

# FINANCIAL STATEMENTS



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## DIRECTORS' REPORT

for the year ended 31 December 2017

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 2017.

### 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	969,953	711,026
Non-controlling interests	(140,125)	–
	<u>829,828</u>	<u>711,026</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 RM247,171,000 for the financial year ended 31 December 2016 on 18 July 2017.

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 2017 totalling RM247,714,000, 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

Kuok Khooon Ean

Shirish Moreshwar Apte

Bhagat Chintamani Aniruddha

Quek Pei Lynn (Alternate Director to Bhagat Chintamani Aniruddha)

Koji Nagatomi

Takeshi Saito (Alternate Director to Koji Nagatomi)

Tan Sri Dato' Dr. Abu Bakar Bin Suleiman

Satoshi Tanaka

Koichiro Sato (Alternate Director to Satoshi Tanaka)

Appointed on 1 April 2017  
 Appointed on 1 April 2017  
 Retired on 31 December 2017  
 Resigned on 1 April 2017  
 Ceased on 1 April 2017

## 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 2017
	At 1 January 2017	Options exercised	Bought	Sold	
<b>Interests in the Company</b>					
Tan Sri Dato' Dr. Abu Bakar Bin Suleiman	2,923,000	79,000	–	–	3,002,000
Dr. Tan See Leng					
– Direct	12,763,800	1,690,000	–	(4,000,000)	10,453,800
Mehmet Ali Aydinlar					
– Direct	175,321,000	881,000	–	–	176,202,000
– Deemed	88,910,861	–	–	–	88,910,861
Chang See Hiang					
– Direct	100,000	–	–	–	100,000
Kuok Khoon Ean					
– Direct	250,000	–	–	–	250,000
	Number of ordinary shares of TL1.00 each				
	At 1 January 2017	Options exercised	Bought	Sold	At 31 December 2017
<b>Interests in subsidiaries</b>					
<b>Acıbadem Sağlık Yatırımları Holding A.Ş. ("ASYH")</b>					
Mehmet Ali Aydinlar					
– Direct	354,533,087	–	–	–	354,533,087
– Deemed	27,466,913	–	–	–	27,466,913
<b>Acıbadem Sağlık Hizmetleri ve Ticaret A.Ş. ("ASH")</b>					
Mehmet Ali Aydinlar					
– Direct	1	–	–	–	1
– Deemed	1	–	–	–	1
<b>Acıbadem Poliklinikleri A.Ş.</b>					
Mehmet Ali Aydinlar					
– Direct	1	–	–	–	1
– Deemed	3	–	–	–	3
<b>Acıbadem Proje Yönetimi A.Ş.</b>					
Mehmet Ali Aydinlar					
– Direct	1	–	–	–	1
<b>Aplus Hastane Otelcilik Hizmetleri A.Ş.</b>					
Mehmet Ali Aydinlar					
– Direct	1	–	–	–	1
– Deemed	2	–	–	–	2

**DIRECTORS' REPORT**

for the year ended 31 December 2017

**DIRECTORS' INTERESTS** (continued)

	Number of ordinary shares of TL2.00 each				At 31 December 2017
	At 1 January 2017	Options exercised	Bought	Sold	
<b>Interests in a subsidiary</b>					
<b>International Hospital Istanbul A.Ş.</b>					
Mehmet Ali Aydinlar					
– Direct	1	–	–	–	1
– Deemed	1	–	–	–	1
<b>Number of units convertible into ordinary shares</b>					
	At 1 January 2017	Granted	Exercised	Lapsed/ cancelled	At 31 December 2017
<b>Interests in the Company</b>					
<b>Long Term Incentive Plan (“LTIP”)</b>					
Tan Sri Dato’ Dr. Abu Bakar Bin Suleiman	69,000	65,000	(79,000)	–	55,000
Dr. Tan See Leng	1,645,000	1,278,000	(1,690,000)	–	1,233,000
Mehmet Ali Aydinlar	861,000	680,000	(881,000)	–	660,000
<b>Number of options over ordinary shares</b>					
	At 1 January 2017	Granted	Exercised	Lapsed/ cancelled	At 31 December 2017
<b>Interests in the Company</b>					
<b>Enterprise Option Scheme (“EOS”)</b>					
Tan Sri Dato’ Dr. Abu Bakar Bin Suleiman	250,000	–	–	–	250,000
Dr. Tan See Leng	14,229,000	–	–	–	14,229,000
<b>Number of units</b>					
	At 1 January 2017	Options exercised	Bought	Sold	At 31 December 2017
<b>Interests in a subsidiary</b>					
<b>Parkway Life Real Estate Investment Trust (“PLife REIT”)</b>					
Chang See Hiang					
– Direct	300,000	–	–	–	300,000
Shirish Moreshwar Apte					
– Direct	150,000	–	–	–	150,000
<b>Value of perpetual securities held</b>					
	At 1 January 2017 USD’000	Bought USD’000	Sold USD’000	At 31 December 2017 USD’000	
<b>Perpetual securities issued by a subsidiary</b>					
<b>Parkway Pantai Limited</b>					
Dr. Tan See Leng	–	3,000	–	3,000	

## **DIRECTORS' INTERESTS** *(continued)*

Except as disclosed in the page before, none of the other Directors holding office at 31 December 2017 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 a benefit 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) 7,290,400 new ordinary shares pursuant to the surrender of vested LTIP units; and
- (ii) 593,000 new ordinary shares pursuant to the exercise of vested EOS options.

Upon completion of the above, the issued and fully paid number of shares of the Company increased from 8,231,700,239 to 8,239,583,639 as at 31 December 2017.

In July 2017, the Group, through its wholly owned subsidiary, Parkway Pantai Limited, issued senior perpetual securities with an aggregate principal amount of US\$500.0 million (approximately RM2,130.8 million). Details of the senior perpetual securities are disclosed in Note 20 to the financial statements.

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:

### ***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.

## DIRECTORS' REPORT

for the year ended 31 December 2017

### OPTIONS GRANTED OVER UNISSUED SHARES *(continued)*

#### **EOS** *(continued)*

- (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.

#### **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.

## **OPTIONS GRANTED OVER UNISSUED SHARES** *(continued)*

### **LTIP** *(continued)*

- (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.

Since the commencement of the schemes, until the end of the current financial year, no options had been granted to substantial shareholders or its associates and no options that entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of other corporations had been granted.

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 RM474,000.

## **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 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 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.

## DIRECTORS' REPORT

for the year ended 31 December 2017

### OTHER STATUTORY INFORMATION *(continued)*

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 2017 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 44 to the financial statements.

### SUBSEQUENT EVENTS

The events subsequent to the end of the reporting period are as disclosed in Note 49 to the financial statements.

### 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

26 March 2018



## 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 186 to 316 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 2017 and of their financial performances and cash flows for the financial year then ended.

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

26 March 2018

## 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 186 to 316 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.: E4721422H at Kuala Lumpur in the Federal Territory on 26 March 2018.

.....  
**Low Soon Teck**

Before me:

Commissioner for Oaths  
Kuala Lumpur, Malaysia

## 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 2017 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 186 to 316.

In our opinion, 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 2017, 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 Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### 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.

#### Impairment of the goodwill and intangible assets (RM13.0 billion)

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 2017, the Group's goodwill and intangible assets represents 33% of the Group's total assets.

In view of the size 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 given the uncertainties in economic environment faced at the Group's markets, including geopolitical situation in Turkey region, 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 amount of CGUs using value in use model involving five-year projections with a terminal value. Key assumptions within this model include revenue growth, EBITDA margin, long-term growth rates and discount rates.

## **Report on the Audit of the Financial Statements** *(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 (“VIU”) as the basis for determining the CGUs’ recoverable amount and checked the mathematical accuracy of the cash flow model used to estimate VIU.
- We evaluated the Group’s future cash flow model by performing retrospective assessment of the accuracy of the projections, disaggregating and understanding the underlying business units’ cash flow projections, including comparing the inputs to the business’ own forecast, including revenue growth and EBITDA margin, to the latest internal board approved budget and plan, external market data and our understanding of the future prospects of the business or investment.
- We worked with our own valuation specialists to challenge the discount rates and long-term growth rates, and comparing these assumptions to external market data.
- We performed our own sensitivity of the impairment calculation to changes in the key assumptions used by the Group.
- We also assessed the adequacy of key assumptions disclosure in the Group’s financial statements.

We have determined that there is no key audit matter in the audit of the separate financial statements of the Company to communicate in our auditors’ report.

### **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.

### **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.

## INDEPENDENT AUDITORS' REPORT

to the Members of IHH Healthcare Berhad (Company No. 901914-V)  
(Incorporated in Malaysia) *(continued)*

### Report on the Audit of the Financial Statements *(continued)*

#### 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.
- 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.

## **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: 02782/09/2018 J  
Chartered Accountant

Petaling Jaya, Malaysia  
26 March 2018

## STATEMENTS OF FINANCIAL POSITION

as at 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Assets</b>					
Property, plant and equipment	3	13,141,621	13,140,531	1,722	2,144
Prepaid lease payments	4	1,036,631	1,143,479	–	–
Investment properties	5	3,109,985	3,033,107	–	–
Goodwill on consolidation	6	10,692,198	11,076,000	–	–
Intangible assets	6	2,278,442	2,489,642	–	–
Investment in subsidiaries	7	–	–	15,650,650	16,401,113
Interests in associates	8	7,632	7,657	–	–
Interests in joint ventures	9	153,970	153,154	–	–
Other financial assets	10	15,052	1,198,230	–	–
Trade and other receivables	14	65,462	74,014	12,229	24,852
Tax recoverable		37,552	30,378	–	–
Derivative assets	26	12,422	2,303	–	–
Deferred tax assets	11	229,855	240,596	–	–
<b>Total non-current assets</b>		<b>30,780,822</b>	<b>32,589,091</b>	<b>15,664,601</b>	<b>16,428,109</b>
Development properties	12	75,027	28,987	–	–
Inventories	13	281,914	252,589	–	–
Trade and other receivables	14	1,489,590	1,441,683	15,041	7,398
Amounts due from subsidiaries	15	–	–	14,848	13,089
Tax recoverable		37,627	72,471	–	–
Other financial assets	10	160,235	351,674	–	70,574
Derivative assets	26	13,406	1,040	–	–
Cash and cash equivalents	16	6,078,603	2,443,181	1,564,893	225,839
		8,136,402	4,591,625	1,594,782	316,900
Assets classified as held for sale	17	7,004	7,240	–	–
<b>Total current assets</b>		<b>8,143,406</b>	<b>4,598,865</b>	<b>1,594,782</b>	<b>316,900</b>
<b>Total assets</b>		<b>38,924,228</b>	<b>37,187,956</b>	<b>17,259,383</b>	<b>16,745,009</b>

The notes on pages 199 to 316 are an integral part of these financial statements.

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Equity</b>					
Share capital	18	16,462,994	8,231,700	16,462,994	8,231,700
Share premium	19	–	8,185,160	–	8,185,160
Other reserves	19	1,478,287	2,292,652	54,779	46,520
Retained earnings		3,948,881	3,276,228	730,716	266,200
<b>Total equity attributable to owners of the Company</b>		<b>21,890,162</b>	<b>21,985,740</b>	<b>17,248,489</b>	<b>16,729,580</b>
Perpetual securities	20	2,158,664	–	–	–
Non-controlling interests		1,851,904	1,907,417	–	–
<b>Total equity</b>		<b>25,900,730</b>	<b>23,893,157</b>	<b>17,248,489</b>	<b>16,729,580</b>
<b>Liabilities</b>					
Loans and borrowings	21	6,103,785	6,852,782	–	–
Employee benefits	22	45,590	41,398	49	41
Trade and other payables	25	1,814,177	1,666,595	–	–
Derivative liabilities	26	3,742	24,860	–	–
Deferred tax liabilities	11	1,011,220	1,067,265	–	–
<b>Total non-current liabilities</b>		<b>8,978,514</b>	<b>9,652,900</b>	<b>49</b>	<b>41</b>
Bank overdrafts	16	68	11,348	–	–
Loans and borrowings	21	689,987	622,968	–	–
Employee benefits	22	83,954	71,910	797	394
Trade and other payables	25	2,811,505	2,612,446	7,605	12,403
Derivative liabilities	26	22,991	19,173	–	–
Amounts due to subsidiaries	15	–	–	814	2,320
Tax payable		436,479	304,054	1,629	271
<b>Total current liabilities</b>		<b>4,044,984</b>	<b>3,641,899</b>	<b>10,845</b>	<b>15,388</b>
<b>Total liabilities</b>		<b>13,023,498</b>	<b>13,294,799</b>	<b>10,894</b>	<b>15,429</b>
<b>Total equity and liabilities</b>		<b>38,924,228</b>	<b>37,187,956</b>	<b>17,259,383</b>	<b>16,745,009</b>

The notes on pages 199 to 316 are an integral part of these financial statements.

