507,085</u>	<u>25,900,730</u>
Debt-to-equity ratio		<u>0.10</u>	<u>0.06</u>

There were no changes in the Group's approach to capital management during the financial year.

Except as disclosed in Note 21, the Group complies with all externally imposed capital requirements for the financial years ended 2018 and 2017.

39. Operating leases

(i) Leases as lessee

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Non-cancellable operating lease payable:				
- Within 1 year	270,542	231,212	1,018	18
- After 1 year but within 5 years	901,629	792,984	1,272	42
- After 5 years	1,737,826	2,056,475	-	-
	<u>2,909,997</u>	<u>3,080,671</u>	<u>2,290</u>	<u>60</u>

Land lease premium

Based on the agreement between the Federal Government and the Group in 1994 for the use of Ministry of Health facilities, the agreement allows the Group to construct buildings in connection with the use of facilities for the training of students. The land was leased to the Group for a period of 30 years, commencing 1 January 1999.

In July 2012, the Group was informed by Pesuruhjaya Tanah Persekutuan (Federal Land Commission) that the lease premium from 1 January 1999 to 31 December 2013 amounted to RM2,800,000 and the Group had accordingly made payments.

The Group has accrued annual lease premium of RM116,000 for 2014 and RM420,000 for 2015, 2016, 2017 and 2018 respectively.

The Group is unable to ascertain the amount of the lease premium from 2019 to 2028 as the lease amount payable is yet to be determined as at date of these financial statements.

(ii) Leases as lessor

The future minimum lease receivables under non-cancellable leases are as follows:

	Group	
	2018	2017
	RM'000	RM'000
Non-cancellable operating lease receivable:		
- Within 1 year	208,761	195,640
- After 1 year but within 5 years	642,896	606,365
- After 5 years	700,513	774,659
	<u>1,552,170</u>	<u>1,576,664</u>

40. Capital and other commitments

	Group	
	2018 RM'000	2017 RM'000
(a) Capital expenditure commitments		
<i>Property, plant and equipment and investment properties</i>		
- Contracted but not provided for in these financial statements	887,340	1,083,580
(b) Joint venture		
Share of capital commitment of joint venture	128,285	137,291
(c) Other commitments		

Pursuant to the acquisition of 31.1% equity interest in Fortis, NTK is required to carry out the following subsequent to year ended 31 December 2018:

- i. Mandatory Open Offer for acquisition of up to 26% of paid up equity Fortis shares at INR170 per share ("Fortis Open Offer").
- ii. Mandatory Open Offer for acquisition of up to 26% paid up equity shares of Fortis Malar Hospitals Limited ("Malar Open Offer")

The maximum number of Fortis shares that Northern TK Venture Pte Ltd ("NTK") will be acquiring will only be determined at a later date nearer to the start of the Fortis Open Offer. The maximum number of Fortis Malar Hospitals Limited shares, and the acquisition price per share, of the Malar Open Offer will only be determined at a later date nearer to the start of the Malar Open Offer.

In light of both open offers, an amount of RM1,970,800,000 was deposited in an escrow as described in Note 16.

On 14 December 2018, the Honorable Supreme Court of India had passed an order ("Order") directing "status quo with regard to the sale of controlling stake in Fortis to Malaysian IHH Healthcare Berhad to be maintained". In light of the Order, the Group is not able to proceed with the Fortis Open Offer for the time being until further order(s)/ clarification(s)/ direction(s) are issued by the Supreme Court of India and/or the Securities and Exchange Board of India. NTK is also not able to proceed with the Malar Open Offer as the Malar Open Offer is conditional upon the completion of the Fortis Open Offer.

41. Related parties

Related party transactions

Other than disclosed elsewhere in the financial statements, transactions carried out on terms agreed with the related parties are as follows:

	Group	
	2018	2017
	RM'000	RM'000
<u><i>With substantial shareholders and their related parties</i></u>		
Sales and provision of services	316,677	348,005
Purchases and consumption of services	(50,318)	(54,706)
Acquisition of approximately 15% equity interest in ASYH (Note 45(f))	<u>(1,465,957)</u>	<u>-</u>
<u><i>With key management personnel and their related parties</i></u>		
Sales and provision of services	9,448	13,157
Purchases and consumption of services	(64,461)	(88,318)
Acquisition of approximately 15% equity interest in ASYH (Note 45(f))	<u>(1,465,957)</u>	<u>-</u>
<u><i>With associates and joint ventures</i></u>		
Sales and provision of services	10,689	9,454
Rental income	1,583	1,708
Purchases and consumption of services	<u>(15,928)</u>	<u>(15,298)</u>
<u><i>With related corporations</i></u>		
Consultancy fees rendered	792	340
Purchases and consumption of services	<u>(3,459)</u>	<u>(3,512)</u>
<u><i>With director of a subsidiary</i></u>		
Consultancy fees paid	<u>(140)</u>	<u>(272)</u>

41. Related parties (continued)***Related party transactions (continued)***

	Company	
	2018	2017
	RM'000	RM'000
<u>With subsidiaries</u>		
Share-based payment transactions	27,600	40,118

Significant related party balances related to the above transactions are as follows:

	Group	
	2018	2017
	RM'000	RM'000
Trade and other receivables		
Substantial shareholders and their related parties	12,251	46,161
Key management personnel and their related parties	1,137	4,302
	<u>13,388</u>	<u>50,463</u>
Trade and other payables		
Substantial shareholders and their related parties	(3,213)	(3,907)
Key management personnel and their related parties	(4,802)	(4,976)
	<u>(8,015)</u>	<u>(8,883)</u>

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

From time to time, directors and key management personnel of the Group, or their related parties, may receive services and purchase goods from the Group. These services and purchases are on negotiated basis.

42. Acquisition and disposal of business

Disposal of business in 2018

During the year, Parkway Healthcare (Hong Kong) Limited ("PHHK") disposed of its panel network business for RM2,925,000. As no assets or liabilities were transferred during the sale, the Group recorded a gain of RM2,925,000 in the profit or loss.

Disposal of business in 2017

In July 2017, PHHK disposed of its aesthetic business for nil consideration.

	Note	RM'000
Property, plant and equipment	3	662
Inventories		296
Cash and cash equivalents		561
Trade and other payables		(1,306)
Fair value of net identifiable assets disposed		<u>213</u>
Cash consideration received		-
Fair value of net identifiable assets disposed		<u>(213)</u>
		(213)
Staff termination expenses paid		<u>(563)</u>
Loss on disposal of business	30	<u>(776)</u>
Staff termination expenses paid		(563)
Less: Cash and cash equivalents (net of bank overdrafts) disposed		<u>(561)</u>
Net cash out flows		<u>(1,124)</u>

43. Acquisitions of subsidiaries

Acquisitions of subsidiaries in 2018

- (a) In March 2018, Medical Resources International Pte Ltd acquired 60% equity interest in Chengdu Shenton Health Clinic Co., Ltd (formerly known as Sincere Chengdu Clinic Co., Ltd) ("Chengdu Shenton Clinic") from Beijing Yizhi Zhuoxin Corporate Management Information Co., Ltd for a total consideration of RMB12,000,000 (equivalent to RM7,418,000).
- (b) In October 2018, Pantai Hospitals Sdn. Bhd. completed the acquisition of 9,500,000 ordinary shares in Amanjaya Specialist Centre Sdn. Bhd. ("Amanjaya"), representing a 100% equity interests therein, for a total cash consideration of RM104,762,000.
- (c) In November 2018, NTK completed the subscription of 235,294,117 new equity shares of face value of Indian Rupee ("INR") 10 each ("Fortis Shares") in Fortis for a total cash consideration of INR39,999,999,980 (equivalent to RM2,383,160,000). Consequential thereto, NTK holds 31.1% of the equity interest of Fortis and obtained majority control of the Board of Fortis.

Fair value of consideration transferred

The following summarises fair value of each major class of consideration transferred or payable at the acquisition date:

	Chengdu Shenton Clinic RM'000	Amanjaya RM'000	Fortis Group (provisional) RM'000	Total RM'000
Cash and cash equivalents	7,418	104,762	2,383,160	2,495,340

43. Acquisitions of subsidiaries (continued)

Acquisitions of subsidiaries in 2018 (continued)

Identifiable assets acquired and liabilities assumed

The following summarises the recognised fair value of assets acquired and liabilities assumed at the date of acquisition:

		Chengdu Shenton Clinic	Amanjaya	Fortis Group (provisional)	Total
	Note	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	3	5,052	54,000	1,741,564	1,800,616
Intangible assets	6	-	-	57,065	57,065
Interests in associates		-	-	713,988	713,988
Interests in joint ventures		-	-	18,875	18,875
Deferred tax assets	11	-	-	257,146	257,146
Inventories		1	723	36,626	37,350
Tax recoverable		-	-	245,506	245,506
Trade and other receivables		163	4,962	517,602	522,727
Other financial assets		-	-	89,838	89,838
Cash and cash equivalents		667	9,246	2,437,013	2,446,926
Trade and other payables		(3,315)	(3,505)	(1,317,716)	(1,324,536)
Tax payable		-	(2)	(5,246)	(5,248)
Employee benefits		-	-	(66,439)	(66,439)
Bank overdrafts		-	-	(130,563)	(130,563)
Loans and borrowings		-	(22,043)	(1,012,847)	(1,034,890)
Deferred tax liabilities	11	-	(5,956)	(86,789)	(92,745)
Net identifiable assets acquired		2,568	37,425	3,495,623	3,535,616

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired in relation to the acquisitions of Chengdu Shenton Clinic and Amanjaya were as follows.

Assets acquired Valuation technique

Property, plant and equipment	<i>Market comparison technique and cost technique:</i> The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
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The fair value of Fortis Group's identifiable assets acquired, liabilities assumed, non-controlling interests in the acquisition are provisional in view that the acquisition was completed close to the reporting date and the purchase price allocation exercise cannot be completed by then. As permitted by MFRS 3, *Business Combinations*, provisional fair values can be used for a period of 12 months from the acquisition date to reflect the initial accounting for business combinations.

43. Acquisitions of subsidiaries (continued)

Acquisitions of subsidiaries in 2018 (continued)

Net cash outflow arising from acquisitions of subsidiaries

	Chengdu Shenton Clinic RM'000	Amanjaya RM'000	Fortis Group (provisional) RM'000	Total RM'000
Purchase consideration settled in cash and cash equivalents	7,418	104,762	2,383,160	2,495,340
Less: Cash and cash equivalents acquired	(667)	(9,246)	(2,306,450)	(2,316,363)
	<u>6,751</u>	<u>95,516</u>	<u>76,710</u>	<u>178,977</u>

Goodwill

	Note	Chengdu Shenton Clinic RM'000	Amanjaya RM'000	Fortis Group (provisional) RM'000	Total RM'000
Fair value of consideration transferred		7,418	104,762	2,383,160	2,495,340
Fair value of net identified assets acquired		(2,568)	(37,425)	(3,495,623)	(3,535,616)
Non-controlling interests, based on their proportionate interest in the net identifiable assets acquired		<u>1,027</u>	<u>-</u>	<u>2,651,981</u>	<u>2,653,008</u>
Goodwill	6	<u>5,877</u>	<u>67,337</u>	<u>1,539,518</u>	<u>1,612,732</u>

Goodwill comprises of expected synergies from integrating the operations of the Group and the acquiree, and expected upside potential from leveraging the Group's international private healthcare experience to operate the acquiree. Goodwill also includes value for assets that are not separately identifiable.