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Revenue</b>	27	11,142,639	10,021,885	606,107	44,365
Other operating income		806,268	359,036	202,712	3,499
Inventories and consumables		(2,104,958)	(1,802,458)	–	–
Purchases and contracted services		(909,660)	(879,353)	–	–
Staff costs	28	(4,529,742)	(3,883,024)	(35,879)	(24,382)
Depreciation and impairment of property, plant and equipment	3	(915,769)	(744,753)	(865)	(770)
Amortisation and impairment of intangible assets and prepaid lease payments	6	(62,311)	(55,129)	–	–
Operating lease expenses		(328,510)	(301,679)	(2,238)	(2,094)
Other operating expenses		(1,293,159)	(1,325,487)	(73,157)	(17,337)
Finance income	29	151,839	129,194	18,689	10,847
Finance costs	29	(794,304)	(657,284)	(8)	(5)
Share of profits of associates (net of tax)		1,543	1,747	–	–
Share of profits of joint ventures (net of tax)		577	14,922	–	–
<b>Profit before tax</b>	30	1,164,453	877,617	715,361	14,123
Income tax expense	33	(334,625)	(269,625)	(4,335)	(3,351)
<b>Profit for the year</b>		829,828	607,992	711,026	10,772
<b>Other comprehensive income, net of tax</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Foreign currency translation differences from foreign operations		(790,190)	77,396	(27)	6
Hedge of net investments in foreign operations		21,344	(81,492)	–	–
Net change in fair value of available-for-sale financial instruments		(319,205)	(313,191)	(467)	(70)
Cash flow hedge		3,160	(6,597)	–	–
	31	(1,084,891)	(323,884)	(494)	(64)
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Remeasurement of defined benefit liabilities		(12,245)	(11,706)	–	–
Revaluation of property, plant and equipment upon reclassification to investment properties		–	50,019	–	–
	31	(12,245)	38,313	–	–
<b>Total comprehensive (expense)/income for the year</b>		(267,308)	322,421	710,532	10,708

The notes on pages 199 to 316 are an integral part of these financial statements.



	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Profit attributable to:</b>					
Owners of the Company		969,953	612,353	711,026	10,772
Non-controlling interests		(140,125)	(4,361)	–	–
<b>Profit for the year</b>		<u>829,828</u>	<u>607,992</u>	<u>711,026</u>	<u>10,772</u>
<b>Total comprehensive (expense)/income attributable to:</b>					
Owners of the Company		(6,989)	433,906	710,532	10,708
Non-controlling interests		(260,319)	(111,485)	–	–
<b>Total comprehensive (expense)/income for the year</b>		<u>(267,308)</u>	<u>322,421</u>	<u>710,532</u>	<u>10,708</u>
<b>Earnings per ordinary share (sen):</b>					
Basic	34	<u>11.31</u>	<u>7.44</u>		
Diluted	34	<u>11.30</u>	<u>7.44</u>		

The notes on pages 199 to 316 are an integral part of these financial statements.

## STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2017

Group	Note	Attributable to owners of the Company													
		Non-distributable					Distributable					Total	Perpetual securities	Non-controlling interests	Total equity
		Share capital	Share premium	Share option reserve	Fair value reserve	Revaluation reserve	Hedge reserve	Capital reserve	Legal reserve	Foreign currency translation reserve	Retained earnings				
<b>At 1 January 2016</b>		8,223,346	8,151,010	32,595	634,257	35,871	16,418	(744,806)	36,669	2,846,509	2,923,869	22,155,738	–	2,080,968	24,236,706
Foreign currency translation differences from foreign operations		–	–	–	–	–	–	–	124,853	–	124,853	–	–	(47,457)	77,396
Hedge of net investments in foreign operations		–	–	–	–	–	–	–	(29,745)	–	(29,745)	–	–	(51,747)	(81,492)
Net change in fair value of available-for-sale financial instruments		–	–	–	(314,103)	–	–	–	–	–	(314,103)	–	912	(313,191)	
Cash flow hedge		–	–	–	–	–	(2,353)	–	–	–	(2,353)	–	–	(4,244)	(6,597)
Remeasurement of defined benefit liabilities		–	–	–	–	–	–	–	–	(7,118)	(7,118)	–	–	(4,588)	(11,706)
Revaluation of property, plant and equipment upon reclassification of properties to investment properties		–	–	–	–	50,019	–	–	–	–	50,019	–	–	50,019	
Total other comprehensive income for the year	31	–	–	–	(314,103)	50,019	(2,353)	–	95,108	(7,118)	(178,447)	–	–	(107,124)	(285,571)
Profit for the year		–	–	–	–	–	–	–	–	612,353	612,353	–	–	(4,361)	607,992
<b>Total comprehensive income for the year</b>		–	–	–	(314,103)	50,019	(2,353)	–	95,108	605,235	433,906	–	–	(111,485)	322,421
<i>Contributions by and distributions to owners of the Company</i>															
– Share options exercised	18	464	1,483	–	–	–	–	–	–	–	1,947	–	–	–	1,947
– Share-based payment	22	–	–	54,168	–	–	–	–	–	–	54,168	–	–	–	54,168
– Dividends to owners of the Company	35	–	–	–	–	–	–	–	–	(246,944)	(246,944)	–	–	–	(246,944)
		464	1,483	54,168	–	–	–	–	–	(246,944)	(190,829)	–	–	–	(190,829)
Transfer to share capital and share premium on share options exercised	18	7,890	32,667	(40,557)	–	–	–	–	–	–	–	–	–	–	–
Acquisition of subsidiaries	43	–	–	–	–	–	–	–	–	–	–	–	–	(1,077)	(1,077)
Changes in ownership interests in subsidiaries	45	–	–	–	–	–	6	(51,132)	–	(5)	(51,131)	–	–	114,941	63,810
Issue of shares by subsidiaries to non-controlling interest		–	–	–	–	–	–	118	–	–	118	–	–	96,685	96,803
Recognition of put options granted to non-controlling interests	37	–	–	–	–	–	–	(106,129)	–	–	(106,129)	–	–	(70,753)	(176,882)
Changes in fair value of put options granted to non-controlling interests	37	–	–	–	–	–	–	(255,933)	–	–	(255,933)	–	–	(31,800)	(287,733)
Transfer per statutory requirements		–	–	–	–	–	–	–	5,932	(5,932)	–	–	–	–	–
Finalisation of purchase price allocation	43	–	–	–	–	–	–	–	–	–	–	–	–	3,218	3,218
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–	(173,280)	(173,280)
<b>Total transactions with owners of the Company</b>		8,354	34,150	13,611	–	–	6	(413,076)	5,932	(5)	(252,876)	(603,904)	–	(62,066)	(665,970)
<b>At 31 December 2016</b>		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

The notes on pages 199 to 316 are an integral part of these financial statements.

## STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2017 (continued)

Group	Note	Attributable to owners of the Company													Total equity RM'000
		Non-distributable					Distributable					Total RM'000	Perpetual securities RM'000	Non- controlling interests RM'000	
		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				
<b>At 1 January 2017</b>		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 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
<b>Total comprehensive income for the year</b>		–	–	–	(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	18	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	18	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 interest		–	–	–	–	–	–	–	–	–	–	–	–	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)
<b>Total transactions with owners of the Company</b>		45,913	221 <sup>1</sup>	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 <sup>2</sup>		8,185,381	(8,185,381)	–	–	–	–	–	–	–	–	–	–	–	–
<b>At 31 December 2017</b>		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

1. Share premium arose from the exercise of employee option scheme before 31 January 2017, being the effective date of the Companies Act 2016.

2. 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 199 to 316 are an integral part of these financial statements.

## STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2017 (continued)

Company	Note	Attributable to owners of the Company					Retained earnings RM'000	Total equity RM'000
		Non-distributable				Distributable		
		Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Foreign currency translation reserve RM'000	Fair value reserve RM'000		
<b>At 1 January 2016</b>		8,223,346	8,151,010	32,595	(159)	537	502,372	16,909,701
Foreign currency translation differences from foreign operations		–	–	–	6	–	–	6
Net change in fair value of available-for-sale financial instruments		–	–	–	–	(70)	–	(70)
Total other comprehensive income for the year		–	–	–	6	(70)	–	(64)
Profit for the year		–	–	–	–	–	10,772	10,772
<b>Total comprehensive income for the year</b>		–	–	–	6	(70)	10,772	10,708
<i>Contributions by and distributions to owners of the Company</i>								
– Share options exercised	18	464	1,483	–	–	–	–	1,947
– Share-based payment		–	–	54,168	–	–	–	54,168
– Dividends to owners of the Company	35	–	–	–	–	–	(246,944)	(246,944)
		464	1,483	54,168	–	–	(246,944)	(190,829)
Transfer to share capital and share premium on share options exercised	18	7,890	32,667	(40,557)	–	–	–	–
<b>Total transactions with owners of the Company</b>		8,354	34,150	13,611	–	–	(246,944)	(190,829)
<b>At 31 December 2016</b>		8,231,700	8,185,160	46,206	(153)	467	266,200	16,729,580

The notes on pages 199 to 316 are an integral part of these financial statements.

Company	Note	Attributable to owners of the Company						Total equity RM'000
		Non-distributable				Distributable		
		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	
<b>At 1 January 2017</b>		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 income for the year		–	–	–	(27)	(467)	–	(494)
Profit for the year		–	–	–	–	–	711,026	711,026
<b>Total comprehensive income for the year</b>		–	–	–	(27)	(467)	711,026	710,532
<i>Contributions by and distributions to owners of the Company</i>								
– Share options exercised	18	3,208	154	–	–	–	–	3,362
– Share-based payment		–	–	52,186	–	–	–	52,186
– Dividends to owners of the Company	35	–	–	–	–	–	(247,171)	(247,171)
		3,208	154	52,186	–	–	(247,171)	(191,623)
Transfer to share capital and share premium on share options exercised	18	42,705	67	(42,772)	–	–	–	–
Cancellation of vested share options		–	–	(661)	–	–	661	–
<b>Total transactions with owners of the Company</b>		45,913	221 <sup>1</sup>	8,753	–	–	(246,510)	(191,623)
Transfer in accordance with Section 618(2) of the Companies Act 2016 <sup>2</sup>		8,185,381	(8,185,381)	–	–	–	–	–
<b>At 31 December 2017</b>		16,462,994	–	54,959	(180)	–	730,716	17,248,489

- 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 199 to 316 are an integral part of these financial statements.

## STATEMENTS OF CASH FLOWS

For the year ended 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cash flows from operating activities</b>					
Profit before tax		1,164,453	877,617	715,361	14,123
<i>Adjustment for:</i>					
Dividend income	27	(2,128)	(8,019)	(606,107)	(44,365)
Finance income	29	(151,839)	(129,194)	(18,689)	(10,847)
Finance costs	29	794,304	657,284	8	5
Depreciation and impairment of property, plant and equipment	3	915,769	744,753	865	770
Amortisation and impairment of intangible assets and prepaid lease payments	6	62,311	55,129	–	–
Impairment loss (written back)/made:					
– Investment in a subsidiary		–	–	(72)	–
– Investment in a joint venture	30	–	97,344	–	–
– Trade and other receivables	30	11,066	63,827	–	–
– Inventories	30	–	1,773	–	–
– Amounts due from associates	30	(901)	(593)	–	–
– Amounts due from joint ventures	30	575	(15,278)	–	–
Write-off:					
– Property, plant and equipment	30	2,874	1,162	–	–
– Intangible assets	30	248	5,670	–	–
– Inventories	30	5,137	737	–	–
– Trade and other receivables	30	28,074	11,944	–	–
– Other financial assets	30	–	329	–	–
Gain on disposal of property, plant and equipment	30	(15,349)	(12,072)	–	–
Gain on disposal of a subsidiary	30	(1,149)	(54,801)	–	–
Gain on disposal of available-for-sale financial instruments					
– quoted	30	(554,500)	–	–	–
– unquoted	30	(4,695)	(9,173)	(167)	–
Gain on divestment of investment properties		–	(13,141)	–	–
Realised gain on foreign exchange on return of capital by a foreign subsidiary	30	–	–	(202,365)	–
Loss on disposal of a business		776	–	–	–
Change in fair value of investment properties	30	(22,922)	(30,193)	–	–
Provision for financial guarantee given to a joint venture's loan	30	1,570	35,361	–	–
Share of profits of associates (net of tax)		(1,543)	(1,747)	–	–
Share of profits of joint ventures (net of tax)		(577)	(14,922)	–	–
Negative goodwill from business combination	43	–	(20,518)	–	–
Equity-settled share-based payment	22	52,186	54,168	12,069	10,790
Net unrealised foreign exchange differences		108,751	(13,274)	38,308	(1,720)
<b>Operating profit/(loss) before changes in working capital</b>		<b>2,392,491</b>	<b>2,284,173</b>	<b>(60,789)</b>	<b>(31,244)</b>
Changes in working capital:					
Development properties		(46,040)	(17,124)	–	–
Inventories		(39,097)	(11,915)	–	–
Trade and other receivables		(71,731)	(294,285)	14,556	(31,124)
Trade and other payables		298,800	176,793	(4,338)	3,546
<b>Cash generated from/(used in) operations</b>		<b>2,534,423</b>	<b>2,137,642</b>	<b>(50,571)</b>	<b>(58,822)</b>
Income tax paid		(273,724)	(203,861)	(2,941)	(5,430)
<b>Net cash from/(used in) operating activities</b>		<b>2,260,699</b>	<b>1,933,781</b>	<b>(53,512)</b>	<b>(64,252)</b>

The notes on pages 199 to 316 are an integral part of these financial statements.

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cash flows from investing activities</b>					
Interest received		67,195	70,125	9,113	12,789
Acquisitions of subsidiaries, net of cash and cash equivalents acquired	43	(6,734)	(295,099)	–	–
Acquisition of business, net of cash and cash equivalents acquired	42	–	(12,380)	–	–
Development and purchase of intangible assets	6	(7,505)	(4,649)	–	–
Purchase of property, plant and equipment		(1,498,377)	(2,083,908)	(450)	(502)
Acquisition of land use rights		–	(199,470)	–	–
Purchase of investment properties	5	(207,926)	(51,026)	–	–
Net withdrawal of fixed deposits with tenor of more than 3 months		44,116	469,098	–	410,590
Net cash outflow from disposal of a business	42	(1,124)	–	–	–
Proceeds from disposal of a subsidiary, net of cash and cash equivalents disposed	44	(9)	9,554	–	–
Proceeds from disposal of property, plant and equipment		33,419	29,906	–	–
Proceeds from divestment of investment properties		–	145,951	–	–
Proceeds from disposal of intangible assets		–	1,912	–	–
Proceeds from disposal of available-for-sale financial instruments					
– quoted		1,257,531	–	–	–
– unquoted		150,973	214,984	70,274	–
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	–
Other financial assets matured		–	14,984	–	–
Net repayment from associates		–	624	–	–
Net repayment from joint ventures		–	7,085	–	–
Dividends received from available-for-sale financial instruments	27	2,128	8,019	2,128	2,394
Dividends received from subsidiaries	27	–	–	603,979	41,971
Dividends received from joint ventures		1,401	2,118	–	–
Dividends received from associates		563	779	–	–
Repayment from subsidiaries		–	–	36,662	41,490
<b>Net cash (used in)/from investing activities</b>		<b>(164,349)</b>	<b>(1,671,393)</b>	<b>1,674,606</b>	<b>508,732</b>

The notes on pages 199 to 316 are an integral part of these financial statements.

## STATEMENTS OF CASH FLOWS

For the year ended 31 December 2017 (continued)

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cash flows from financing activities</b>					
Interest paid		(325,950)	(284,370)	–	–
Proceeds from exercise of share options		3,362	1,947	3,362	1,947
Proceeds from loans and borrowings		1,789,126	4,226,989	–	–
Issue of fixed rate medium term notes		185,139	118,930	–	–
Issue of perpetual securities, net of transaction costs		2,120,025	–	–	–
Repayment of loans and borrowings		(2,432,757)	(3,805,760)	–	–
Loan from non-controlling interest of a subsidiary		–	477,343	–	–
Repayment of loan from non-controlling interest of subsidiary		–	(212,862)	–	–
Dividends paid to non-controlling interests		(198,692)	(173,280)	–	–
Dividends paid to owners of the Company		(247,171)	(246,944)	(247,171)	(246,944)
Acquisition of non-controlling interests		(7,149)	(42,421)	–	–
Proceeds from dilution of interest in subsidiaries		671,775	–	–	–
Issue of shares by subsidiaries to non-controlling interest		75,056	96,803	–	–
Changes in pledged deposits		7,769	(2,623)	–	–
<b>Net cash from/(used in) financing activities</b>		<b>1,640,533</b>	<b>153,752</b>	<b>(243,809)</b>	<b>(244,997)</b>
Net increase in cash and cash equivalents		3,736,883	416,140	1,377,285	199,483
Effect of exchange rate fluctuations on cash held		(82,412)	41,134	(38,231)	4,097
Cash and cash equivalents at 1 January		2,423,275	1,966,001	225,839	22,259
<b>Cash and cash equivalents at 31 December</b>		<b>6,077,746</b>	<b>2,423,275</b>	<b>1,564,893</b>	<b>225,839</b>

**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	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances		4,886,821	1,639,233	1,288,920	57,035
Fixed deposits with tenor of 3 months or less		1,191,782	803,948	275,973	168,804
		6,078,603	2,443,181	1,564,893	225,839
Less:					
– Bank overdrafts		(69)	(11,348)	–	–
– Deposits pledged		–	(2,617)	–	–
– Cash collateral received		(788)	(5,941)	–	–
<b>Cash and cash equivalents</b>	16	<b>6,077,746</b>	<b>2,423,275</b>	<b>1,564,893</b>	<b>225,839</b>

The notes on pages 199 to 316 are an integral part of these financial statements.



# 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 2017 comprise the Company and its subsidiaries (together referred to as the "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 2017 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 26 March 2018.

## 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 2018***

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

#### ***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*
- 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 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 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*

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Basis of preparation *(continued)*

#### (a) Statement of compliance *(continued)*

The Group plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for amendments to MFRS 1 and MFRS 4 which are not applicable to the Group.
- from the annual period beginning on 1 January 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019.

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

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group except as mentioned below:

#### (i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*.

The Group has assessed that the initial application of MFRS 15 on its financial statements for the year ended 31 December 2017 will have no material impact on the net profit of the Group.

#### (ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

In respect of impairment of financial assets, MFRS 9 replaces the “incurred loss” model in MFRS 139 with an “expected credit loss” (“ECL”) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

The Group has assessed the estimated impact that the initial application of MFRS 9 will have on its consolidated financial statements as at 1 January 2018 and the assessment resulted that no significant financial impact to the retained earnings of the Group.

#### (iii) 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 will assess the financial impact that may arise from the adoption of MFRS 16.

## 1. Basis of preparation *(continued)*

### (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.

### (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 compulsory convertible preference shares liabilities and 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, unless otherwise stated.

### (a) Basis of consolidation

#### (i) 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies *(continued)*

#### (a) Basis of consolidation *(continued)*

##### (ii) 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.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

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

##### (iii) 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.

##### (iv) 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.

## **2. Significant accounting policies** *(continued)*

### **(a) Basis of consolidation** *(continued)*

#### **(v) 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.

#### **(vi) Changes in non-controlling interests**

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill. Such changes to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between adjustment to non-controlling interests and the fair value of consideration paid is recognised directly in equity and presented as part of equity attributable to owners of the Company.

#### **(vii) 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.

#### **(viii) 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.

#### **(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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for the following differences which are recognised in other comprehensive income arising on the retranslation of:

- available-for-sale equity instruments (except for impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

##### (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 foreign currency translation reserve ("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.

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.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely 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 FCTR in equity.

## 2. Significant accounting policies *(continued)*

### (c) Financial instruments

#### (i) Initial recognition and measurement

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

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

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liabilities simultaneously.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as 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.

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

The Group categorises financial instruments as follows:

##### *Financial assets*

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

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

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

Other financial assets categorised as fair value through profit or loss are 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 comprises debt instruments that are quoted in an active market and the Group has the positive intention and ability to hold them to maturity.

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

##### *(c) Loans and receivables*

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies *(continued)*

#### (c) Financial instruments *(continued)*

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

###### *Financial assets (continued)*

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

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

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are 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 are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

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

###### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss, put options granted to non-controlling interests and compulsory convertible preference shares (refer below).

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 payable in a business combination or financial liabilities that are specifically designated into this category upon initial recognition.

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

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

##### (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.

Fair value arising from financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is 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 is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is 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 is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

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

#### (v) Hedge accounting

##### *Cash flow hedge*

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a 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 the ineffective portion is recognised in profit or loss.

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.

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 the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

##### *Hedge of a net investment*

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the foreign currency translation reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to profit or loss as part of the gain or loss on disposal.

#### (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 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 and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity 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. 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies *(continued)*

#### (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.

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.

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.

## 2. Significant accounting policies *(continued)*

### (d) Property, plant and equipment *(continued)*

#### (iii) Depreciation *(continued)*

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

Leasehold land	Remaining term of the lease
Buildings	5 – 50 years
Hospital and medical equipment, renovations, furniture and fittings and equipment	3 – 25 years
Laboratory and teaching equipment	2 – 10 years
Motor vehicles	4 – 7 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.

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies *(continued)*

#### (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.

#### (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.

##### (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.

## 2. Significant accounting policies *(continued)*

### (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.

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 less cost to be incurred in selling the property.

### (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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies *(continued)*

#### (k) 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.

#### (l) 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.

#### (m) Impairment

##### (i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries, associates and joint ventures) are assessed at each reporting date whether there is 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, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset's recoverable amount is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is 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 is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial instruments is recognised in profit or loss and is 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 has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is 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 is not reversed through profit or loss.

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

## 2. Significant accounting policies *(continued)*

### (m) 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.

### (n) 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies *(continued)*

#### (o) 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.

#### (p) 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.

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.



## 2. Significant accounting policies *(continued)*

### (p) Employee benefits *(continued)*

#### (iii) Share-based payments transactions *(continued)*

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.

### (q) 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.

### (r) Revenue and other income

#### (i) Services rendered

Revenue from provision of medicine and medical services, including healthcare support services rendered is recognised in profit or loss net of service tax and discount as and when the services are performed.

#### (ii) Goods sold

Revenue from the sale of pharmaceutical products is measured at fair value of the consideration received or receivable, net of returns and allowances and trade discounts.

Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

#### (iii) 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.

#### (iv) Dividend income

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

#### (v) Sale of development property

The Group recognises income on property development projects when the significant risks and rewards of ownership have been transferred to the purchasers. Revenue and associated expenses will be recognised upon the transfer of significant risks and rewards of ownership, which generally coincides with the time the development units are delivered to the purchasers i.e. upon the completion of the construction and when the rest of the purchase price is paid.

Revenue excludes goods and services or other sale taxes and is after deduction of any trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of unit sold.

#### (vi) 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 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies *(continued)*

#### (s) 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.

#### (t) 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)*

### (u) 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.

### (v) 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.

### (w) 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

Where it is not probable that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow 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 assets unless the probability of inflow of economic benefits is remote.