Acquisition-related costs

The Group incurred acquisition-related costs of approximately RM37,485,000 relating to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in other operating expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

43. Acquisitions of subsidiaries (continued)

Acquisitions of subsidiaries in 2018 (continued)

Post-acquisition contributions to the Group

	Chengdu Shenton Clinic RM'000	Amanjaya RM'000	Fortis Group (provisional) RM'000	Total RM'000
Revenue	317	8,783	217,111	226,211
Net (loss)/profit	(4,236)	2,184	10,572	8,520

If the above acquisitions had occurred on 1 January 2018, the Group would report a consolidated Group revenue of RM13,906,542,000 and a consolidated Group losses after tax of RM295,719,000[#] for the financial year.

[#] Arrived at after taken into consideration mainly the impairment loss of inter-corporate deposits of Fortis, approximately INR4.5 billion, equivalent to RM261.2 million (see Note 50) and impairment of Fortis' goodwill and investment totalled INR 5.5 billion, equivalent to RM322.9 million. Both impairments were recognised in profit or loss of Fortis prior to the acquisition by the Group on 13 November 2018.

Acquisitions of subsidiaries in 2017

- (a) In May 2017, Acibadem Saglik Hizmetleri ve Ticaret A.S. ("ASH") acquired 100% equity interest in ME-Dİ Sağlık Hizmetleri İthalat ve Ticaret A.Ş. ("ME-Di") comprising 110,000 shares from Dilaver Özturan for a total consideration of TL6,500,000 (equivalent to RM7,874,000). The intended principal activity of ME-Di is the provision of outpatient medical services. ME-Di has merged with ASH on 27 December 2017.
- (b) In July 2017, PPL subscribed for 5,104,849 ordinary shares in Angsana for a total consideration of SGD9,300,000 (equivalent to RM29,305,000) resulting in PPL holding 55% equity interest in Angsana and its subsidiaries.

Fair value of consideration transferred

The following summarises fair value of each major class of consideration transferred or payable at the acquisition date:

	ME-Di RM'000	Angsana RM'000	Total RM'000
Cash and cash equivalents	7,923	29,237	37,160

43. Acquisitions of subsidiaries (continued)

Acquisitions of subsidiaries in 2017 (continued)

Identifiable assets acquired and liabilities assumed

The following summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	Note	ME-Di RM'000	Angsana RM'000	Total RM'000
Property, plant and equipment	3	-	6,372	6,372
Intangible assets	6	7,923	-	7,923
Deferred tax assets	11	-	2	2
Inventories		-	408	408
Trade and other receivables		-	3,849	3,849
Cash and cash equivalents		-	30,426	30,426
Trade and other payables		-	(9,398)	(9,398)
Loans and borrowings		-	(6,343)	(6,343)
Net identifiable assets acquired		<u>7,923</u>	<u>25,316</u>	<u>33,239</u>

Following the completion of the final purchase price allocation in financial year 2018, no adjustments were made to the provisional fair values originally recorded in the prior year in respect of Angsana.

Net cash outflow arising from acquisitions of subsidiaries

	ME-Di RM'000	Angsana RM'000	Total RM'000
Purchase consideration settled in cash and cash equivalents	7,923	29,237	37,160
Less: Cash and cash equivalents acquired	-	(30,426)	(30,426)
	<u>7,923</u>	<u>(1,189)</u>	<u>6,734</u>

Goodwill

	Note	ME-Di RM'000	Angsana RM'000	Total RM'000
Fair value of consideration transferred		7,923	29,237	37,160
Fair value of net identified assets acquired		(7,923)	(25,316)	(33,239)
Non-controlling interests, based on their proportionate interest in the net identifiable assets acquired		-	11,392	11,392
Goodwill	6	<u>-</u>	<u>15,313</u>	<u>15,313</u>

43. Acquisitions of subsidiaries (continued)

Acquisition of subsidiaries in 2017 (continued)

Goodwill comprises of expected synergies from integrating the operations of the Group and the acquiree, and expected upside potential from leveraging the Group's international private healthcare experience to operate the acquiree. Goodwill also includes value for assets that are not separately identifiable.

Acquisition-related costs

The Group incurred acquisition-related costs of approximately RM1,782,000 relating to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in other operating expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

Post-acquisition contributions to the Group

	ME-Di RM'000	Angsana RM'000	Total RM'000
Revenue	-	2,975	2,975
Net loss	-	(6,959)	(6,959)

If the above acquisitions had occurred on 1 January 2017, the Group will report a consolidated Group revenue of RM11,148,027,000 and a consolidated Group profit after tax of RM822,810,000 for the financial year.

44. Disposal of a subsidiary

Disposal of a subsidiary in 2017

In November 2017, a 59.6% owned subsidiary, Acibadem Poliklinikleri A.S. ("POL") disposed of its 60% equity interest in SESU Ozel Saglik Hizmetleri Tibbi Malzemeler ve Ticaret A.S. ("SESU") to Ali Suat Gulluoglu ("Disposal") which was satisfied by share swap with Ali Suat Gulluoglu for his 30.10% equity interest in Medlife Clinic Ambulance ve Ozel Saglik Hizmetleri Ithalat ve Ihracat A.S. ("Medlife"). Following the Disposal, SESU ceased to be a subsidiary of POL.

The effects of the disposal are as follows:

	Note	RM'000
Property, plant and equipment	3	68
Intangible assets	6	217
Deferred tax assets	11	81
Inventories		39
Trade and other receivables		1,215
Tax recoverable		151
Cash and cash equivalents		9
Trade and other payables		(3,535)
Employee benefits		(1)
Loans and borrowings		(27)
Deferred tax liabilities	11	(132)
Net identifiable assets		(1,915)
Less: Non-controlling interests		766
Gain on disposal of a subsidiary recognised in profit or loss	30	1,149
Cash consideration		-
Less: Cash and cash equivalents disposed		(9)
Cash flow on disposal, net of cash disposed		(9)

45. Changes in ownership interest in subsidiaries

Changes in ownership interests in subsidiaries in 2018

- (a) In January 2018 and February 2018 respectively, Parkway-Healthcare Mauritius Limited ("PHML") acquired a total of 1.70% equity interest in Ravindranath GE Medical Associates Private Limited ("RGE") for a total cash consideration of INR272,109,000 (equivalent to RM16,863,000). Consequential thereto, IHH Group's interest in RGE increased from 76.25% to 77.96%.

The transaction resulted in a decrease in capital reserve and non-controlling interests of RM15,534,000 and RM1,329,000 respectively.

- (b) In February 2018, Parkway Holdings Limited ("PHL") disposed 26% equity interest in Gleneagles JPMC Sdn. Bhd. ("GJPMC") to Jerudong Park Medical Centre Sdn. Bhd. at a total consideration of BND4,203,000 (equivalent to RM12,509,000). Consequential thereto, the Group's interest in GJPMC decreased from 75.0% to 49.0%.

The transaction resulted in a decrease in capital reserve of RM6,425,000 and an increase in non-controlling interests of RM18,935,000.

- (c) In April 2018, PTM transferred 140,900 PLife REIT units that it owned to its eligible employees in accordance to PTM's LTIP. Consequential thereto, the Group's effective interest in PLife REIT was diluted from 35.69% to 35.66%.

The transaction resulted in an increase in capital reserve, non-controlling interests and hedge reserve of RM620,000, RM618,000 and RM1,000 respectively, and a decrease in foreign currency translation reserve of RM3,000.

- (d) In May 2018, GDPL subscribed for 35,087,716 new equity shares in Continental Hospitals Private Limited ("CHL") for a total consideration of INR1,400,000,000 (equivalent to RM82,600,000) pursuant to the rights issue undertaken by CHPL. Post the rights issue, GDPL's equity interest in CHPL increased from 53.13% to 62.23%.

The transaction resulted in a decrease in capital reserve of RM20,515,000 and an increase in non-controlling interest of RM20,515,000.

- (e) In August 2018, the Group's interest in RGE was diluted by 4.09% from 77.96% to 73.87% as the conversion ratio for the remaining tranches of CCPS held by the non-controlling interests were fixed and these CCPS were reclassified from other payables to equity.

The transactions resulted in an increase of RM60,830,000 and RM24,629,000 in the capital reserve and non-controlling interests respectively.

45. Changes in ownership interest in subsidiaries (continued)

Changes in ownership interests in subsidiaries in 2018 (continued)

- (f) In November 2018, Integrated Healthcare Hastaneler Turkey Sdn. Bhd. ("IHH Turkey") has completed the acquisition of 458,399,999 equity shares in ASYH from ASYH's existing two shareholders, namely Bagan Lalang Ventures Sdn. Bhd. and Mehmet Ali Aydinlar, through a share swap of 524,492,824 new ordinary shares of the Company. Consequential thereto, IHH Turkey's equity interest in ASYH has increased from 60.0% to approximately 90.0%.

The transactions resulted in an increase of RM2,931,915,000 and RM345,529,000 in share capital of the Company and non-controlling interests, respectively, and a decrease of RM3,277,444,000 in the capital reserve.

Changes in ownership interests in subsidiaries in 2017

- (a) In April 2017, PTM transferred 155,200 PLife REIT units that it owned to its eligible employees in accordance to PTM's Long Term Incentive Plan. Consequential thereto, the Group's effective interest in PLife REIT was diluted from 35.71% to 35.69%.

The transaction resulted in an increase in capital reserve, non-controlling interests and hedge reserve of RM898,000, RM257,000 and RM2,000 respectively, and a decrease in foreign currency translation reserve of RM3,000.

- (b) In April 2017, Parkway Group Healthcare Pte. Ltd. ("PGH") divested 29.9% equity interest in PCH to TK Healthcare Investment Limited ("Taikang") through a combination of secondary sale and allotment of new shares by PCH to Taikang as detailed below. Consequential thereto, the Group's effective interest in PCH decreased from 100% to 70.1%.

The transaction resulted in an increase in capital reserve and non-controlling interests of RM299,609,000 and RM310,734,000 respectively, and a decrease in foreign currency translation reserve of RM1,116,000.

Pursuant to the divestment, PGH received a deposit of RMB10,000,000 (equivalent to RM6,231,000) from the non-controlling interest for granting PGH a put option to require the non-controlling interest to purchase another 10.1% shares in PCH from PGH when the regulations allow the non-controlling interest to increase its stake in PCH. The put option is valid till July 2018 and the deposit is non-refundable if the put option is not exercised.

- (c) In April and June 2017, CHL allotted 3,807,106 and 2,358,071 equity shares respectively to GDPL. Consequential thereto, the Group's effective interest in CHL was increased from 51% to 53.13%.

The transactions resulted in a decrease in capital reserve of RM4,484,000 and an increase in non-controlling interests of RM4,484,000.