### (x) 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.

## NOTES TO THE FINANCIAL STATEMENTS

## 3. Property, plant and equipment

Group	Note	Freehold lands RM'000	Leasehold lands RM'000	Buildings RM'000	Hospital and medical equipment, renovations, furniture and fittings and equipment RM'000	Laboratory and other teaching equipment RM'000	Motor vehicles RM'000	Construction-in-progress RM'000	Total RM'000
<b>Cost</b>									
<b>At 1 January 2016</b>		584,264	3,847,997	3,942,044	6,127,495	55,310	39,881	1,027,371	15,624,362
Acquisitions through business combinations	43	–	–	264,613	244,545	–	401	4,249	513,808
Disposal of a subsidiary	44	–	–	–	(1,480)	–	–	–	(1,480)
Additions		–	30,216	32,468	348,304	5,868	4,836	1,823,678	2,245,370
Disposals		–	–	–	(63,833)	–	(2,142)	–	(65,975)
Write off		–	–	–	(8,697)	(979)	–	–	(9,676)
Reclassification		–	–	35,936	138,348	–	–	(174,284)	–
Transfer to intangible assets	6	–	–	–	(11,553)	–	–	–	(11,553)
Transfer to development properties									
– Offset of accumulated depreciation against cost		–	(258)	–	–	–	–	–	(258)
– Transfer of carrying amount	12	–	(4,719)	–	–	–	–	–	(4,719)
Transfer to investment properties									
– Offset of accumulated depreciation against cost		–	(36)	(9)	(27)	–	–	–	(72)
– Revaluation		–	50,019	–	–	–	–	–	50,019
– Transfer of carrying amount	5	–	(83,590)	(785)	(489)	–	–	–	(84,864)
Finalisation of purchase price allocation	43	(318)	–	11,016	(9,937)	–	(126)	–	635
Translation differences		(15,979)	50,812	7,648	(284,272)	–	(1,746)	3,557	(239,980)
<b>At 31 December 2016/ 1 January 2017</b>		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	12	–	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)
<b>At 31 December 2017</b>		562,359	3,859,178	5,573,942	7,646,697	68,001	37,689	627,989	18,375,855

### 3. Property, plant and equipment *(continued)*

Group	Note	Freehold lands RM'000	Leasehold lands RM'000	Buildings RM'000	Hospital and medical equipment, renovations, furniture and fittings and equipment RM'000	Laboratory and other teaching equipment RM'000	Motor vehicles RM'000	Construction-in-progress RM'000	Total RM'000
<b>Accumulated depreciation and impairment losses</b>									
<b>At 1 January 2016</b>		–	282,941	618,917	3,233,133	30,502	22,971	–	4,188,464
Acquisitions through business combinations	43	–	–	42,558	122,662	–	(47)	–	165,173
Disposal of a subsidiary	44	–	–	–	(1,332)	–	–	–	(1,332)
Depreciation charge for the year		–	43,940	83,014	605,277	6,102	5,674	–	744,007
Impairment loss		–	–	–	–	–	–	746	746
Disposals		–	–	–	(46,742)	–	(1,399)	–	(48,141)
Write off		–	–	–	(7,605)	(909)	–	–	(8,514)
Transfer to development properties									
– Offset of accumulated depreciation against cost		–	(258)	–	–	–	–	–	(258)
Transfer to investment properties									
– Offset of accumulated depreciation against cost		–	(36)	(9)	(27)	–	–	–	(72)
Translation differences		–	4,849	(1,268)	(167,971)	–	(649)	52	(164,987)
<b>At 31 December 2016/1 January 2017</b>		–	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)
<b>At 31 December 2017</b>		–	371,777	838,086	3,958,672	40,500	25,199	–	5,234,234
<b>Net carrying amount</b>									
At 1 January 2016		584,264	3,565,056	3,323,127	2,894,362	24,808	16,910	1,027,371	11,435,898
At 31 December 2016/1 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		562,359	3,487,401	4,735,856	3,688,025	27,501	12,490	627,989	13,141,621

## NOTES TO THE FINANCIAL STATEMENTS

3. Property, plant and equipment *(continued)*

Company	Renovations, furniture and fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
<b>Cost</b>			
<b>At 1 January 2016</b>	1,291	2,383	3,674
Additions	149	353	502
Translation differences	–	27	27
<b>At 31 December 2016/1 January 2017</b>	1,440	2,763	4,203
Additions	85	365	450
Write off	(31)	–	(31)
Translation differences	(1)	(28)	(29)
<b>At 31 December 2017</b>	1,493	3,100	4,593
<b>Accumulated depreciation</b>			
<b>At 1 January 2016</b>	313	956	1,269
Depreciation charge for the year	269	501	770
Translation differences	–	20	20
<b>At 31 December 2016/1 January 2017</b>	582	1,477	2,059
Depreciation charge for the year	280	585	865
Write off	(31)	–	(31)
Translation differences	–	(22)	(22)
<b>At 31 December 2017</b>	831	2,040	2,871
<b>Net carrying amount</b>			
At 1 January 2016	978	1,427	2,405
At 31 December 2016/1 January 2017	858	1,286	2,144
At 31 December 2017	662	1,060	1,722

**Leasehold lands**

Included in the net carrying amount of leasehold lands of the Group is RM3,487,401,000 (2016: RM3,559,005,000) pertaining to leasehold lands with unexpired lease period of more than 50 years.

**Securities**

As at 31 December 2017, property, plant and equipment of the Group with carrying amounts of RM648,664,000 (2016: RM866,912,000) are charged to licensed financial institutions for credit facilities and term loans granted to the Group.

**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 RM106,787,000 (2016: RM109,540,000) that are held under finance lease arrangements.

**Borrowing costs**

Included in additions of the Group during the year are capitalised borrowing costs amounting to RM68,771,000 (2016: RM102,809,000).

**Prepaid lease payments amortisation capitalised**

Included in additions of construction-in-progress of the Group are the amortisation of prepaid lease payments amounting to RM6,906,000 (2016: RM20,075,000) (See Note 4).

#### 4. Prepaid lease payments

	Note	Group	
		2017 RM'000	2016 RM'000
<b>Cost</b>			
<b>At 1 January</b>		1,221,328	956,325
Additions		–	225,319
Finalisation of purchase price allocation	43	–	3,899
Translation differences		(91,323)	35,785
<b>At 31 December</b>		<u>1,130,005</u>	<u>1,221,328</u>
<b>Accumulated amortisation</b>			
<b>At 1 January</b>		77,849	54,192
Amortisation charge for the year		22,879	20,120
Finalisation of purchase price allocation	43	–	321
Translation differences		(7,354)	3,216
<b>At 31 December</b>		<u>93,374</u>	<u>77,849</u>
<b>Net carrying amount</b>			
At 1 January		<u>1,143,479</u>	<u>902,133</u>
At 31 December		<u>1,036,631</u>	<u>1,143,479</u>

Prepaid lease payments relate to leasehold lands which are in substance operating leases. The prepaid lease payments are amortised on a straight-line basis over lease term of 50 to 99 years. The amortisation charge for the year ended 31 December 2017 of RM6,906,000 (2016: RM20,075,000) is capitalised in property, plant and equipment which relates to the construction of a hospital.

#### 5. Investment properties

	Note	Group	
		2017 RM'000	2016 RM'000
<b>At 1 January</b>		3,033,107	2,869,113
Additions		207,927	51,026
Transfer (to)/from property, plant and equipment	3	(30,596)	84,864
Disposals		–	(127,624)
Change in fair value recognised in profit or loss	30	22,922	30,193
Translation differences		(123,375)	125,535
<b>At 31 December</b>		<u>3,109,985</u>	<u>3,033,107</u>

Investment properties includes 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 5. Investment properties (continued)

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

	Group	
	2017 RM'000	2016 RM'000
Rental income	179,934	175,406
Direct operating expenses:		
– income generating investment properties	(20,699)	(21,088)
– non-income generating investment properties	(1,427)	(1,501)
	157,808	152,817

#### 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.

In determining the fair value, the valuers have used valuation techniques which involve certain estimates. The key assumptions used to determine the fair value of investment properties include market corroborated capitalised yield, terminal yield, discount rate and average growth rate.

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 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>2017</b>				
Land	–	–	833,672	833,672
Buildings	–	–	2,276,313	2,276,313
	–	–	3,109,985	3,109,985
<b>2016</b>				
Land	–	–	796,365	796,365
Buildings	–	–	2,236,742	2,236,742
	–	–	3,033,107	3,033,107

#### 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.

<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between significant unobservable inputs and fair value measurement</b>
Discounted cash flow approach	Risk-adjusted discount rates range from 5.0% to 7.5% (2016: 5.0% to 7.5%)	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 5% to 25% (2016: 0% to 10%)	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 5.0% to 7.0% (2016: 4.0% to 7.1%)	The estimated fair value would increase/ (decrease) if the capitalisation rates were lower/(higher).

### *Significant unobservable inputs*

Significant unobservable inputs correspond to:

- Capitalisation rate, based on the rate of return on investment properties on the expected income that the properties will generate.
- Discount rates, based on the risk-free rate for bonds issued by government in the relevant market, adjusted for a risk premium to reflect the increased risk of investing in the asset class.
- Terminal yield rate is the estimated capitalisation rate at maturity of the holding period.

## NOTES TO THE FINANCIAL STATEMENTS

## 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
<b>Cost</b>								
<b>At 1 January 2016</b>		1,964,561	274,662	433,057	246,541	2,918,821	11,009,274	13,928,095
Acquisitions through business combinations	42,43	19,241	74,181	–	9,250	102,672	122,838	225,510
Disposal of a subsidiary	44	–	–	–	(2,077)	(2,077)	–	(2,077)
Additions		–	–	–	4,649	4,649	–	4,649
Write off		–	–	–	(5,670)	(5,670)	–	(5,670)
Disposals		–	–	–	(2,594)	(2,594)	–	(2,594)
Transfer from property, plant and equipment	3	–	–	–	11,553	11,553	–	11,553
Finalisation of purchase price allocation	43	–	–	(2,546)	(4,393)	(6,939)	5,718	(1,221)
Translation differences		(96,565)	(43,230)	(31,139)	(3,098)	(174,032)	(61,830)	(235,862)
<b>At 31 December 2016/ 1 January 2017</b>		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)
<b>At 31 December 2017</b>		1,774,139	266,168	362,472	245,775	2,648,554	10,692,198	13,340,752

\* 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
<b>Accumulated amortisation and impairment losses</b>								
<b>At 1 January 2016</b>		–	–	236,698	81,697	318,395	–	318,395
Acquisitions through business combinations	43	–	–	–	6,330	6,330	–	6,330
Disposal of a subsidiary	44	–	–	–	(2,077)	(2,077)	–	(2,077)
Amortisation charge for the year		–	–	27,234	27,895	55,129	–	55,129
Disposals		–	–	–	(682)	(682)	–	(682)
Translation differences		–	–	(13,682)	(6,672)	(20,354)	–	(20,354)
<b>At 31 December 2016/1 January 2017</b>		–	–	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)
<b>At 31 December 2017</b>		–	–	254,407	115,705	370,112	–	370,112
<b>Net carrying amount</b>								
At 1 January 2016		1,964,561	274,662	196,359	164,844	2,600,426	11,009,274	13,609,700
At 31 December 2016/1 January 2017		1,887,237	305,613	149,122	147,670	2,489,642	11,076,000	13,565,642
At 31 December 2017		1,774,139	266,168	108,065	130,070	2,278,442	10,692,198	12,970,640

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

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:

Group	Goodwill		Brand names		Hospital licences	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Singapore healthcare services	5,835,854	5,949,874	1,145,173	1,145,173	–	–
Malaysia healthcare services	2,023,390	2,051,150	116,000	116,000	–	–
China healthcare services	184,880	191,000	–	–	–	–
India healthcare services	733,106	757,805	–	–	–	–
Turkey healthcare services	1,522,161	1,745,296	512,966	626,064	266,168	305,613
PLife REIT	152,940	155,899	–	–	–	–
Education	224,976	224,976	–	–	–	–
Others	14,891	–	–	–	–	–
	10,692,198	11,076,000	1,774,139	1,887,237	266,168	305,613

## NOTES TO THE FINANCIAL STATEMENTS

### 6. Goodwill on consolidation and intangible assets *(continued)*

#### 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 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 2018 and 5 to 10 years business plan.

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

- (i) Revenue growth assumptions:
  - Healthcare services CGUs: 4% to 25% (2016: 4% to 58%) per annum in the first 3 years with 2% to 39% (2016: 2% to 25%) revenue growth for the subsequent years; and
  - Education CGU: -4% to 1% (2016: -7% to 0%) per annum for the first 3 years with 0% to 1% (2016: -9% to 0%) revenue growth for subsequent years.
- (ii) EBITDA margins assumptions:
  - Healthcare services CGUs: 7% to 29% (2016: 7% to 31%); and
  - Education CGU: 28% to 32% (2016: 30% to 33%)

The projections are in line with the proposed expansion plans for the respective investees.
- (iii) Terminal value was estimated using the perpetuity growth model:
  - Healthcare services CGUs: 2% to 4% (2016: 2% to 4%) per annum; and
  - Education CGU: 0% (2016: 0%) per annum

The terminal values were applied to steady-state estimated earnings at the end of the projected period.
- (iv) Discount rates of approximately 7.5% to 15.5% (2016: 7.0% to 16.0%) which were based on the cost of capital plus an appropriate risk premium at the date of assessment of the respective CGUs.
- (v) There will be no other significant changes in the government policies and regulations which will directly affect the investees' 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).