45. Changes in ownership interest in subsidiaries (continued)

Changes in ownership interests in subsidiaries in 2017 (continued)

- (d) In May 2017, Gleneagles (Malaysia) Sdn. Bhd. ("GMSB") acquired 269,444 ordinary shares representing approximately 1.107% of the total issued shares of Pulau Pinang Clinic Sdn. Bhd. ("PPCSB") from 3 minority shareholders for a total cash consideration of RM5,928,000. Consequential thereto, the Group's effective interest in PPCSB increased from 70.77% to 71.88%.

The transaction resulted in a decrease in capital reserve and non-controlling interests of RM3,008,000 and RM2,919,000 respectively.

- (e) In May 2017, ASH disposed of 15% equity interest in ACC to International Finance Corporation for a total consideration of EUR15,000,000 (equivalent to RM67,322,000). Consequential thereto, the Group's effective interest in ACC decreased from 41.2% to 32.2%.

The transaction resulted in an increase in capital reserve and non-controlling interests of RM93,000 and RM67,229,000 respectively.

- (f) In May 2017, ASH acquired 1.83% equity interest in ACC from Ilian Georgiev Grigorov for a total consideration of EUR1,468,000 (equivalent to RM6,957,000). Consequential thereto, the Group's effective interest in ACC increased from 32.2% to 33.3%.

The transaction resulted in a increase in capital reserve and a decrease in non-controlling interests of RM645,000 and RM7,795,000 respectively.

- (g) In November 2017, POL acquired the remaining 40% equity interest in Medlife and Ozel Turgutreis Poliklinik Hizmetleri Ticaret A.S. ("T.Reis"). Consequential thereto, the Group's effective interest in the 2 companies increased from 35.7% to 59.6%. The 2 companies were subsequently merged with POL and dissolved in December 2017.

The transaction resulted in a decrease in capital reserve and an increase in non-controlling interests of RM399,000 and RM399,000 respectively.

46. Subsidiaries

Details of subsidiaries are as follows:

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2018 %	2017 %
<u>Direct subsidiaries</u>				
IMU Health Sdn. Bhd.	Malaysia	Investment holding and provision of management services to its subsidiaries	100	100
Integrated Healthcare Holdings Limited	Federal Territory of Labuan Malaysia	Investment holding	100	100
Integrated Healthcare Holdings (Bharat) Limited #	Mauritius	Investment holding	100	100
Integrated Healthcare Turkey Yatirimlari Limited	Federal Territory of Labuan Malaysia	Investment holding	100	100
<u>Indirect subsidiaries</u>				
Held through IMU Health Sdn. Bhd.:				
IMU Education Sdn. Bhd.	Malaysia	Establishing and carrying on the business of managing educational institutions, colleges, schools and other centres of learning, research and education	100	100
IMU Healthcare Sdn. Bhd.	Malaysia	Investment holding and provision of healthcare services	100	100
IMC Education Sdn. Bhd.	Malaysia	Provision of educational programs and training courses for healthcare and related fields	100	100
Held through Integrated Healthcare Holdings Limited:				
Parkway Pantai Limited #	Singapore	Investment holding	100	100
Held through Integrated Healthcare Holdings (Bharat) Limited:				
Integrated (Mauritius) Healthcare Holdings Limited +	Mauritius	In the process of striking off	100	100
Held through IMU Healthcare Sdn. Bhd.:				
IMU Dialysis Sdn. Bhd.	Malaysia	Establishing, operating and managing dialysis centre(s) for the provision of haemodialysis services	60	60

46. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2018 %	2017 %
Held through Integrated Healthcare Turkey Yatirimlari Limited:				
Integrated Healthcare Hastaneler Turkey Sdn. Bhd.	Malaysia	Investment holding	100	100
Held through Parkway Pantai Limited:				
Parkway HK Holdings Limited ^{#(1)}	Hong Kong	Investment holding	100	100
Parkway Holdings Limited [#]	Singapore	Investment holding	100	100
Pantai Diagnostics Indonesia Sdn. Bhd.	Malaysia	Dormant	100	100
Pantai Holdings Sdn. Bhd.	Malaysia	Investment holding	100	100
Parkway Group Healthcare Pte Ltd ^{#(2)}	Singapore	Investment holding and provision of management and consultancy services	100	100
Gleneagles Development Pte Ltd ^{#(3)}	Singapore	Investment holding	100	100
Parkway Healthcare Indo-China Pte. Ltd. [#]	Singapore	Investment holding	100	100
Northern TK Venture Pte. Ltd [#]	Singapore	Investment holding	100	100
Angsana Holdings Pte. Ltd [#]	Singapore	Investment holding	55	55
Held through Integrated Healthcare Hastaneler Turkey Sdn. Bhd.:				
Acıbadem Sağlık Yatırımları Holding A.Ş. [#]	Turkey	Investment holding	90	60
Held through Acıbadem Sağlık Yatırımları Holding A.Ş.:				
APlus Hastane Otelcilik Hizmetleri A.Ş. [#]	Turkey	Provision of catering, laundry and cleaning services for hospitals	90	60
Acıbadem Proje Yönetimi A.Ş. [#]	Turkey	Supervise and manage the construction of healthcare facilities	90	60
Acıbadem Sağlık Hizmetleri ve Ticaret A.Ş. [#]	Turkey	Provision of medical, surgical and hospital services	89.8	59.6
Held through Acıbadem Sağlık Hizmetleri ve Ticaret A.Ş.:				
Acıbadem Poliklinikleri A.Ş. [#]	Turkey	Provision of outpatient and surgical (in certain clinics only) services	89.8	59.6

46. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2018 %	2017 %
Held through Acıbadem Sağlık Hizmetleri ve Ticaret A.Ş. (continued):				
Acıbadem Labmed Sağlık Hizmetleri A.Ş. #	Turkey	Provision of laboratory services	89.8	59.6
International Hospital İstanbul A.Ş. #	Turkey	Provision of medical, surgical and hospital services	80.8	53.6
Acıbadem Mobil Sağlık Hizmetleri A.Ş. #	Turkey	Provision of emergency, home and ambulatory care services	89.8	59.6
Clinical Hospital Acıbadem Sistina Skopje #	Macedonia	Provision of medical, surgical and hospital services	45.2	30.0
Acıbadem Sistina Medikal Kompani Doo Skopje #	Macedonia	Provision of medical equipment and import and wholesale of drug and medical materials	44.9	29.8
Acıbadem Ortadogu Saglik Yatirimlari A.Ş. #	Turkey	Construction and planning of healthcare facilities, provision of operation and management services to healthcare institutions and secondary logistic services such as catering cleaning, laundry services	89.8	59.6
Acıbadem International Medical Center B.V. #	Netherlands	Provision of outpatient services	89.8	59.6
Acıbadem Teknoloji A.Ş. #	Turkey	Conduct research, develop and commercially market healthcare information systems, web-based applications and other technology solutions nationally and internationally	89.8	59.6
APlus Saglik Hizmetleri A.S. #	Turkey	Provision of medical, surgical and hospital services	89.8	59.6
Acıbadem City Clinic B.V. #(4)	Netherlands	Investment holding	50.2	33.3

46. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2018 %	2017 %
Held through Acibadem Poliklinikleri A.Ş.:				
Gemtip Özel Sağlık Hizmetleri Sanayi ve Ticaret A.S. #	Turkey	Provision of outpatient services	61.1	40.5
Bodrum Medikal Özel Sağlık Hizmetleri Turizm Gıda İnşaat Pazarlama İthalat İhracat Sanayi ve Ticaret A.Ş. #	Turkey	Provision of outpatient services	53.9	35.7
Held through Clinical Hospital Acibadem Sistina Skopje:				
Ordinacija po Interna Medicina Acibadem Sistina Bitola 24 #	Bulgaria	Dissolved during the year	-	30.0
Poliklinika Acibadem Sistina Bitola 27 #	Bulgaria	Dissolved during the year	-	30.0
Held through Acibadem City Clinic B.V.:				
Acibadem City Clinic EAD #	Bulgaria	Investment holding	50.2	33.3
Held through Acibadem City Clinic EAD:				
Acibadem City Clinic University Hospital EOOD #	Bulgaria	University multi-profile hospital for acute care	50.2	33.3
Acibadem City Clinic Cardiac Surgery Hospital Burgas EOOD #	Bulgaria	Specialised hospital for acute care of cardiac surgery	35.1	23.3
Acibadem City Clinic Diagnostic and Consultative Centre EOOD #	Bulgaria	Outpatient diagnostic and consultative centre	50.2	33.3
Acibadem City Clinic Medical Center Varna EOOD #	Bulgaria	Outpatient medical centre	50.2	33.3
Acibadem City Clinic Medical Center Burgas EOOD #	Bulgaria	Outpatient medical centre	50.2	33.3
Acibadem City Clinic Pharmacies EOOD #	Bulgaria	Pharmacy	50.2	33.3
Healthcare Consulting EOOD #	Bulgaria	Clinical research	25.3	16.8
Tokuda Clinical Research Center AD #	Bulgaria	Clinical research	42.6	28.3

46. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2018 %	2017 %
Held through Acibadem City Clinic EAD (continued):				
Acibadem City Clinic Hospice EOOD #	Bulgaria	Hospice care centre	50.2	33.3
Tokuda Pharmacy EOOD #	Bulgaria	Pharmacy	50.2	33.3
Acibadem City Clinic Diagnostic and Consultation Center Tokuda EAD #	Bulgaria	Outpatient diagnostic and consultative centre	50.2	33.3
Acibadem City Clinic Tokuda Hospital EAD #	Bulgaria	Multi-profile hospital for acute care	50.2	33.3
Held through Pantai Holdings Sdn. Bhd.:				
Pantai Group Resources Sdn. Bhd.	Malaysia	Investment holding	100	100
Pantai Hospitals Sdn. Bhd.	Malaysia	Investment holding and provision of management and consultation services to hospitals and medical centres	100	100
Pantai Management Resources Sdn. Bhd.	Malaysia	Dormant	100	100
Gleneagles (Malaysia) Sdn. Bhd.	Malaysia	Investment holding	100	100
Held through Pantai Group Resources Sdn. Bhd.:				
P.T. Pantai Healthcare Consulting #(5)	Indonesia	Dormant	100	100
Pantai Premier Pathology Sdn. Bhd.	Malaysia	Provision of medical laboratory services	100	100
Pantai Integrated Rehab Services Sdn. Bhd.	Malaysia	Provision of rehabilitation services	100	100
Twin Towers Healthcare Sdn. Bhd.	Malaysia	In the process of Members' Voluntary Winding-up	100	100
Pantai Wellness Sdn. Bhd.	Malaysia	Provision of health and wellness services	100	100
POEM Corporate Health Services Sdn. Bhd.	Malaysia	Provision of occupational and environmental health services and other industry specific medical services to corporate clients	100	100
Twin Towers Medical Centre KLCC Sdn. Bhd.	Malaysia	Operation of an outpatient and daycare medical centre	100	100

46. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2018 %	2017 %
Held through Pantai Hospitals Sdn. Bhd.:				
Pantai Medical Centre Sdn. Bhd.	Malaysia	Provision of medical, surgical and hospital services, as well as providing administrative support, management and consultancy services	100	100
Cheras Medical Centre Sdn. Bhd.	Malaysia	Dormant	100	100
Pantai Klang Specialist Medical Centre Sdn. Bhd.	Malaysia	Dormant	100	100
Syarikat Tunas Pantai Sdn. Bhd.	Malaysia	Provision of medical, surgical and hospital services	100	100
Paloh Medical Centre Sdn. Bhd.	Malaysia	Provision of medical, surgical and hospital services	95.6	95.6
Hospital Pantai Ayer Keroh Sdn. Bhd.	Malaysia	Dormant	100	100
Hospital Pantai Indah Sdn. Bhd.	Malaysia	Provision of medical, surgical and hospital services	100	100
Pantai Hospital Sungai Petani Sdn. Bhd.	Malaysia	Dormant	100	100
Pantai Screening Services Sdn. Bhd.	Malaysia	Dormant	100	100
Gleneagles Hospital (Kuala Lumpur) Sdn. Bhd. ⁽⁶⁾	Malaysia	Dormant	100	100
Pantai Hospital Manjung Sdn. Bhd.	Malaysia	Dormant	100	100
Pantai Hospital Johor Sdn. Bhd.	Malaysia	Development, construction and leasing of medical facility buildings	100	100
Kuala Lumpur Medical Centre (Asia Pacific) Sdn. Bhd.	Malaysia	Struck off during the year	-	51
Amanjaya Specialist Centre Sdn. Bhd.	Malaysia	Specialist hospital	100	-

46. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2018 %	2017 %
Held through Pantai Medical Centre Sdn. Bhd.:				
Pantai-ARC Dialysis Services Sdn. Bhd.	Malaysia	Provision of haemodialysis services	51	51
HPAK Cancer Centre Sdn. Bhd.	Malaysia	Dissolved during the year	-	100
Oncology Centre (KL) Sdn. Bhd.	Malaysia	Provision of comprehensive professional oncological services, inclusive of diagnostic, radiotherapy and chemotherapy treatment	100	100
Held through Pantai Premier Pathology Sdn. Bhd.:				
Orifolio Options Sdn. Bhd.	Malaysia	Letting of property	100	100
Held through Gleneagles (Malaysia) Sdn. Bhd.:				
Pulau Pinang Clinic Sdn. Bhd.	Malaysia	Rendering of hospital services	71.88	71.88
GEH Management Services (M) Sdn. Bhd.	Malaysia	Dormant	100	100
Held through Parkway Healthcare Indo-China Pte Ltd:				
Andaman Alliance Healthcare Limited ^{#(13)}	Myanmar	Provision of medical and health related facilities and services	52	52
Held through Parkway HK Holdings Limited:				
Parkway Healthcare (Hong Kong) Limited [#]	Hong Kong	Provision of medical and healthcare outpatient services	100	100
GHK Hospital Limited [#]	Hong Kong	Private hospital ownership, development and management	60	60
Held through Parkway Holdings Limited:				
Parkway Hospitals Singapore Pte. Ltd. [#]	Singapore	Private hospitals ownership and management	100	100
Parkway Trust Management Limited [#]	Singapore	Provision of management services to PLife REIT	100	100

46. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2018 %	2017 %
Held through Parkway Holdings Limited: (continued)				
Parkway Investments Pte. Ltd. #	Singapore	Investment holding	100	100
Parkway Novena Pte. Ltd. #	Singapore	Development, ownership and management of private hospital premises	100	100
Parkway Irrawaddy Pte. Ltd. #	Singapore	Development, ownership and management of a medical centre	100	100
Parkway Shenton Pte Ltd #	Singapore	Investment holding and operation of a network of clinics and provision of comprehensive medical and surgical advisory services	100	100
Medi-Rad Associates Ltd #	Singapore	Operation of radiology clinics	100	100
Parkway Laboratory Services Ltd. #	Singapore	Provision of comprehensive diagnostic laboratory services	100	100
Gleneagles Medical Holdings Limited #	Singapore	Investment holding	100	100
Parkway College of Nursing and Allied Health Pte. Ltd. #	Singapore	Provision of courses in nursing and allied health	100	100
iXchange Pte. Ltd. #	Singapore	Agent and administrator for managed care and related services	100	100
Gleneagles JPMC Sdn. Bhd. #	Brunei Darussalam	Management and operation of a cardiac and cardiothoracic care centre	49	75
Gleneagles Management Services Pte Ltd #	Singapore	Provision of advisory, administrative, management and consultancy services to healthcare facilities	100	100

46. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2018 %	2017 %
Held through Parkway Hospitals Singapore Pte. Ltd.:				
Parkway Promotions Pte Ltd [#]	Singapore	Dormant	100	100
MENA Services Pte Ltd [#]	Singapore	Struck off during the year	-	100
Held through Parkway Group Healthcare Pte Ltd:				
Parkway-Healthcare (Mauritius) Ltd ^{##}	Mauritius	Investment holding	100	100
Gleneagles International Pte. Ltd. [#]	Singapore	Investment holding	100	100
Shanghai Gleneagles International Medical and Surgical Center [#]	People's Republic of China	Dissolved during the year	-	70
PCH Holding Pte. Ltd. [#]	Singapore	Investment holding	70.1	70.1
Shanghai Gleneagles Hospital Management Co., Ltd [#]	People's Republic of China	Provision of management and consultancy services to healthcare facilities	100	100
Held through PCH Holding Pte. Ltd.:				
Medical Resources International Pte Ltd [#]	Singapore	Investment holding	70.1	70.1
M & P Investments Pte Ltd [#]	Singapore	Investment holding	70.1	70.1
Parkway (Shanghai) Hospital Management Ltd. [#]	People's Republic of China	Provision of management and consultancy services to healthcare facilities	70.1	70.1
Held through M & P Investments Pte Ltd:				
ParkwayHealth Shanghai Hospital Company Limited (formerly known as ParkwayHealth Shanghai International Hospital Company Limited) [#]	People's Republic of China	Provision of medical and health related facilities and services	49.07	49.07
Gleneagles Chengdu Hospital Company Limited [#]	People's Republic of China	Provision of specialised care and services	49.07	49.07
ParkwayHealth Zifeng Nanjing OBGYN Hospital Company Limited [#]	People's Republic of China	Provision of medical and health related facilities and services	42.06	42.06
Held through Medi-Rad Associates Ltd:				
Radiology Consultants Pte Ltd [#]	Singapore	Provision of radiology consultancy and interpretative services	100	100

46. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2018 %	2017 %
Held through Gleneagles Development Pte Ltd:				
Continental Hospitals Private Limited ^{#(13)}	India	Private hospital ownership and management	62.23	53.13
Ravindranath GE Medical Associates Private Limited ^{#(7)(13)}	India	Private hospital ownership and management, specialty tertiary care including multi organ transplant healthcare facility	73.87	76.25
Parkway Healthcare India Private Limited ^{#(13)}	India	Provision of management and consultancy services	100	100
Held through Continental Hospitals Private Limited:				
C3 Health Community Corporation Private Limited ^{##(13)}	India	Operation of clinics	60.99	52.07
Continental Community Clinics Private Limited ^{##(13)}	India	Dormant	60.99	52.07
Held through Ravindranath GE Medical Associates Private Limited:				
Centre for Digestive and Kidney Diseases (India) Private Limited ^{#(13)}	India	Private hospital ownership and management, specialty tertiary care including multi organ transplant healthcare facility	48.00	49.55
Global Clinical Research Services Private Limited ^{#(13)}	India	Provision of clinical research services	73.63	76.02
Held through Parkway Shenton Pte Ltd:				
Nippon Medical Care Pte Ltd [#]	Singapore	Operation of clinics	70	70
Parkway Shenton International Holdings Pte. Ltd. [#]	Singapore	Investment holding	100	100
Shenton Family Medical Clinics Pte Ltd [#]	Singapore	To provide, establish and carry on the business of clinics	100	100
Held through Parkway Shenton International Holdings Pte. Ltd.:				
Parkway Shenton Vietnam Limited ⁺	Vietnam	Dormant	100	100

46. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2018 %	2017 %
Held through Medical Resources International Pte Ltd:				
Shanghai Rui Xin Healthcare Co., Ltd. ^{#(8)}	People's Republic of China	Provision of medical and healthcare outpatient services	70.1	70.1
Shanghai Rui Hong Clinic Co., Ltd. ^{#(9)}	People's Republic of China	Provision of medical and healthcare outpatient services	70.1	70.1
Shanghai Xin Rui Healthcare Co., Ltd. ^{#(10)}	People's Republic of China	Provision of medical and healthcare outpatient services	70.1	70.1
Chengdu Shenton Health Clinic Co., Ltd (formerly known as Sincere Chengdu Clinic Co., Ltd) [#]	People's Republic of China	Management and operation of medical and health related facilities and services	42.06	-
Held through Parkway (Shanghai) Hospital Management Ltd.:				
Shanghai Shu Kang Hospital Investment Management Co., Ltd. [#]	People's Republic of China	Investment holding	70.1	70.1
Suzhou Industrial Park Yuan Hui Clinic Co., Ltd. [#]	People's Republic of China	Provision of medical and healthcare outpatient services	70.1	70.1
Held through Shanghai Shu Kang Hospital Investment Management Co., Ltd.:				
Shanghai Mai Kang Hospital Investment Management Co., Ltd. [#]	People's Republic of China	Investment holding	70.1	70.1
Held through Shanghai Mai Kang Hospital Investment Management Co., Ltd.:				
Chengdu Rui Rong Clinic Co., Ltd. [#]	People's Republic of China	Provision of medical and healthcare outpatient services	70.1	70.1
Shanghai Rui Pu Clinic Co., Ltd. [#]	People's Republic of China	Provision of medical and healthcare outpatient services	70.1	70.1
Shanghai Rui Xiang Clinic Co., Ltd. [#]	People's Republic of China	Provision of medical and healthcare outpatient services	70.1	70.1
Shanghai Rui Ying Clinic Co., Ltd. [#]	People's Republic of China	Provision of medical and healthcare outpatient services	70.1	70.1

46. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2018 %	2017 %
Held through Northern TK Venture Pte Ltd:				
Fortis Healthcare Limited ^{##(13)}	India	Investment holding	31.1	-
Held through Fortis Healthcare Limited:				
Hiranandani Healthcare Private Limited ^{##(13)}	India	Operates a multi-specialty hospital	31.1	-
Fortis Hospotel Limited ^{###(13)}	India	Operates clinical establishment	15.86	-
Fortis La Femme Limited ^{##(13)}	India	Investment holding	31.1	-
Fortis Healthcare International Limited ^{##(13)}	Mauritius	Investment holding	31.1	-
SRL Limited ^{##(13)}	India	Operates a network of diagnostics centres	17.66	-
Escorts Heart Institute and Research Centre Limited ^{##(13)}	India	Operates a multi-specialty hospital	31.1	-
Fortis Hospitals Limited ^{##(13)}	India	Operates a network of multi-specialty hospitals	31.1	-
Fortis CSR Foundation ^{###(13)}	India	Non-profit Company for carrying out Corporate Social Responsibilities	31.1	-
Held through SRL Limited:				
SRL Diagnostics Private Limited ^{##(13)}	India	Operates a network of diagnostics centres	17.66	-
SRL Reach Limited ^{##(13)}	India	Operates a network of diagnostics centres	17.66	-
SRL Diagnostics FZ-LLC ^{###(13)}	United Arab Emirates	Operates a network of diagnostics centres	17.66	-
Held through SRL Diagnostics FZ-LLC:				
SRL Diagnostic Middle East LLC ^{##(13)}	United Arab Emirates	Investment holding	8.65	-

46. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2018 %	2017 %
Held through Fortis Hospitals Limited				
Fortis Emergency Services Limited ^{##(13)}	India	Operates ambulance services	31.1	-
Fortis Cancer Care Limited ^{##(13)}	India	Investment holding	31.1	-
Fortis Malar Hospitals Limited ^{##(13)}	India	Operates a multi-specialty hospital	19.58	-
Fortis Health Management (East) India Limited ^{##(13)}		Operates a hospital	31.1	-
Birdie & Birdie Realtors Private Limited ^{##(13)}	India	Renting of immovable property	31.1	-
Stellant Capital Advisory Services Private Limited ^{##(13)}	India	Merchant banker	31.1	-
Fortis Global Healthcare (Mauritius) Limited ^{##(13)}	Mauritius	Investment holding	31.1	-
Held through Escorts Heart Institute and Research Centre Limited:				
Fortis Asia Healthcare Pte. Limited ^{##(13)}	Singapore	Investment holding	31.1	-
Fortis Health Staff Limited ^{##(13)}	India	Operates a network of Heart Command centres	31.1	-
Held through Fortis Asia Healthcare Pte. Limited:				
Fortis Healthcare International Pte Limited ^{##(13)}	Singapore	Investment holding	31.1	-
Held through Fortis Healthcare International Pte Limited:				
MENA Healthcare Investment Company Limited ^{##(13)}	British Virgin Islands	Investment holding	25.67	-
Held through Mena Healthcare Investment Company Limited:				
Medical Management Company Limited ^{##(13)}	British Virgin Islands	Investment holding	25.67	-
Held through Fortis Malar Hospitals Limited:				
Malar Stars Medicare Limited ^{##(13)}	India	Investment holding	19.58	-
Held through Stellant Capital Advisory Services Private Limited:				
RHT Health Trust Manager Pte Limited ^{##(13)}	Singapore	Trustee-manager of a Business Trust	31.1	-

46. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2018 %	2017 %
Held through Parkway Investments Pte. Ltd.:				
Gleneagles Technologies Services Pte Ltd [#]	Singapore	Dormant	100	100
Gleneagles Medical Centre Ltd. [#]	Singapore	Dormant	100	100
Gleneagles Pharmacy Pte Ltd [#]	Singapore	Dormant	100	100
Mount Elizabeth Medical Holdings Ltd. [#]	Singapore	Investment holding	100	100
Parkway Life Real Estate Investment Trust ^{# (11)}	Singapore	Real estate investment trust	35.66	35.69
Held through Parkway Life Real Estate Investment Trust:				
Matsudo Investment Pte. Ltd. [#]	Singapore	Investment holding	35.66	35.69
Parkway Life Japan2 Pte. Ltd. [#]	Singapore	Investment holding	35.66	35.69
Parkway Life Japan3 Pte. Ltd. [#]	Singapore	Investment holding	35.66	35.69
Parkway Life Japan4 Pte. Ltd. [#]	Singapore	Investment holding	35.66	35.69
Parkway Life MTN Pte. Ltd. [#]	Singapore	Provision of financial and treasury services	35.66	35.69
Parkway Life Malaysia Pte. Ltd. [#]	Singapore	Investment holding	35.66	35.69
Held through Matsudo Investment Pte. Ltd.:				
Godo Kaisha Phoebe ⁽¹²⁾	Japan	Special purpose entity - Investment in real estate	35.66	35.69
Held through Parkway Life Japan2 Pte. Ltd.:				
Godo Kaisha Del Monte ⁽¹²⁾	Japan	Special purpose entity - Investment in real estate	35.66	35.69
Godo Kaisha Tenshi 1 ⁽¹²⁾	Japan	Special purpose entity - Investment in real estate	35.66	35.69
Godo Kaisha Tenshi 2 ⁽¹²⁾	Japan	Special purpose entity - Investment in real estate	35.66	35.69
G.K. Nest ⁽¹²⁾	Japan	Special purpose entity - Investment in real estate	35.66	-

46. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2018 %	2017 %
Held through Parkway Life Japan3 Pte. Ltd.:				
Godo Kaisha Healthcare 1 ⁽¹²⁾	Japan	Special purpose entity - Investment in real estate	35.66	35.69
Godo Kaisha Healthcare 2 ⁽¹²⁾	Japan	Special purpose entity - Investment in real estate	35.66	35.69
Godo Kaisha Healthcare 3 ⁽¹²⁾	Japan	Special purpose entity - Investment in real estate	35.66	35.69
Godo Kaisha Healthcare 4 ⁽¹²⁾	Japan	Special purpose entity - Investment in real estate	35.66	35.69
Godo Kaisha Healthcare 5 ⁽¹²⁾	Japan	Special purpose entity - Investment in real estate	35.66	35.69
Held through Parkway Life Japan4 Pte. Ltd.:				
Godo Kaisha Samurai ⁽¹²⁾	Japan	Special purpose entity - Investment in real estate	35.66	35.69
Godo Kaisha Samurai 2 ⁽¹²⁾	Japan	Special purpose entity - Investment in real estate	35.66	35.69
Godo Kaisha Samurai 3 ⁽¹²⁾	Japan	Special purpose entity - Investment in real estate	35.66	35.69
Godo Kaisha Samurai 4 ⁽¹²⁾	Japan	Special purpose entity - Investment in real estate	35.66	35.69
Godo Kaisha Samurai 5 ⁽¹²⁾	Japan	Special purpose entity - Investment in real estate	35.66	35.69
Godo Kaisha Samurai 6 ⁽¹²⁾	Japan	Special purpose entity - Investment in real estate	35.66	35.69
Godo Kaisha Samurai 7 ⁽¹²⁾	Japan	Special purpose entity - Investment in real estate	35.66	35.69
Godo Kaisha Samurai 8 ⁽¹²⁾	Japan	Special purpose entity - Investment in real estate	35.66	35.69
Godo Kaisha Samurai 9 ⁽¹²⁾	Japan	Special purpose entity - Investment in real estate	35.66	35.69
Godo Kaisha Samurai 10 ⁽¹²⁾	Japan	Special purpose entity - Investment in real estate	35.66	35.69
Godo Kaisha Samurai 11 ⁽¹²⁾	Japan	Special purpose entity - Investment in real estate	35.66	35.69
Godo Kaisha Samurai 12 ⁽¹²⁾	Japan	Special purpose entity - Investment in real estate	35.66	35.69

46. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2018 %	2017 %
Held through Parkway Life Malaysia Pte. Ltd.:				
Parkway Life Malaysia Sdn. Bhd. ##	Malaysia	Special purpose entity - Investment in real estate	35.66	35.69
Held through Angsana Holdings Pte. Ltd.:				
Angsana Molecular & Diagnostics Laboratory Pte. Ltd. #	Singapore	Provision of medical laboratories including biochemistry, chemistry, haematology and molecular blood analysis and testing	55	55
Angsana Molecular & Diagnostics Laboratory (HK) Limited#	Hong Kong	Provision of molecular diagnostic assays and services	55	55
Angsana Molecular & Diagnostics Laboratory Sdn. Bhd.#	Malaysia	Research laboratories and carry on business, including taking blood samples for testing	55	55
Held through Angsana Molecular & Diagnostics Laboratory Pte. Ltd.:				
Allergy Laboratory Pte Ltd#	Singapore	Dormant	55	55

¹ PPL holds 99.99% shares in Parkway HK Holdings Limited. The other 0.01% shares are held by PHL.

² PPL holds 78.52% shares in Parkway Group Healthcare Pte Ltd ("PGH"). The other 21.48% shares are held by PHL.

³ PPL holds more than 99.99% shares in Gleneagles Development Pte Ltd. The remaining are held by Gleneagles International Pte Ltd.

⁴ ASH and Clinical Hospital Acibadem Sistina Skopje hold 48.3% and 15.0% shares in ACC respectively.

⁵ Pantai Group Resources Sdn. Bhd. holds 50% shares in P.T. Pantai Healthcare Consulting. The other 50% is held by Pantai Hospitals Sdn. Bhd. ("PHSB").

⁶ PHSB holds 70% shares in Gleneagles Hospital (Kuala Lumpur) Sdn. Bhd.. The other 30% is held by Gleneagles (Malaysia) Sdn. Bhd..

⁷ Gleneagles Development Pte Ltd holds 72.26% (2017: 76.25%) share in Ravindranath GE Medical Associates Pte Ltd ("RGE"). The other 1.61% is held by Parkway-Healthcare (Mauritius) Ltd. The Group consolidated 73.87% (2017: 76.25%) of RGE on the basis of shareholding interests that give rise to present access to the rights and rewards of ownership in RGE. The Group's equity interest in RGE is 73.87% (2017: 72.26%) on a fully diluted basis.

46. Subsidiaries (continued)

- ⁸ Medical Resources International Pte Ltd ("MRI") holds 70% shares in Shanghai Rui Xin Healthcare Co., Ltd.. The other 30% is held by Shanghai Mai Kang Hospital Investment Management Co., Ltd. ("Shanghai Mai Kang").
- ⁹ MRI holds 70% shares in Shanghai Rui Hong Clinic Co., Ltd.. The other 30% is held by Shanghai Mai Kang.
- ¹⁰ MRI holds 70% shares in Shanghai Xin Rui Healthcare Co., Ltd.. The other 30% is held by Shanghai Mai Kang.
- ¹¹ Parkway Investment Pte. Ltd., PTM and Integrated Healthcare Holdings Limited hold 35.25% (2017: 35.25%), 0.38% (2017: 0.40) and 0.04% (2017: 0.04%) of the units in PLife REIT respectively.
- ¹² Not required to be audited under the laws of country of incorporation. These special purpose entities have been consolidated in the financial statements in accordance with MFRS 10, as the Group primarily bears the risks and enjoys the benefits of the investments held by these special purpose entities.
- ¹³ The entity was granted approval by Companies Commission of Malaysia to have a financial year which does not coincide with the Company.
- # Audited by other member firms of KPMG International.
- ## Audited by firms other than member firms of KPMG International.
- + Audit is not required.

47. Associates

Details of associates are as follows:

Name of associate	Place of incorporation and business	Principal activities	Effective equity interest held	
			2018 %	2017 %
<u>Indirect associates</u>				
Held through Gleneagles (Malaysia) Sdn. Bhd.:				
Gleneagles Medical Centre (Kuala Lumpur) Sdn. Bhd. ##	Malaysia	Dissolved during the year	-	30

47. Associates (continued)

Name of associate	Place of incorporation and business	Principal activities	Effective equity interest held	
			2018 %	2017 %
Held through Gleneagles Medical Holdings Limited:				
PT Tritunggal Sentra Utama Surabaya ^{##}	Indonesia	Provision of medical diagnostic services	30	30
Asia Renal Care Mount Elizabeth Pte Ltd ^{##}	Singapore	Provision of dialysis services and medical consultancy services	20	20
Asia Renal Care (Katong) Pte Ltd ^{##}	Singapore	Provision of dialysis services and medical consultancy services	20	20
Held through Medi-Rad Associates Ltd:				
Positron Tracers Pte. Ltd. [#]	Singapore	Ownership and operation of a cyclotron for production of radioactive tracers	33	33
Held through Fortis Healthcare Limited:				
Sunrise Medicare Private Limited ^{##}	India	Liquidation in process	9.72	-
Held through Fortis Healthcare International Limited:				
The Medical and Surgical Centre Mauritius Limited ^{##}		Operates a multi-specialty hospital	8.98	-
RHT Health Trust ^{## (1)}	Singapore	Investment holding company	8.65	-
Held through Fortis Healthcare International Pte Limited:				
Lanka Hospitals Corporation Plc [#]	Sri Lanka	Operates a multi-specialty hospital	8.91	-

¹. Fortis Healthcare International Limited holds 25.14% share in RHT Health Trust. The other 2.68% is held by RHT Health Trust Manager Pte Limited.

Audited by other member firms of KPMG International.

Audited by firms other than member firms of KPMG International.

48. Joint ventures

Details of joint ventures are as follows:

Name of joint venture	Place of incorporation and business	Principal activities	Effective equity interest held	
			2018 %	2017 %
<u>Indirect joint ventures</u>				
Held through Gleneagles Development Pte Ltd:				
Apollo Gleneagles Hospital Ltd ##	India	Private hospital ownership and management	50	50
Held through Parkway-Healthcare (Mauritius) Ltd:				
Apollo Gleneagles PET-CT Private Limited ##	India	Operation of PET-CT radio imaging centre	50	50
Held through Shenton Family Medical Clinics Pte Ltd:				
Shenton Family Medical Clinic (Ang Mo Kio) ⁺	Singapore	Operation of medical clinic	60	-
Shenton Family Medical Clinic (Bedok Reservoir) ⁺	Singapore	Operation of medical clinic	50	50
Shenton Family Medical Clinic (Bukit Gombak) ⁺	Singapore	Deregistered	-	50
Shenton Family Medical Clinic (Duxton) ⁺	Singapore	Operation of medical clinic	50	50
Shenton Family Medical Clinic (Jurong East) ⁺	Singapore	Operation of medical clinic	50	50
Shenton Family Medical Clinic (Serangoon) ⁺	Singapore	Deregistered	-	50
Shenton Family Medical Clinic (Tampines) ⁺	Singapore	Operation of medical clinic	50	50
Shenton Family Medical Clinic (Yishun) ⁺	Singapore	Operation of medical clinic	50	50
Shenton Family Medical Clinic (Towner) ⁺	Singapore	Operation of medical clinic	50	50

48. Joint ventures (continued)

Name of joint venture	Place of incorporation and business	Principal activities	Effective equity interest held	
			2018 %	2017 %
Held through Parkway Shenton Pte Ltd:				
Hale Medical Clinic (Concourse) Pte Ltd ##	Singapore	In liquidation	50	50
Held through Parkway Group Healthcare Pte Ltd:				
Khubchandani Hospitals Private Limited ##	India	Dormant	50	50
Held through Shanghai Mai Kang Hospital Investment Management Co., Ltd.:				
Shanghai Hui Xing Hospital Investment Management Co., Ltd. (1)#	People's Republic of China	Investment holding	42.06	42.06
Held through Shanghai Hui Xing Hospital Investment Management Co., Ltd.:				
Shanghai Hui Xing Jinpu Clinic Co., Ltd. #	People's Republic of China	Provision of medical and healthcare outpatient services	42.06	42.06
Held through SRL Limited:				
SRL Diagnostics (Nepal) Private Limited##	Nepal	Operates a network of diagnostics centers	8.83	-
Held through SRL Diagnostics Private Limited:				
DDRC SRL Diagnostics Private Limited##	India	Operates a network of diagnostics centers	8.83	-
Held through Fortis Hospitals Limited:				
Fortis C-Doc Healthcare Limited## (1)	India	Operates a hospital	18.66	-
Held through Fortis Cancer Care limited:				
Fortis Cauvery (Partnership firm) ##	India	Under members voluntary liquidation	15.86	-

1. The Group has accounted for the entity as a joint venture in accordance with MFRS on the basis that the entity's operating decisions are made jointly with the joint venture partner.

Audited by other member firms of KPMG International.

Audited by firms other than member firms of KPMG International.

+ Audit is not required.

49. Contingent liabilities

The following are the material litigations and investigations of Fortis which occurred prior to the Group's acquisition of its 31.1% interest in Fortis in November 2018:

- a) In respect of Escorts Heart Institute and Research Centre Limited ("EHIRCL"), a subsidiary of Fortis:
 - i. The Delhi Development Authority ("DDA") had terminated the lease deeds and allotment letters relating to land parcels on which the Fortis Escorts Hospital exists due to certain alleged non-compliances of such documents. Consequent to the termination, the DDA issued show cause notices and initiated eviction proceedings against EHIRCL. These terminations, show cause notices and eviction proceedings have been challenged by EHIRCL before the Hon'ble High Court of Delhi, Hon'ble Supreme Court and Estate Officer, respectively which are currently pending. Based on the external legal counsel opinions, EHIRCL is of the view that it will be able to suitably defend the termination orders, show cause notices and eviction proceedings.
 - ii. Further EHIRCL also has open tax demands of INR893.4 million (equivalent to RM52.5 million) for various assessment years before the Indian Income-tax authorities. While the Commissioner of Income Tax (Appeals) decided the case in favour of EHIRCL in the past, the Income Tax Department has filed an appeal before Income Tax Appellate Tribunal ("ITAT") and the matter is currently pending at the ITAT. Based on management assessment, EHIRCL believes that it has a good chance of success in these cases. Nevertheless, EHIRCL has a right to appeal to the High Court and the Supreme Court of India, thereafter.
 - iii. In relation to the judgement of the Hon'ble High Court of Delhi relating to provision of free treatment/beds to the economically weaker sections of society pursuant to such obligations set forth under certain land grant orders/allotment letters ("EWS Obligations"), the Directorate of Health Services ("DoHS"), Government of NCT of Delhi, appointed a firm to calculate "unwarranted profits" arising to EHIRCL due to alleged non-compliance of such EWS Obligations. Following various hearings and appeals between 2014 and 2018, in a hearing before the DoHS in May 2018, an order was passed imposing a penalty of INR5.03 billion (equivalent to RM295.5 million) which was challenged by EHIRCL before the Delhi High Court. Through an order dated 1 June 2018, the Delhi High Court has issued notice and directed that no coercive steps may be taken subject to EHIRCL depositing a sum of INR50 million (equivalent to RM2.9 million) before the DoHS. In compliance of the above direction, EHIRCL had deposited the stipulated amount on 20 June 2018. A hearing in this matter was held on 12 March 2019 and was adjourned for the next hearing on 25 April 2019. Based on its internal assessment and advice from its counsels on the basis of the documents available, EHIRCL believes it is in compliance of the EWS Obligations and expects the demand to be set aside.

49. Contingent liabilities (continued)

- b) In respect of Hiranandani Healthcare Private Limited (“HHPL”), a subsidiary of Fortis:

Through an order dated 8 January 2017, the Navi Mumbai Municipal Corporation (“NMMC”) has terminated the lease agreements with HHPL (“Termination Order”) for certain alleged contravention of such hospital lease agreement. HHPL has filed a writ petition before the Hon’ble Supreme Court of India towards challenging the Termination Order. The writ petition has been tagged with special leave petition which has also been filed by HHPL for *inter alia* challenging the actions of State Government, City Industrial Development Corporation and the NMMC which led to the passing of the Termination Order. The Hon’ble Supreme Court of India in the hearing held on 30 January 2017 ordered that *status quo* be maintained with regard to the operation of the hospital. Further, the special leave petition has been admitted by the Hon’ble Supreme Court on 22 January 2018 and *status quo* has been continuing ever since. Based on external legal counsel’s opinion, HHPL is confident that it is in compliance of conditions of the hospital lease agreements and accordingly considers that no provisions were required.

- c) A civil suit has been filed by a third party (“Claimant”) against Fortis and certain subsidiaries (together “Defendants”) before the District Court, Delhi alleging, *inter alia*, implied ownership of the “Fortis”, “SRL” and “La-Femme” brands in addition to certain other financial claims and seeking a decree that consequent to a term sheet with a certain party, Fortis is liable for claims due to the Claimant from that certain party. In connection with this, the District Court passed an *ex-parte* order directing that any transaction undertaken by the defendants, in favour of any other party, affecting the interest of the Claimant shall be subject to orders passed by the District Court in the said civil suit. Additionally, the said certain party with whom the term sheet had been allegedly signed has also claimed that Fortis has not abided by the aforementioned term sheet and has therefore claimed alleged ownership over the brands apart from the alleged claim to have a right to invest in Fortis.

Fortis has filed written statements denying all allegations made against it and sought for dismissal of the said civil suit. Allegations made by the said certain party have been duly responded by Fortis denying (i) execution of any binding agreement with certain party, and (ii) liability of any kind whatsoever.

In addition to the above, Fortis has also received four notices from the Claimant claiming (i) INR180 million (equivalent to RM10.6 million) as per notices dated 30 May 2018, and 1 June 2018, (ii) INR2,158 million (equivalent to RM126.7 million) as per notice dated 4 June 2018, and (iii) INR196 million (equivalent to RM11.5 million) as per notice dated 4 June 2018. All these notices have been responded by Fortis denying any liability whatsoever.

Based on opinions from external legal counsel, Fortis Board believes that the claims are without legal basis and are not tenable and accordingly, no provisions were required.

49. Contingent liabilities (continued)

- d) Fortis, having considered all necessary facts and taking into account external legal advice, had decided to treat as non-est the Letter of Appointment dated 27 September 2016, as amended, ("LOA") issued to Malvinder Mohan Singh, the erstwhile Executive Chairman in relation to his appointment as "Lead: Strategic Initiatives" in the Strategy Functions. The external legal counsel has also advised that the payments made to him under this LOA would be considered to be covered under the limits of Section 197 of the Indian Companies Act, 2013.

In view of the above, Fortis has taken requisite action to recover the amounts paid to the erstwhile Executive Chairman during his tenure under the aforesaid LOA and certain additional amounts reimbursed in relation to expenses incurred (in excess of amounts approved by the Central Government under Section 197 of the Indian Companies Act 2013 for remuneration & other reimbursement), aggregating to INR200.2 million (equivalent to RM11.8 million).

The erstwhile Executive Chairman has claimed an amount of INR461.0 million (equivalent to RM27.1 million) from Fortis towards his terms of employment. Fortis Board has responded denying any liability whatsoever in this regards.

Fortis has also filed a complaint against the erstwhile Executive Chairman before the Economic Offence Wing, New Delhi in the above matter.