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.

## 7. Investment in subsidiaries

	Company	
	2017 RM'000	2016 RM'000
At cost:		
Unquoted shares in Malaysia	15,650,619	15,912,137
Unquoted shares outside Malaysia	31	489,976
	15,650,650	16,402,113
Allowance for impairment loss	–	(1,000)
	15,650,650	16,401,113

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

	Company	
	2017 RM'000	2016 RM'000
At 1 January	16,402,113	16,402,113
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	15,650,650	16,402,113

### *Changes in interest in subsidiaries*

- (i) In 2015, the Company invested in a non-direct wholly owned subsidiary, Pantai Medical Centre Sdn. Bhd. (“PMC”), through a subscription of 260,000,000 redeemable preference shares for a total cash consideration of RM260,000,000.

In January 2017, PMC redeemed the 260,000,000 redeemable preference shares held by the Company for a total cash consideration of RM260,000,000.

- (ii) During the year, pursuant to its capital reduction process, a wholly owned subsidiary, Integrated Healthcare Holdings (Bharat) Limited, returned its capital of USD160,080,000 to the Company by buying back and cancelled 160,079,950 of its own shares for a total consideration of USD160,080,000 (RM692,302,000). This transaction resulted in a reduction of RM489,937,000 in the Company’s cost of investment in subsidiaries and a realised foreign exchange gain on return of capital of RM202,365,000 which is recognised in the Company’s profit or loss.
- (iii) During the year, pursuant to its liquidation process, a wholly owned subsidiary, Integrated Healthcare Capital Sdn. Bhd. (“IHCSB”) returned its capital of RM598,000 to the Company, resulted in a reduction of RM598,000 in the Company’s cost of investment in subsidiaries. In December 2017, IHCSB was liquidated. The Company wrote off the remaining RM928,000 cost of investment in IHCSB against the provision made in prior years.

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

Although the Group owns less than half of the ownership interest in, and less than half of the voting power of PLife REIT, the Group has determined that it controls 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.

The Group via PLife REIT, does not hold any ownership interest in the special purpose entities (“SPEs”) listed in Note 46. The SPEs were established under terms that impose strict limitations on the decision-making powers of the SPEs’ management, resulting in the Group receiving the majority of the benefits related to the SPEs’ operations and net assets, being exposed to the majority of risks incident to the SPEs’ activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets. Consequently, the SPEs are regarded as subsidiaries of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

## 7. Investment in subsidiaries (continued)

## Non-controlling interests in subsidiaries

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

2017	Material NCI				Other individually immaterial subsidiaries RM'000	Total RM'000
	PLife REIT <sup>(i)</sup> RM'000	ASYH RM'000	PCH <sup>(ii)</sup> RM'000	ACC <sup>(iii)</sup> RM'000		
<b>NCI percentage of ownership interest and voting interest</b>	64.31%	40.00%	29.90%	44.47%		
Carrying amount of NCI	1,293,916	(213,531)	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)
<b>Summarised financial information before intra-group elimination</b>						
<b>As at 31 December</b>						
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		
<b>Year ended 31 December</b>						
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	–	–		

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

(ii) PCH Holding Pte. Ltd. (formerly known as Parkway China Holding Co. Pte. Ltd.) ("PCH")

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

## 7. Investment in subsidiaries *(continued)*

### Non-controlling interests in subsidiaries *(continued)*

	Material NCI		Other individually immaterial subsidiaries RM'000	Total RM'000
	PLife REIT RM'000	ASYH RM'000		
<b>2016</b>				
<b>NCI percentage of ownership interest and voting interest</b>	64.29%	40.00%		
Carrying amount of NCI	1,321,493	17,278	568,646	1,907,417
Profit/(Loss) allocated to NCI	128,496	(89,614)	(43,243)	(4,361)

### Summarised financial information before intra-group elimination

#### As at 31 December

Non-current assets	4,295,694	5,246,473
Current assets	226,787	954,653
Non-current liabilities	(2,205,982)	(3,238,320)
Current liabilities	(105,120)	(873,378)
Net assets	<u>2,211,379</u>	<u>2,089,428</u>

#### Year ended 31 December

Revenue	327,844	3,480,192
Profit/(Loss) for the year	200,845	(219,323)
Total comprehensive income/(expenses)	<u>194,308</u>	<u>(162,032)</u>

Cash flows from operating activities	262,263	578,881
Cash flows from/(used in) investing activities	81,972	(924,853)
Cash flows (used in)/from financing activities	(197,603)	40,032
Net increase/(decrease) in cash and cash equivalents	<u>146,632</u>	<u>(305,940)</u>

Dividends paid to NCI	<u>144,872</u>	<u>12,477</u>
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### 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 2017, the carrying amounts of PLife REIT's assets and liabilities are RM4,454,116,000 (2016: RM4,522,481,000) and RM2,288,328,000 (2016: RM2,311,102,000) respectively.

## NOTES TO THE FINANCIAL STATEMENTS

## 8. Interests in associates

	Group	
	2017 RM'000	2016 RM'000
At cost:		
Unquoted shares in Malaysia	3	3
Unquoted shares outside Malaysia	2,244	2,280
	<u>2,247</u>	<u>2,283</u>
Share of post-acquisition reserves	6,198	5,324
	<u>8,445</u>	<u>7,607</u>
Amounts due from associates	58	966
Allowance for impairment loss	(18)	(916)
	<u>40</u>	<u>50</u>
Amounts due to associates	(853)	–
	<u>7,632</u>	<u>7,657</u>

Details of the associates are disclosed in Note 47.

**Amounts due from/(to) associates**

The amounts due from associates are unsecured and interest-free, and settlement is neither planned nor likely to occur in the foreseeable future. As these amounts are, in substance, a part of the Group's net investments in the associates, they are stated at cost less accumulated impairment loss.

The amounts due to associates are unsecured, interest-free and settlement is neither planned nor likely to occur in the foreseeable future. As these amounts are, in substance, a part of the Group's net investments in these associates, they are stated at cost.

The Group does not have any material associates. The following table summarises the information of the Group's associates, adjusted for any differences in accounting policies.

	Individually immaterial associates	
	2017 RM'000	2016 RM'000
<b>Summarised financial information</b>		
<b>As at 31 December</b>		
Non-current assets	8,095	8,322
Current assets	24,937	27,742
Non-current liabilities	(327)	(2,908)
Current liabilities	(4,522)	(5,837)
Net assets	<u>28,183</u>	<u>27,319</u>
<b>Year ended 31 December</b>		
Revenue	24,530	25,049
Profit for the year, representing total comprehensive income for the year	<u>5,794</u>	<u>6,448</u>
The Group's share of profit or loss, representing share of total comprehensive income for the year	<u>1,543</u>	<u>1,747</u>



## 9. Interests in joint ventures

	Group	
	2017 RM'000	2016 RM'000
At cost:		
Unquoted shares outside Malaysia	276,887	281,262
Share of post-acquisition reserves	(56,715)	(53,534)
Allowance for impairment loss	(100,764)	(103,337)
	119,408	124,391
Amounts due from joint ventures	40,578	34,504
Allowance for impairment loss	(5,616)	(5,294)
	34,962	29,210
Amounts due to joint ventures	(400)	(447)
	153,970	153,154

Details of the joint ventures are disclosed in Note 48.

### *Amounts due from/(to) joint ventures*

The amounts due from joint ventures are unsecured and interest-free, and settlement is neither planned nor likely to occur in the foreseeable future. As these amounts are, in substance, a part of the Group's net investments in these joint ventures, they are stated at cost less accumulated impairment loss.

The amounts due to joint ventures are unsecured and interest-free, and settlement is neither planned nor likely to occur in the foreseeable future. As these amounts are, in substance, a part of the Group's net investments in these joint ventures, they are stated at cost.

The Group does not have any material joint ventures. The following table summarises the information of the Group's joint ventures, adjusted for any differences in accounting policies.

	Individually immaterial joint ventures	
	2017 RM'000	2016 RM'000
<b>Summarised financial information</b>		
<b>As at 31 December</b>		
Non-current assets	491,342	501,646
Current assets	163,406	164,588
Non-current liabilities	(142,690)	(147,797)
Current liabilities	(137,796)	(129,562)
Net assets	374,262	388,875
<b>Year ended 31 December</b>		
Revenue	243,341	278,684
Profit for the year, representing total comprehensive income for the year	1,077	29,385
The Group's share of profit or loss, representing share of total comprehensive income for the year	577	14,922

## NOTES TO THE FINANCIAL STATEMENTS

### 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. As a result, the Group recorded an impairment loss of RM97,344,000 on its investment in KHPL up to its estimated recoverable amount in 2016. The impairment loss of RM97,344,000 have been included in the Group’s other operating expenses in 2016. There are no further developments in 2017.

The Group estimated the recoverable amount of its investment in KHPL based on fair value of KHPL’s net assets less costs of disposal. The amount has been categorised as a Level 3 fair value based on the inputs to the valuation technique used in the table below.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs
Property under development and intangible asset	Market Sales Comparable method: This valuation model considers the value of land per square metre of nearby comparable properties reserved for hospital usage, taking into account the tenor and saleability of the property under development and intangible asset	<ul style="list-style-type: none"> <li>– In 2016 and 2017, discount applied on the developmental rights on KHPL’s land parcel: 10%; and</li> <li>– In 2016 and 2017, discount applied to take into account the saleability: 50%</li> </ul>	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> <li>• The discount applied to the leasehold land was lower/(higher); and</li> <li>• The discount applied, taking into account the saleability was lower/(higher)</li> </ul>
Other receivables and other payables	Fair value approximate the book value on the basis that such assets/liabilities are to be settled within 12 months from the valuation date	Not applicable	Not applicable

## 10. Other financial assets

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Non-current</b>				
<i>Available-for-sale financial instruments</i>				
At market value:				
Quoted shares outside Malaysia	–	1,176,638	–	–
At cost:				
Unquoted shares in Malaysia	11,385	11,566	–	–
	<u>11,385</u>	<u>1,188,204</u>	<u>–</u>	<u>–</u>
<i>Others</i>				
Fixed deposits with tenor of more than 3 months	3,323	9,612	–	–
Club membership and other investments	344	414	–	–
	<u>3,667</u>	<u>10,026</u>	<u>–</u>	<u>–</u>
	<u>15,052</u>	<u>1,198,230</u>	<u>–</u>	<u>–</u>
<b>Current</b>				
<i>Available-for-sale financial instruments</i>				
At market value:				
– Money market funds, unquoted in Malaysia	–	70,574	–	70,574
– Eurobonds, unquoted outside Malaysia	–	81,468	–	–
	<u>–</u>	<u>152,042</u>	<u>–</u>	<u>70,574</u>
<i>Others</i>				
Fixed deposits with tenor of more than 3 months	160,235	199,632	–	–
	<u>160,235</u>	<u>351,674</u>	<u>–</u>	<u>70,574</u>

Non-current investments in available-for-sale unquoted equity securities are stated at cost as their fair values cannot be reliably measured in view that they do not have a quoted market price in an active market, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reliably assessed.

In 2016, non-current fixed deposits with tenor of more than 3 months included RM7,110,000 representing monies placed in an escrow account pursuant to the acquisition of Tokuda Group.