50. Matters arising from investigations

The Group completed its acquisition of Fortis Healthcare Limited ("Fortis") and its subsidiaries ("Fortis Group") in November 2018. Prior to this acquisition, an investigation report by an independent external legal firm was submitted to the former Fortis board and there are ongoing investigations on Fortis by the Securities and Exchange Board of India ("SEBI") and the Serious Fraud Investigation Office ("SFIO"), Ministry of Corporate Affairs of India, both further explained below.

- a) Independent investigation by external legal firm (prior to the acquisition of Fortis by IHH Group)

The external legal firm's significant findings revealed that the Fortis Group had made investment placements in the nature of inter-corporate deposits ("ICDs") with three companies ("borrowing companies") totalling INR4,450 million (equivalent to RM261.2 million) which were impaired in full in the financial statements for the year ended 31 March 2018 of Fortis Group. The Fortis Group is in the process of evaluating the legal alternatives available to recover the aforesaid balances and interest thereon. The report suggested that the ICDs were utilised by the borrowing companies (possible related parties of Fortis Group in substance) for granting/repayment of loans to certain entities whose former directors of Fortis are connected with the former controlling shareholders of Fortis.

Additionally, the placement of ICDs, their subsequent assignment and the cancellation of such assignment were done without following the normal treasury operations and treasury mandate of Fortis Group; and without specific authorisation by the former board of Fortis.

50. Matters arising from investigations (continued)

a) Independent investigation by external legal firm (prior to the acquisition of Fortis by IHH Group) (continued)

As disclosed in Note 49 – Contingent Liabilities, a third party (to whom the ICDs were previously assigned) filed a civil suit in February 2018 against various entities including Fortis and have, *inter alia*, claimed implied ownership of brands “Fortis”, “SRL” and “La-Femme”. In the suit, it claimed that consequent to a term sheet, Fortis is liable for claims due to the third party from a certain party, in addition to total claims of INR2,534 million (equivalent to RM148.8 million) and other claims by the said certain party. Based on advice from external legal counsel, Fortis believes that these claims are without legal basis and are not tenable and accordingly, no provisions were required. Whilst this legal matter was included as part of the terms of reference of the investigation, the merits of the case cannot be reported since the matter was *sub-judice*.

Fortis Group acquired 71% equity interest in Fortis Healthstaff Limited (“Fortis Healthcare”) at consideration of INR346,000 (equivalent to RM20,000), and 51% equity interest in Fortis Emergency Services Limited (“Fortis Emergency Services”) at consideration of INR25,000 (equivalent to RM1,500). Loans of INR79.45 million (equivalent to RM4.7 million) and INR20.8 million (equivalent to RM1.2 million), were advanced to these newly-acquired subsidiaries to repay the outstanding unsecured loan amounts due to companies related to the former controlling shareholders of Fortis. The report suggested that the loan repayment and some other payments to companies connected to the former controlling shareholders of Fortis may have been ultimately routed through various intermediary companies and used for repayment of the ICDs/vendor advance to Fortis Group.

b) Regulatory investigations (prior to the acquisition of Fortis by IHH Group)

On 17 October 2018 and 21 December 2018, SEBI issued interim orders, indicating, amongst others, certain transactions were structured by some identified entities, which were *prima facie* fictitious and fraudulent in nature, resulting in, *inter alia*, diversion of funds from the Fortis Group for the ultimate benefit of former controlling shareholders of Fortis (and certain entities controlled by them) and misrepresentation in financial statements for the year ended 31 March 2018 of Fortis Group. Further, it issued certain interim directions, *inter alia*, directing Fortis shall take all necessary steps to recover INR4,030 million (equivalent to RM236.7 million), along with due interest, from former controlling shareholders of Fortis and various other entities identified in the orders.

The matter before SEBI is *sub-judice* and its investigation has not yet concluded.

Similarly, the investigation by the SFIO is ongoing. Fortis Group has been submitting all the information required by the various investigating agencies and is fully cooperating in the investigations/ inquiries.

50. Matters arising from investigations (continued)

c) Actions taken by Fortis Group

With respect to the above findings by the external legal firm, the Fortis Board has implemented specific improvement projects to strengthen the process and control environment. These include review and revision of operational and financial authority levels, greater oversight by Fortis Board, review and improve financial reporting processes, more robust secretarial documentation in regards to compliance to regulatory requirements and improving systems design and control enhancement. Accordingly, steps have been taken in relation to enhanced authority levels for payments/transfer of funds within Fortis Group, and review of borrowings above certain levels by the Fortis Board. Fortis Group had also disengaged itself from the former controlling shareholders. Fortis Board continues to evaluate other areas to strengthen processes and build a robust governance framework. The Fortis Board has initiated an enquiry of the management of the certain entities in the Fortis Group that were impacted in respect of the matters investigated by the external legal firm. To this end, Fortis Board will also initiate a forensic audit to ascertain the extent of diversion of funds from Fortis Group.

As per the directions from SEBI, Fortis Group has taken steps to recover dues from the former controlling shareholders of Fortis and various other entities. These include initiating civil actions against these entities demanding recovery of the outstanding amounts together with interest and to secure repayment of the outstanding amounts on the assets of these entities.

Based on the findings of investigations to-date, all identified/required adjustments/disclosures have been recorded in the financial statements of Fortis Group prior to the Group's acquisition in November 2018. Any further adjustments/disclosures, if required, would be made in the financial statements of Fortis Group pursuant to the above actions to be taken by the internal/regulatory investigations, as and when the outcome of the above is known. Any consequential adjustments may be recorded either as adjustments to the assets acquired and liabilities assumed in the acquisition which will have an impact to the provisional goodwill recognised by the Group on acquisition of Fortis under the purchase price allocation exercise, or as post-acquisition adjustments to be recognised in the financial statements of the Group in the period the adjustments are known.

51. Subsequent event

On 15 January 2019, Fortis had completed the acquisition of the equity and other securities of the following entities from Fortis Global Healthcare Infrastructure Pte Ltd, the wholly-owned subsidiary of RHT Health Trust (an associate of the Group), for a total cash consideration of INR46,663 million (equivalent to RM2,740.0 million). Post completion of the acquisition, the following entities have become direct/indirect wholly-owned subsidiaries of Fortis and thus become indirect subsidiaries of the Company:

- (i) International Hospitals Limited;
- (ii) Fortis Health Management Limited;
- (iii) Escorts Heart and Super Speciality Hospital Limited;
- (iv) Hospitalia Eastern Private Limited; and
- (v) Fortis Hospotel Limited.

52. Significant changes in accounting policies

During the year, the Group and the Company adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* on their financial statements. The Group and the Company generally applied the requirements of these accounting standards retrospectively with practical expedients and the transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives.

Impacts on financial statements

The application of MFRS 15 and MFRS 9 had no material impact on the financial statements of the Group and the Company.

Accounting for financial instruments

a) Transition

In adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

- i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Difference in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly the information presented for 2017 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement*.
- ii) The following assessments have been made based on the facts and circumstances that existed at the date of initial application:
 - The determination of the business model within which a financial asset is held;
 - The designation and revocation of previous designation of certain financial assets and financial liabilities as measured at FVTPL; and
 - The designation of certain investment in equity instruments not held for trading as at FVOCI.
- iii) If an investment in a debt security had low credit risk at the date of initial application of MFRS 9, the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.
- iv) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

52. Significant changes in accounting policy (continued)

Accounting for financial instruments (continued)

b) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

The following table show the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and liabilities as at 1 January 2018.

Category under MFRS 139 Group	31 December 2017 RM'000	1 January 2018			
		Reclassification to new MFRS 9 category			
		AC RM'000	Mandatorily at FVTPL RM'000	FVOCI- equity instruments RM'000	Derivatives used for hedging RM'000
Financial assets					
Loans and receivables					
Amount due from a joint venture	19,710	19,710	-	-	-
Trade and other receivables ⁽¹⁾	1,429,526	1,429,526	-	-	-
Cash and cash equivalents	6,078,603	6,078,603	-	-	-
Other financial asset					
- Fixed deposits	163,558	163,558	-	-	-
Derivative asset					
- Put option	1,625	-	1,625	-	-
	7,693,022	7,691,397	1,625	-	-
Available-for-sale					
Equity instruments	11,385	-	-	11,385	-
Derivatives used for hedging					
Cross currency interest swap	5,036	-	-	-	5,036
FVTPL					
Derivative asset					
- Foreign exchange forward contracts	19,167	-	19,167	-	-

¹ Excludes prepayments

52. Significant changes in accounting policy (continued)

Accounting for financial instruments (continued)

b) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued)

Category under MFRS 139 Group	31 December 2017 RM'000	1 January 2018			
		Reclassification to new MFRS 9 category			
		AC RM'000	Mandatorily at FVTPL RM'000	FVOCI- equity instruments RM'000	Derivatives used for hedging RM'000
Financial liabilities					
Financial liabilities measured at amortised cost					
Trade and other payables ⁽²⁾	(2,458,444)	(2,458,444)	-	-	-
Loans and borrowings	(7,638,040)	(7,638,040)	-	-	-
Bank overdrafts	(68)	(68)	-	-	-
	<u>(10,096,552)</u>	<u>(10,096,552)</u>	<u>-</u>	<u>-</u>	<u>-</u>
FVTPL					
CCPS liabilities	(93,185)	-	(93,185)	-	-
Derivative liabilities					
- Call option	(22,493)	-	(22,493)	-	-
	<u>(115,678)</u>	<u>-</u>	<u>(115,678)</u>	<u>-</u>	<u>-</u>
Derivatives used for hedging					
	-				
Interest rate swaps	(4,240)	-	-	-	(4,240)

² Excludes deposits, rental advance billings, put option liabilities and CCPS liabilities

52. Significant changes in accounting policy (continued)

Accounting for financial instruments (continued)

b) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued)

Category under MFRS 139 Company	31 December 2017 RM'000	1 January 2018			
		Reclassification to new MFRS 9 category			
		AC RM'000	Mandatorily at FVTPL RM'000	FVOCI- equity instruments RM'000	Derivatives used for hedging RM'000
Financial assets					
Loans and receivables					
Trade and other receivables ⁽¹⁾	2,266	2,266	-	-	-
Amounts due from subsidiaries	14,848	14,848	-	-	-
Cash and cash equivalents	1,564,893	1,564,893	-	-	-
	<u>1,582,007</u>	<u>1,582,007</u>	-	-	-
Financial liabilities					
Financial liabilities measured at amortised cost					
Trade and other payables ⁽²⁾	(7,605)	(7,605)	-	-	-
Amounts due to subsidiaries	(814)	(814)	-	-	-
	<u>(8,419)</u>	<u>(8,419)</u>	-	-	-

¹ Excludes prepayments

² Excludes deposits, rental advance billings, put option liabilities and CCPS liabilities

53. Comparative information – Group

During the year, the Group reclassified certain balances from interest in associates and interest in joint ventures upon adoption of MFRS 9, *Financial Instruments*. Other balances were also reclassified to more appropriately reflect the nature of the balances. Comparative amounts in the statements of financial position were restated to conform with current year's presentation. The reclassifications did not have any effect on the statements of comprehensive income and cash flows.

The effects of the reclassification are set out below:

	As previously reported RM'000	Reclassification RM'000	Restated RM'000
<u>Statement of financial position</u>			
Group			
31 December 2017			
Non-current assets			
Interests in associates	7,632	813	8,445
Interests in joint ventures	153,970	(14,852)	139,118
Current assets			
Trade and other receivables	1,489,590	15,292	1,504,882
Non-current liabilities			
Loans and borrowings	6,103,785	844,268	6,948,053
Employee benefits	45,590	6,852	52,442
Trade and other payables	1,814,177	(844,268)	969,909
Current liabilities			
Employee benefits	83,954	10,079	94,033
Trade and other payables	2,811,505	(15,678)	2,795,827

IHH Healthcare Berhad

(Company No. 901914-V)

(Incorporated in Malaysia)

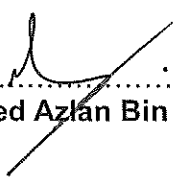
and its subsidiaries

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 11 to 189 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as of 31 December 2018 and of their financial performances and cash flows for the financial year then ended.

The Directors would like to draw your attention to Note 50. Given the ongoing regulatory investigations, any further adjustments/disclosures, if required, would be made in the financial statements of the Group as appropriate when the outcome is known.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....

Dato' Mohammed Azlan Bin Hashim
 Director

.....

Dr. Tan See Leng
 Director

1 April 2019

IHH Healthcare Berhad

(Company No. 901914-V)

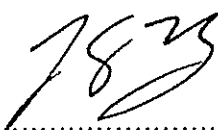
(Incorporated in Malaysia)

and its subsidiaries

Statutory declaration pursuant to Section 251(1)(b) of the Companies Act 2016

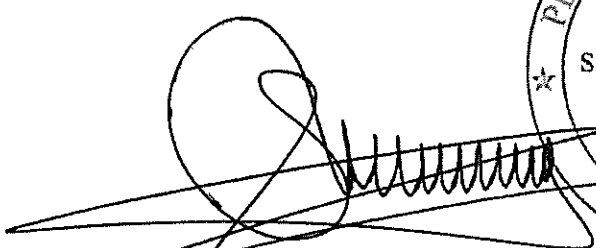
I, **Low Soon Teck**, the officer primarily responsible for the financial management of IHH Healthcare Berhad, do solemnly and sincerely declare that the financial statements set out on pages 11 to 189 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

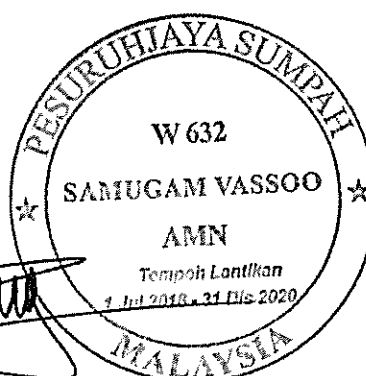
Subscribed and solemnly declared by the abovenamed Low Soon Teck, Passport No.: K0764500H at Kuala Lumpur in the Federal Territory on 1 April 2019



Low Soon Teck

Before me:


Commissioner for Oaths
Kuala Lumpur, Malaysia



No. 10-1, Jalan Bangsar Utama 1,
Bangsar Utama,
59000 Kuala Lumpur.

KPMG PLT
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IHH HEALTHCARE BERHAD

(Company No. 901914-V)

(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of IHH Healthcare Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 11 to 189.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performances and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Qualified Opinion

As disclosed in Note 50 to the financial statements, the Group completed its acquisition of Fortis Healthcare Limited ("Fortis") and its subsidiaries ("Fortis Group") on 13 November 2018. Prior to the acquisition, an investigation report by an independent external legal firm was submitted to the former Fortis board, relating to systematic lapses/override of internal controls. Significant findings, amongst others, highlighted the placement of inter-corporate deposits and existence of possible related parties connected with former controlling shareholders of Fortis which may require appropriate reassessment by Fortis Group on the claims from, or transactions with, such parties. The Fortis Group had also initiated enquiries of the management of the entities in the Fortis Group that were impacted in respect of the matters investigated by the external legal firm.

In addition, there are ongoing investigations by the Securities and Exchange Board of India ("SEBI") and the Serious Fraud Investigation Office ("SFIO"), Ministry of Corporate Affairs of India. On 17 October 2018 and 21 December 2018, SEBI had issued interim orders which, amongst others, stating that certain transactions were structured by some identified entities, which were *prima facie* fictitious and fraudulent in nature, resulting in, *inter alia*, diversion of funds by former controlling shareholders of Fortis.

Due to the ongoing process of the various inquiries/investigations (including the need for any additional investigations by Fortis), the external auditors of Fortis are unable to determine if there are any regulatory non-compliances and additional adjustments/disclosures which may be necessary as a result of further findings of the ongoing or future regulatory/internal investigations and the consequential impact, if any, on the consolidated financial statements of Fortis. Any consequential adjustments may be recorded either as adjustments to the assets acquired and liabilities assumed in the acquisition which will have an impact to the provisional goodwill recognised by the Group on acquisition of Fortis under the purchase price allocation exercise, or as post-acquisition adjustments to be recognised in the financial statements of the Group in the period the adjustments are known.

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Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

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

a. Impairment of the goodwill and intangible assets – Group

Refer to Note 2(f) and 2(g) - Significant accounting policies: "Goodwill on consolidation" and "Intangible assets" and Note 6 - Goodwill on consolidation and intangible assets.

The key audit matter

As at 31 December 2018, the Group's goodwill and intangible assets of RM13.9 billion represents 30.9% of the Group's total assets.

In view of the financial significance of the balance, the inherent uncertainties and the level of judgement required by us in evaluating the Group's assumptions included within the cash flow model and fair value less costs to sell model, impairment of goodwill and intangible assets is a key audit matter.

The Group conducted an impairment assessment on all its cash-generating units ("CGUs") to identify if the recoverable amount is less than the carrying amount, indicating that the goodwill and intangible assets may be impaired. The Group determined the recoverable amounts of CGUs using value in use model involving cash flow projections with a terminal value or fair value less costs to sell model. Key assumptions within these models include revenue growth, EBITDA margin, long-term growth rates, discount rates and an appropriate control premium percentage.

During the year, an impairment charge of RM66.2million was recognised in the profit or loss of the Group in respect of one cash generating unit where its recoverable amount is less than the Group's carrying amount.

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Key Audit Matters (continued)

a. Impairment of the goodwill and intangible assets – Group (continued)

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We assessed the appropriateness of using value in use or fair value less costs to sell models as the basis for determining the CGUs' recoverable amounts.
- We evaluated the Group's cash flow projections by performing retrospective assessment of the key assumptions driving the business units' cash flow projections, in particular revenue growth and EBITDA margin, to the latest internal board approved budget and plan, external market data, the historical accuracy of the Group's estimates in the previous years and our understanding of the future prospects of the business or investments.
- We worked with our own valuation specialists to challenge the discount rates, long-term growth rates and control premium percentage, and comparing these assumptions to economic and industry forecasts.
- We performed our own sensitivity of the impairment calculation to changes in the key assumptions used by the Group to assess the extent of the changes that would be required for the assets to be impaired.
- We also assessed the adequacy of key assumptions disclosure in the Group's financial statements.

b. Basis of consolidation of investment in Fortis Healthcare Limited as a subsidiary – Group

Refer to Note 2(a) – Significant accounting policies: "Basis of consolidation", Note 7 – Investment in subsidiaries, and Note 43 – Acquisition of subsidiaries.

The key audit matter

During the year, the Group acquired 31.1% equity interest in Fortis Healthcare Limited ("Fortis") for a consideration of INR 40 billion (approximately RM2.3 billion).

Given that the interest in Fortis is at 31.1%, assessing whether the Group obtained control to direct the investment in Fortis requires judgement and to classify as a subsidiary on the date of acquisition is a key audit matter.

The Group assessed that with majority representation on the board of Fortis by virtue of share subscription agreement, the Group has control over the board of Fortis and accordingly, the investment in Fortis was classified as a subsidiary on the date of acquisition.

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Key Audit Matters (continued)

b. Basis of consolidation of investment in Fortis Healthcare Limited as a subsidiary – Group (continued)

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We evaluated the appropriateness of management's assessment on when the Group obtained control over Fortis by examining of the terms and conditions of the share subscription agreement and other related documents in relation to the subscription of 31.1% equity interest.
- We performed an independent discussion and collaborate with the Company's India-based external lawyers who were involved in the drafting and finalising of the share subscription agreement, on the terms and conditions of the share subscription agreement and related local laws and regulations.
- We have also assessed the adequacy of the disclosures for the classification as a subsidiary and acquisition in the Group's financial statements.

c. Impairment of investment in a subsidiary – Company

Refer to Note 2(a)(i) – Significant accounting policies: "Subsidiaries" and Note 7 – Investment in subsidiaries.

The key audit matter

During the year, the Company continues to face challenges in its investment in Turkey, in particular the continuing depreciation of Turkish Lira currency over the years. This increased the risk that the Company's RM5.5 billion cost of investment in the subsidiary that holds the Turkey investment, exceeds its recoverable amount. We identified the carrying value of the Company's investment in the subsidiary as a key audit matter as it required us to exercise judgement in evaluating the appropriateness of the assumptions used which include revenue growth, EBITDA margin, long-term growth rate, discount rate and EBITDA multiple, in deriving the recoverable amount of this investment.

Based on the impairment assessment performed by management using the recoverable amount as the greater of value in use ("VIU") or fair value less costs to sell ("FVLCTS"), an impairment loss of RM2.3 billion was charged to the profit or loss of the Company for the current year.

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Key Audit Matters (continued)

c. Impairment of investment in a subsidiary – Company (continued)

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We assessed the Company's assessment on indicators of impairment in investment in subsidiary.
- We assessed the appropriateness of using value in use ("VIU") or fair value less costs to sell ("FVLCTS") models as the basis for determining the subsidiary's recoverable amount and checked the mathematical accuracy of these models.
- We evaluated the subsidiary's VIU and FVLCTS models by performing retrospective assessment of the key assumptions driving the subsidiary's cash flow projections, in particular revenue growth, EBITDA and EBITDA margin, to the latest internal board approved budget and plan, external market data, the historical accuracy of the subsidiary's estimates in the previous years and our understanding of the future prospects of the investment.
- We worked with our own valuation specialists to challenge the discount rate, long-term growth rate and EBITDA multiple, and comparing these assumptions to economic and industry forecasts.
- We performed our own sensitivity of the impairment calculation to changes in the key assumptions used by the subsidiary to assess the extent of the changes that would be required for the assets to be impaired.
- We also assessed the adequacy of key assumptions disclosure in the Company's financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company 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 the annual report, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 approved standards on auditing in Malaysia and International Standards on Auditing 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 approved standards on auditing in Malaysia and International Standards on Auditing, 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 of the Group and of the Company, 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 internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of the Directors' 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 ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company 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 auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' 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 auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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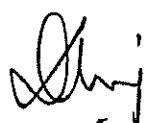
Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 46 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.


KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants


Chong Dee Shiang
Approval Number: 02782/09/2020 J
Chartered Accountant

Petaling Jaya, Malaysia

1 April 2019