## NOTES TO THE FINANCIAL STATEMENTS

## 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
<b>At 1 January 2016</b>		17,253	74,634	24,538	(425,670)	(60,150)	(500,062)	1,177	(868,280)
Acquired through business combinations	43	3,867	–	26	(8,612)	–	(1,825)	2,589	(3,955)
Disposal of a subsidiary	44	–	–	(115)	26	–	–	–	(89)
Recognised in profit or loss	33	2,008	(26,094)	37,543	393	405	11,234	(3,142)	22,347
Recognised in other comprehensive income	31	–	–	2,781	–	–	–	–	2,781
Finalisation of purchase price allocation	43	–	–	–	1,020	–	2,419	–	3,439
Translation differences		(2,079)	–	(4,084)	(2,333)	(4,418)	29,561	441	17,088
<b>At 31 December 2016/ 1 January 2017</b>		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
<b>At 31 December 2017</b>		19,789	6,194	64,120	(389,337)	(72,345)	(413,713)	3,927	(781,365)

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

Group	Assets		Liabilities		Net	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unutilised tax losses and unabsorbed capital allowance	19,789	21,049	–	–	19,789	21,049
Investment tax allowances	6,194	48,540	–	–	6,194	48,540
Receivables/provisions	93,678	77,725	(29,558)	(17,036)	64,120	60,689
Property, plant and equipment	115,423	94,244	(504,760)	(529,420)	(389,337)	(435,176)
Investment properties	–	–	(72,345)	(64,163)	(72,345)	(64,163)
Intangible assets	5,012	5,267	(418,725)	(463,940)	(413,713)	(458,673)
Others	5,297	5,764	(1,370)	(4,699)	3,927	1,065
	245,393	252,589	(1,026,758)	(1,079,258)	(781,365)	(826,669)
Set off	(15,538)	(11,993)	15,538	11,993	–	–
	229,855	240,596	(1,011,220)	(1,067,265)	(781,365)	(826,669)

Deferred tax assets and liabilities are offset above 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.

## 11. Deferred tax assets and liabilities *(continued)*

### *Unrecognised deferred tax assets*

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

	Group	
	2017 RM'000	2016 RM'000
Deductible temporary difference	712	724
Unutilised tax losses	551,508	15,769
	<u>552,220</u>	<u>16,493</u>

The unutilised tax losses carried forward do not expire under current tax legislations, except for amount of RM12,384,000 (2016: RM11,824,000) which can be carried forward to offset against future taxable income for five years only. 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.

## 12. Development properties

	Note	Group	
		2017 RM'000	2016 RM'000
At 1 January		28,987	7,144
Additions		46,040	17,124
Transfer from property, plant and equipment	3	–	4,719
As at 31 December		<u>75,027</u>	<u>28,987</u>

## 13. Inventories

	Group	
	2017 RM'000	2016 RM'000
Pharmaceuticals, surgical and medical supplies	<u>281,914</u>	<u>252,589</u>

As at 31 December 2017, inventories with carrying amount of RM12,892,000 (2016: RM10,245,000) are pledged to licensed financial institutions as securities for credit facilities granted to subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS

## 14. Trade and other receivables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Non-current</b>				
Trade receivables	1,009	–	–	–
Other receivables	1,811	1,910	–	–
	2,820	1,910	–	–
Prepayments	40,334	46,762	12,229	24,852
Deposits	22,308	25,342	–	–
	65,462	74,014	12,229	24,852
<b>Current</b>				
Trade receivables	1,260,097	1,116,595	–	–
Other receivables	78,705	96,834	259	183
Interest receivables	13,812	2,227	2,002	268
	1,352,614	1,215,656	2,261	451
Prepayments	100,484	173,290	12,775	6,943
Deposits	36,492	52,737	5	4
	1,489,590	1,441,683	15,041	7,398

*Offsetting of financial assets and financial liabilities*

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

Group	Note	Gross amount RM'000	Balances that are set off RM'000	Net carrying amount in the statements of financial position RM'000
<b>2017</b>				
Trade receivables		1,351,687	(90,581)	1,261,106
Trade payables	25	(1,096,308)	90,581	(1,005,727)
<b>2016</b>				
Trade receivables		1,191,995	(75,400)	1,116,595
Trade payables	25	(1,083,536)	75,400	(1,008,136)

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

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

## 16. Cash and cash equivalents

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	4,886,821	1,639,233	1,288,920	57,035
Fixed deposits with tenor of 3 months or less	1,191,782	803,948	275,973	168,804
	6,078,603	2,443,181	1,564,893	225,839
Secured bank overdrafts	(68)	(11,348)	–	–
Deposits pledged	–	(2,617)	–	–
Cash collateral received	(789)	(5,941)	–	–
Cash and cash equivalents in statements of cash flows	6,077,746	2,423,275	1,564,893	225,839

Included in fixed deposits with licenced banks in the previous year was an amount of RM2,617,000 pledged to banks and finance companies for credit facilities granted to certain subsidiaries (See Note 21).

Secured bank overdrafts are interest-bearing at bank's base rate + 1.25% (2016: bank's base rate + 1.25%).

### *Cash collateral received*

This is in respect of the Japan properties acquired by PLife REIT in July 2010, whereby the vendor has provided a rental income guarantee ("the Rental Income Guarantee") to indemnify PLife REIT in the event that the actual revenue in respect of any of the properties in any month is less than the initial revenue at acquisition, for a maximum duration of seven years and subject to a maximum aggregate claim of 5% of the purchase price (which is equivalent to approximately JPY154,400,000 (RM5,716,000)).

To further support the Rental Income Guarantee, a cash deposit of JPY21,736,000 (2016: JPY154,400,000), approximately RM789,000 (2016: RM5,941,000), was placed with PLife REIT, for withdrawal in respect of valid claims under the Rental Income Guarantee. Any balance left in the account upon termination of the Rental Income Guarantee will be returned to the vendor.

## 17. Assets classified as held for sale

Assets classified as held for sale as at 31 December 2017 relates to a piece of freehold land in India that is committed for sale. As at the reporting date, the subsidiary is still in the midst of finalising the agreement for the sale of the land.

## NOTES TO THE FINANCIAL STATEMENTS

## 18. Share capital

	Group and Company			
	Number of shares 2017 '000	Amount 2017 RM'000	Number of shares 2016 '000	Amount 2016 RM'000
<b>Issued and fully paid:</b>				
Ordinary shares				
At 1 January	8,231,700	8,231,700	8,223,346	8,223,346
Issued pursuant to the exercise of vested EPP options	–	–	250	250
Issued pursuant to the surrender of vested LTIP units	7,290	41,483	7,890	7,890
Issued pursuant to the exercise of vested EOS options	593	4,430	214	214
	<u>8,239,583</u>	<u>8,277,613</u>	<u>8,231,700</u>	<u>8,231,700</u>
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 <sup>(i)</sup>	–	8,185,381	–	–
At 31 December	<u>8,239,583</u>	<u>16,462,994</u>	<u>8,231,700</u>	<u>8,231,700</u>

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.

The new Companies Act 2016 which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Pursuant to Section 74 of the Act, all shares issued before or upon the commencement of the Act shall have no par or nominal value.

There is no impact to the number of ordinary shares in issue or entitlement of the members as a result of this transition.

(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 premium

In 2016, share premium mainly comprises the premium paid on subscription of shares in the Company over and above the par value of the shares net of share listing expenses and fair value adjustments for the purpose of accounting for share consideration issued in connection with acquisition of a subsidiary.

Upon the commencement of Companies Act 2016 on 31 January 2017, Company shares will no longer have any par value. Any amount standing to the credit of the share premium account will become part of the Company's share capital. The Company has twenty-four months upon the commencement of Companies Act 2016 to utilise the credit.

## (b) 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.



## 19. Other reserves *(continued)*

### (c) Fair value reserve

Fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial instruments until the investments are derecognised or impaired.

### (d) Revaluation reserve

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

### (e) 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.

### (f) Capital reserve

The capital reserve comprises:

- (i) non-cash contribution from, or distribution to, holding companies within the Group for the common control transfer of subsidiaries;
- (ii) difference between the consideration paid and net assets acquired in acquisition of non-controlling interests;
- (iii) difference between consideration received and net assets disposed when the Group disposed its interest in subsidiaries without losing control of the subsidiaries;
- (iv) capital gain or loss arising from the payment of a non-controlling interest's subscription to the share capital of a subsidiary;
- (v) capital gain or loss arising from the Group's subscription to additional shares of non-wholly owned subsidiaries; and
- (vi) financial liabilities arising from initial issue of put options to non-controlling interests in relation to the Group's business combinations, and its subsequent remeasurement changes.

### (g) Legal reserve

The legal reserve comprises:

- (i) first and second legal reserves. 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 issued and 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 capitals are to be appropriated to increase second legal reserve.
- (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.

### (h) 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

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

During the financial year, distributions amounting to RM38,639,000 were accrued to perpetual security holders. As at 31 December 2017, an amount of US\$3,000,000 (approximately RM12,351,000) perpetual securities was held by a related party.

### 21. Loans and borrowings

	Group	
	2017 RM'000	2016 RM'000
<b>Non-current</b>		
Secured		
Bank borrowings	437,702	430,224
Finance lease liabilities	107,492	90,356
Unsecured		
Bank borrowings	5,257,584	6,205,323
Fixed rate medium term notes	301,007	126,879
	6,103,785	6,852,782
<b>Current</b>		
Secured		
Bank borrowings	36,412	65,909
Finance lease liabilities	31,299	59,556
Unsecured		
Bank borrowings	622,276	497,503
	689,987	622,968
<b>Total loans and borrowings</b>	6,793,772	7,475,750

## 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
<b>2017</b>				
Secured bank loans	BGN	SOFIBOR + 1.00% <sup>(2)</sup>	2018	6,362
Secured bank loans	EUR	4.50% to 5.25%	2018 – 2020	9,441
Secured bank loans	EUR	Euribor <sup>(1)</sup> + 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 <sup>(5)</sup> + 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 <sup>(4)</sup> + 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 <sup>(6)</sup> + 0.73% to 1.05%	2019 – 2021	1,201,112
Unsecured bank loans	SGD	COF <sup>(3)</sup>	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 2017	JPY	0.57%	2023	181,367
– Issued in 2016	JPY	0.58%	2022	119,642
				6,654,981
<b>2016</b>				
Secured bank loans	EUR	4.50% to 5.25%	2017 – 2020	15,436
Secured bank loans	EUR	Euribor + 3.60%	2017 – 2020	88,391
Secured bank loans	INR	Base rate + 1.25% to 1.70%	2017 – 2028	344,895
Secured bank loans	RM	5.04%	2017	40,088
Secured bank loans	USD	LIBOR + 1.75% to 3.60%	2017 – 2019	7,323
Unsecured bank loans	EUR	Euribor + 0.38% to 2.95%	2017 – 2026	1,899,011
Unsecured bank loans	EUR	2.10% to 5.00%	2017 – 2021	57,260
Unsecured bank loans	HKD	HIBOR + 0.80%	2021	394,048
Unsecured bank loans	JPY	LIBOR + 0.30% to 1.10%	2018 – 2020	1,233,970
Unsecured bank loans	JPY	COF	2017	143
Unsecured bank loans	MKD	5.25%	2017	6
Unsecured bank loans	SGD	SOR + 0.73% to 1.05%	2019 – 2021	1,219,326
Unsecured bank loans	SGD	COF	2017	50,326
Unsecured bank loans	TL	10.50% to 11.10%	2017 – 2018	3,634
Unsecured bank loans	USD	LIBOR + 2.95%	2017 – 2020	556,860
Multi-currency loan facility				
Unsecured bank loans	HKD	HIBOR + 1.10%	2017 – 2021	1,299,037
Unsecured bank loans	SGD	SWAP rate + 0.92%	2017	15,533
Unamortised transaction costs	SGD			(26,328)
Unsecured fixed rate medium term notes				1,288,242
– Issued in 2016	JPY	0.58%	2022	126,879
				7,325,838

(1) Euro Interbank Offer Rate

(2) Sofia Interbank Bid Rate

(3) Bank's cost of funds

(4) Hong Kong Interbank Offered Rate

(5) London Interbank Offered Rate

(6) Singapore Swap Offer Rate

## NOTES TO THE FINANCIAL STATEMENTS

### 21. Loans and borrowings *(continued)*

The secured RM denominated bank loan is secured over the freehold land and building of a subsidiary in Malaysia. The loan was repaid during the year.

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

The secured United States Dollar (“USD”), 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.

#### *Unsecured fixed rate medium term notes*

In October 2017, PLife REIT has through its wholly owned subsidiary, Parkway Life MTN Pte Ltd (“PLife MTN”), updated its SGD500 million Multicurrency Medium Term Note Programme to 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 and shall be limited to the assets of PLife REIT over which PLife REIT Trustee has recourse.

As at 31 December 2017, there are two series of outstanding fixed rate notes issued under the Multicurrency Debt Issuance Programme amounting to JPY8.3 billion (approximately RM301.0 million) maturing in 2022 to 2023 (2016: JPY3.3 billion (approximately RM126.9 million) maturing in 2022).

#### *Interest rate swaps and cross currency interest rate swaps*

The Group entered into interest rate swaps and cross currency interest rate swaps with various counterparties to provide fixed rate funding for certain unsecured bank borrowings. Details are set out in Note 26.

#### *Finance lease liabilities*

Group	Payments	Interest	Principal	Payments	Interest	Principal
	2017 RM'000	2017 RM'000	2017 RM'000	2016 RM'000	2016 RM'000	2016 RM'000
Less than 1 year	37,603	(6,304)	31,299	66,099	(6,543)	59,556
Between 1 and 5 years	122,352	(15,254)	107,098	91,236	(7,507)	83,729
More than 5 years	403	(9)	394	6,929	(302)	6,627
	160,358	(21,567)	138,791	164,264	(14,352)	149,912

The Group has finance lease and hire purchase 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.

#### *Reconciliation of movements of liabilities to cash flows arising from financing activities*

Group	Bank borrowings	Fixed rate medium term notes	Finance lease liabilities	Interest payable	Loan to non-controlling interest	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>As at 1 January 2017</b>	7,198,959	126,879	149,912	11,379	920,535	8,407,664
Net changes from financing cash flows	(585,176)	185,139	(58,455)	(305,329)	(20,621)	(784,442)
Acquisition of new leases	–	–	53,424	–	–	53,424
Acquisition of subsidiary	2,985	–	3,358	–	–	6,343
Disposal of subsidiary	(27)	–	–	–	–	(27)
Foreign exchange movements	(295,958)	(11,011)	(9,448)	(1,388)	(76,267)	(394,072)
Other liability related changes	33,191	–	–	331,420	20,621	385,232
<b>As at 31 December 2017</b>	6,353,974	301,007	138,791	36,082	844,268	7,674,122

Note 25

Note 25

In accordance to MFRS107, comparative information is not required for preceding periods.

## 22. Employee benefits

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Non-current</b>					
Cash-settled LTIP		49	41	49	41
Retirement benefits	23	27,887	24,639	–	–
Employment termination benefits	24	15,353	14,548	–	–
Provision for unconsumed leave		2,301	2,170	–	–
		<u>45,590</u>	<u>41,398</u>	<u>49</u>	<u>41</u>
<b>Current</b>					
Cash-settled LTIP		184	225	184	225
Retirement benefits	23	1,540	1,807	–	–
Employment termination benefits	24	846	–	–	–
PTM long term incentive plan (cash-settled)		1,287	1,143	–	–
Defined contribution plan		35,810	32,864	49	40
Provision for unconsumed leave		44,287	35,871	564	129
		<u>83,954</u>	<u>71,910</u>	<u>797</u>	<u>394</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, 58,000 (2016: 49,000) cash-settled LTIP units were granted to eligible staff.

### *PTM long term incentive scheme (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 balance sheet date.

### *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 shall be in force for a period of 10 years from 25 March 2011.

## NOTES TO THE FINANCIAL STATEMENTS

### 22. Employee benefits (continued)

#### Share-based payment scheme (continued)

##### (b) EPP

On 25 March 2011, the Group established the EPP schemes to grant non-transferable share options to eligible employees of the Group.

The EPP options granted will vest in the participants over a 4-year period, with two-thirds of the options to be vested in equal proportion on a yearly basis on each anniversary of the date of grant over such 4-year period and the remaining one-third to be vested in equal proportions on the same basis upon the Group meeting the performance target for each vesting, as determined by the Board at its own discretion on a yearly basis. The exercise price as at the initial grant of the EPP option shall be RM2.00 only, which shall be increased by 10% over each subsequent 12 months period based on compound annual growth rate. The EPP shall be in force for a period of 5 years from 25 March 2011. As at 31 December 2016, the EPP scheme has expired.

##### (c) 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.

During the year, a total of 6,685,000 equity-settled LTIP units (2016: 6,064,000) and nil (2016: 14,861,000) EOS units were granted to eligible staff. The movement in the number of options outstanding under the respective schemes as at 31 December 2017 and the details of the schemes are as follows:

#### EPP

Date of grant	Number of options outstanding at 1.1.2016	Reclassification	Number of options granted	Number of options lapsed/ cancelled	Number of options exercised	Number of options outstanding at 31.12.2016	Number of holders at 31.12.2016
<i>Other eligible employees</i>							
1 December 2011	250,000	—	—	—	(250,000)	—	—

The EPP shown has expired in 2016.

## 22. Employee benefits (continued)

### LTIP

Date of grant	Number of units outstanding at 1.1.2016	Conversion from cash-settled LTIP to equity-settled LTIP*	Number of units granted	Number of units lapsed/cancelled	Number of units exercised	Number of units outstanding at 31.12.2016	Number of holders at 31.12.2016
<i>Key Management Personnel</i>							
2 July 2013	644,000	–	–	–	(644,000)	–	–
2 July 2014	1,410,000	–	–	–	(704,000)	706,000	3
2 July 2015	1,344,000	–	–	–	(670,000)	674,000	3
15 June 2016	–	–	1,791,000	–	(596,000)	1,195,000	3
	3,398,000	–	1,791,000	–	(2,614,000)	2,575,000	9
<i>Other eligible employees</i>							
29 April 2013	1,111,305	9,000	–	(30,000)	(1,090,305)	–	–
2 July 2013	135,000	–	–	–	(135,000)	–	–
4 September 2013	35,000	–	–	–	(35,000)	–	–
29 April 2014	2,284,900	16,000	–	(188,700)	(1,213,800)	898,400	65
2 July 2014	225,000	–	–	–	(112,000)	113,000	1
29 April 2015	2,437,900	14,000	–	(150,800)	(1,308,100)	993,000	80
29 April 2016	–	–	4,273,000	(194,000)	(1,382,000)	2,697,000	138
	6,229,105	39,000	4,273,000	(563,500)	(5,276,205)	4,701,400	284
<b>Total</b>	<b>9,627,105</b>	<b>39,000</b>	<b>6,064,000</b>	<b>(563,500)</b>	<b>(7,890,205)</b>	<b>7,276,400</b>	<b>293</b>

Date of grant	Number of units outstanding at 1.1.2017	Conversion from cash-settled LTIP to equity-settled LTIP*	Number of units granted	Number of units lapsed/cancelled	Number of units exercised	Number of units outstanding at 31.12.2017	Number of holders at 31.12.2017
<i>Key Management Personnel</i>							
2 July 2014	706,000	–	–	–	(706,000)	–	–
2 July 2015	674,000	–	–	–	(674,000)	–	–
15 June 2016	1,195,000	–	–	–	(597,000)	598,000	3
1 June 2017	–	–	2,023,000	–	(673,000)	1,350,000	3
	2,575,000	–	2,023,000	–	(2,650,000)	1,948,000	6
<i>Other eligible employees</i>							
29 April 2014	898,400	–	–	(62,000)	(836,400)	–	–
2 July 2014	113,000	–	–	–	(113,000)	–	–
29 April 2015	993,000	–	–	(53,000)	(940,000)	–	–
29 April 2016	2,697,000	–	–	(212,000)	(1,254,000)	1,231,000	121
29 April 2017	–	–	4,662,000	(286,000)	(1,497,000)	2,879,000	140
	4,701,400	–	4,662,000	(613,000)	(4,640,400)	4,110,000	261
<b>Total</b>	<b>7,276,400</b>	<b>–</b>	<b>6,685,000</b>	<b>(613,000)</b>	<b>(7,290,400)</b>	<b>6,058,000</b>	<b>267</b>

As at 31 December 2017, no (2016: Nil) outstanding LTIP units are vested and exercisable.

\* Per the bye-laws of the LTIP scheme, all unvested cash-settled LTIPs of employees who are promoted to vice president will be converted into unvested equity-settled LTIPs.

## NOTES TO THE FINANCIAL STATEMENTS

## 22. Employee benefits (continued)

## EOS

Date of grant	Exercise price	Number of options outstanding at 1.1.2016	Number of options granted	Number of options lapsed/cancelled	Number of options exercised	Number of options outstanding at 31.12.2016	Number of holders at 31.12.2016
<i>Key Management Personnel</i>							
1 July 2015	RM5.67	4,121,000	–	–	–	4,121,000	2
3 June 2016	RM6.44	–	6,105,000	–	–	6,105,000	1
1 July 2016	RM6.55	–	4,253,000	–	–	4,253,000	2
		4,121,000	10,358,000	–	–	14,479,000	5
<i>Other eligible employees</i>							
1 July 2015	RM5.67	4,621,000	–	(1,043,000)	(214,000)	3,364,000	42
1 July 2016	RM6.55	–	4,503,000	(40,000)	–	4,463,000	46
		4,621,000	4,503,000	(1,083,000)	(214,000)	7,827,000	88
<b>Total</b>		8,742,000	14,861,000	(1,083,000)	(214,000)	22,306,000	93
Date of grant	Exercise price	Number of options outstanding at 1.1.2017	Number of options granted	Number of options lapsed/cancelled	Number of options exercised	Number of options outstanding at 31.12.2017	Number of holders at 31.12.2017
<i>Key Management Personnel</i>							
1 July 2015	RM5.67	4,121,000	–	–	–	4,121,000	2
3 June 2016	RM6.44	6,105,000	–	–	–	6,105,000	1
1 July 2016	RM6.55	4,253,000	–	–	–	4,253,000	2
		14,479,000	–	–	–	14,479,000	5
<i>Other eligible employees</i>							
1 July 2015	RM5.67	3,364,000	–	(606,000)	(593,000)	2,165,000	36
1 July 2016	RM6.55	4,463,000	–	(1,568,000)	–	2,895,000	35
		7,827,000	–	(2,174,000)	(593,000)	5,060,000	71
<b>Total</b>		22,306,000	–	(2,174,000)	(593,000)	19,539,000	76

As at 31 December 2017, 6,519,000 (2016: 2,381,000) outstanding EOS options are vested and exercisable.



## 22. Employee benefits *(continued)*

The fair value of services received in return for the share options granted is determined based on Trinomial Option Pricing Model, and taking into account the terms and conditions under which the units/options were granted. The inputs to the models used for the units/options granted are as follows:

### *Fair value of share options and assumptions*

	LTIP granted in 2017	LTIP granted in 2016	LTIP granted in 2015	LTIP granted in 2014	LTIP granted in 2013	EOS granted in 2016	EOS granted in 2015
Fair value at grant date	RM5.84– RM6.19	RM6.35– RM6.55	RM5.83– RM6.00	RM3.89– RM4.39	RM3.69– RM3.98	RM2.02– RM2.06	RM2.06
Share price at grant date	RM5.90– RM6.19	RM6.41– RM6.55	RM5.89– RM6.00	RM3.95– RM4.39	RM3.75– RM4.00	RM6.41– RM6.61	RM5.85
Expected volatility (average volatility)	15.19%	16.18%	16.6%– 16.7%	16.6%	17.3%– 18.7%	16.1%	16.5%
Option life (expected average life)	3.75–3.92 years	4.75–4.92 years	5.5–5.92 years	6.5–6.92 years	7.5–7.92 years	9 years	10 years
Expected dividends yield	0.49%	0.46%	0.50%– 0.51%	0.51%	0.50%– 0.53%	0.45%– 0.47%	0.51%
Risk free rate	3.56%– 3.58%	3.55%– 3.81%	3.57%– 4.45%	3.39%– 3.74%	3.19%– 3.58%	3.68%– 3.88%	3.96%
Exercise price	n/a	n/a	n/a	n/a	n/a	RM6.44– RM6.55	RM5.67

n/a – not applicable

### *Value of employee services received for issue of share options*

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Share-based payment expenses included in staff costs	28	52,186	54,168	12,069	10,790

## NOTES TO THE FINANCIAL STATEMENTS

**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	
		2017 RM'000	2016 RM'000
Present value of unfunded obligations		29,427	26,446
<b>Movements in the liability for defined benefits obligations</b>			
At 1 January		26,446	21,600
Included in profit or loss			
– Current service costs		5,061	4,076
– Interest on obligation		768	593
		5,829	4,669
Included in other comprehensive income			
Remeasurement loss			
– Actuarial gain/(loss) arising from:			
– financial assumptions		(1,583)	818
– experience adjustments		9	(237)
	31	(1,574)	581
Others			
– Benefits paid		(1,364)	(863)
– Translation differences		90	459
At 31 December		29,427	26,446

**Actuarial assumptions**

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

	Group	
	2017 %	2016 %
Discount rate	5.0–7.2	5.0–6.6
Future salary growth	5.0–7.5	5.0–10.0
Future mortality	0.0–0.7	0.0–0.7

## 23. Retirement benefits *(continued)*

### 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 RM'000	Decrease RM'000
<b>2017</b>		
Discount rate (1% movement)	(3,204)	3,880
Future salary growth (1% movement)	3,779	(3,170)
Future mortality (1% movement)	(3)	3
	<u>(3)</u>	<u>3</u>
<b>2016</b>		
Discount rate (1% movement)	(2,687)	3,237
Future salary growth (1% movement)	3,243	(2,728)
Future mortality (1% movement)	(3)	6
	<u>(3)</u>	<u>6</u>

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 2017, the ceiling amount has been limited to TL4,732 (2016: TL4,297), approximately RM4,916 (2016: RM5,481). 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.

	Note	Group	
		2017 RM'000	2016 RM'000
Present value of unfunded obligations		16,199	14,548
<b>Movements in the liability for defined benefits obligations</b>			
At 1 January		14,548	10,921
Included in profit or loss			
Current service costs		2,752	1,656
Interest on obligation		1,416	1,127
		<u>4,168</u>	<u>2,783</u>
Remeasurement loss			
– Actuarial loss arising from financial assumptions	31	16,737	13,906
Others			
Acquisitions through business combinations	43	–	1,835
Benefits paid		(16,541)	(13,263)
Translation differences		(2,713)	(1,634)
At 31 December		<u>16,199</u>	<u>14,548</u>

## NOTES TO THE FINANCIAL STATEMENTS

24. Employment termination benefits *(continued)*

## Actuarial assumptions

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

	Group	
	2017	2016
Annual inflation rate	6.0%	6.0%
Discount rate	11.0%	11.0%
Retirement pay ceiling amount	TL4,732	TL4,297

## 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Non-current</b>				
Trade payables	16,799	7,747	–	–
Other payables	48,205	31,133	–	–
CCPS liabilities	7,895	10,504	–	–
Put options granted to non-controlling interests	837,526	864,608	–	–
Loans from a non-controlling interest	844,268	690,401	–	–
	1,754,693	1,604,393	–	–
Deposits	59,484	62,202	–	–
	1,814,177	1,666,595	–	–
<b>Current</b>				
Trade payables	988,928	1,000,389	–	–
Accruals	794,266	646,339	7,329	11,836
Other payables	554,569	476,485	276	567
Interest payables	36,082	11,379	–	–
CCPS liabilities	85,290	72,141	–	–
Financial guarantee provision	35,273	36,657	–	–
Loans from a non-controlling interest	–	230,134	–	–
Put options granted to non-controlling interests	160,783	–	–	–
	2,655,191	2,473,524	7,605	12,403
Deposits and advance billings	156,314	138,922	–	–
	2,811,505	2,612,446	7,605	12,403

*Loans from a non-controlling interest*

The loans from a non-controlling interest are unsecured, bear interests at HIBOR + 1.30% (2016: HIBOR + 1.30%) per annum and payable in 2021. The loans 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.

## 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, change in fair value amounting to RM13,753,000 loss (2016: RM21,947,000 loss) was recognised in profit or loss.

### *Put options granted to non-controlling interests*

As at 31 December 2017, put options granted to non-controlling interests consist of:

- (1) 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 RM93.3 million) (2016: RM96.3 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; 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.
- (2) 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.
- (3) Pursuant to the acquisition of City Hospitals and Clinics AD (“City Clinic”), the Group granted put options to non-controlling interest of 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.
- (4) 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 2019 to May 2026.
- (5) 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.

At the transaction date, 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 respectively (2016: RM176,882,000, being fair value of put options granted to non-controlling interests relating to the acquisition of City Clinic).

During the year, change in fair values of put options granted to non-controlling interests amounting to RM45,229,000 loss (2016: RM287,733,000 loss) was recognised in equity.

### *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.

## NOTES TO THE FINANCIAL STATEMENTS

## 26. Derivative assets and liabilities

	Group	
	2017 RM'000	2016 RM'000
<b>Non-current assets</b>		
Foreign exchange forward contracts	5,761	651
Cross currency interest rate swaps	5,036	–
Put option	1,625	1,652
	12,422	2,303
<b>Current assets</b>		
Foreign exchange forward contracts	13,406	1,040
<b>Non-current liabilities</b>		
Foreign exchange forward contracts	–	(2,677)
Interest rate swaps	(3,742)	(8,400)
Cross currency interest rate swaps	–	(13,783)
	(3,742)	(24,860)
<b>Current liabilities</b>		
Interest rate swaps	(498)	(1,045)
Call option granted to non-controlling interests	(22,493)	(18,128)
	(22,991)	(19,173)

	Nominal value		Fair value	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Derivatives held at fair value through profit or loss				
– Foreign exchange forward contracts	413,415	230,814	19,167	(986)
– Call option granted to non-controlling interests	31,886	32,961	(22,493)	(18,128)
Derivatives held at cost				
– Put option	16,288	16,551	1,625	1,652
Derivatives used for hedging				
– Interest rate swaps	1,023,701	1,573,519	(4,240)	(9,445)
– Cross currency interest rate swaps	382,719	233,574	5,036	(13,783)
	1,868,009	2,087,419	(905)	(40,690)

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).

**Call option granted to non-controlling interests**

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 million (equivalent to RM33 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 RM4,753,000 (2016: RM15,580,000) loss was charged to profit or loss.

## 26. Derivative assets and liabilities (continued)

### Put option

On disposal of the Group's controlling stake in Shenton Insurance Pte. Ltd. ("SIPL"), the Group entered into an agreement with the purchaser and is granted a put option to sell all of its remaining shares in SIPL 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.

The put option is stated at cost as the underlying equity instrument that will be delivered when the put option is being exercised does not have a quoted market price in an active market.

### 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Healthcare services income	10,630,873	9,526,941	–	–
Education services income	261,718	247,543	–	–
Rental income	234,781	227,998	–	–
Management fees	13,139	11,384	–	–
Dividend income				
– from subsidiaries	–	–	603,979	41,971
– from quoted shares outside Malaysia	–	5,625	–	–
– from unquoted money market funds	2,128	2,394	2,128	2,394
	<u>11,142,639</u>	<u>10,021,885</u>	<u>606,107</u>	<u>44,365</u>

## 28. Staff costs

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages, salaries and others		4,305,145	3,681,370	22,991	13,032
Contribution to defined contribution plans		172,411	147,486	819	560
Equity-settled share-based payments	22	52,186	54,168	12,069	10,790
		<u>4,529,742</u>	<u>3,883,024</u>	<u>35,879</u>	<u>24,382</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 29. Finance income and costs

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<i>Finance income</i>				
Interest income				
– Banks and financial institutions	76,774	65,504	18,689	10,847
– Others	2,005	1,821	–	–
Exchange gain on loans	51,614	61,869	–	–
Fair value gain on financial derivatives	21,446	–	–	–
	<u>151,839</u>	<u>129,194</u>	<u>18,689</u>	<u>10,847</u>
<i>Finance costs</i>				
Interest expense on loans and borrowings	(277,196)	(194,606)	–	–
Exchange loss on loans	(463,804)	(393,212)	–	–
Fair value loss on financial derivatives	(4,753)	(21,308)	–	–
Fair value loss on CCPS liabilities	(13,753)	(21,947)	–	–
Other finance costs	(34,798)	(26,211)	(8)	(5)
	<u>(794,304)</u>	<u>(657,284)</u>	<u>(8)</u>	<u>(5)</u>

## 30. Profit before tax

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Audit fees				
Current year				
– KPMG Malaysia	(1,021)	(1,024)	(373)	(373)
– Affiliates of KPMG Malaysia	(5,123)	(4,762)	(452)	(432)
– Other auditors	(765)	(793)	–	–
(Under)/Over provision for prior years				
– KPMG Malaysia	–	9	–	–
– Affiliates of KPMG Malaysia	–	(456)	–	–
Non-audit fees paid to				
– KPMG Malaysia	(680)	(353)	(680)	(353)
– Affiliates of KPMG Malaysia	(775)	(5,059)	–	–



### 30. Profit before tax *(continued)*

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

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Exchange (loss)/gains – net		(66,453)	113	(60,703)	3,388
Impairment losses (made)/written back on:					
– Investment in subsidiary		–	–	72	–
– Investment in a joint venture	9	–	(97,344)	–	–
– Trade and other receivables		(11,066)	(63,827)	–	–
– Inventories		–	(1,773)	–	–
– Amounts due from associates		901	593	–	–
– Amounts due from joint ventures		(575)	15,278	–	–
Write-off:					
– Property, plant and equipment	3	(2,874)	(1,162)	–	–
– Intangible assets	6	(248)	(5,670)	–	–
– Inventories		(5,137)	(737)	–	–
– Trade and other receivables		(28,074)	(11,944)	–	–
– Other financial assets		–	(329)	–	–
Rental of premises		(301,687)	(275,755)	(2,217)	(2,070)
Rental of machinery and equipment		(26,823)	(25,924)	(20)	(24)
Gain on disposal of property, plant and equipment		15,349	12,072	–	–
Gain on disposal of a subsidiary	44	1,149	54,801	–	–
Gain on divestment of investment properties		–	13,141	–	–
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	9,173	167	–
Loss on disposal of a business	42	(776)	–	–	–
Change in fair value of investment properties	5	22,922	30,193	–	–
Provision for financial guarantee given on a joint venture's loan facility		(1,570)	(35,361)	–	–
Negative goodwill from business combination	43	–	20,518	–	–
Prior years' value-added tax ("VAT") claims and tax investigations settlement		–	(53,634)	–	–

## NOTES TO THE FINANCIAL STATEMENTS

## 31. Other comprehensive income

Group	2017			2016		
	Before tax RM'000	Tax benefit RM'000 (Note 11)	Net of tax RM'000	Before tax RM'000	Tax benefit RM'000 (Note 11)	Net of tax RM'000
<b>Items that may be reclassified subsequently to profit or loss</b>						
Foreign currency translation differences from foreign operations	(790,190)	–	(790,190)	77,396	–	77,396
Hedge of net investments in foreign operations	21,344	–	21,344	(81,492)	–	(81,492)
Available-for-sale financial instruments:						
– Changes in fair value	239,990	–	239,990	(304,018)	–	(304,018)
– Reclassification adjustments for gain on disposal included in profit or loss	(559,195)	–	(559,195)	(9,173)	–	(9,173)
	(319,205)	–	(319,205)	(313,191)	–	(313,191)
Cash flow hedge:						
– Changes in fair value	731	–	731	(7,850)	–	(7,850)
– Reclassification adjustments for losses included in profit or loss	2,429	–	2,429	1,253	–	1,253
	3,160	–	3,160	(6,597)	–	(6,597)
	(1,084,891)	–	(1,084,891)	(323,884)	–	(323,884)
<b>Items that will not be reclassified subsequently to profit or loss</b>						
Remeasurement of defined benefit liabilities (Note 23 and 24)	(15,566)	3,321	(12,245)	(14,487)	2,781	(11,706)
Revaluation of property, plant and equipment upon transfer to investment properties (Note 3)	–	–	–	50,019	–	50,019
	(15,566)	3,321	(12,245)	35,532	2,781	38,313
	(1,100,457)	3,321	(1,097,136)	(288,352)	2,781	(285,571)
<b>Company</b>						
<b>Items that may be reclassified subsequently to profit or loss</b>						
Foreign currency translation differences from foreign operations	(27)	–	(27)	6	–	6
Available-for-sale financial instruments:						
– Changes in fair value	(300)	–	(300)	(70)	–	(70)
– Reclassification adjustments for gain on disposal included in profit or loss	(167)	–	(167)	–	–	–
	(467)	–	(467)	(70)	–	(70)
	(494)	–	(494)	(64)	–	(64)

### 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-executive Directors:				
– Fees	5,267	4,677	2,578	2,140
– Remuneration and other benefits	8	7	8	7
	<u>5,275</u>	<u>4,684</u>	<u>2,586</u>	<u>2,147</u>
Executive Directors:				
– Fees	1,556	1,487	–	–
– Remuneration and other benefits	17,672	9,360	11,026	3,837
– Share-based payment	23,291	22,851	9,555	9,030
	<u>42,519</u>	<u>33,698</u>	<u>20,581</u>	<u>12,867</u>
	<u>47,794</u>	<u>38,382</u>	<u>23,167</u>	<u>15,014</u>

The estimated monetary value of Directors' benefit-in-kind is RM327,000 (2016: RM251,000).

### 33. Income tax expense

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Current tax expense</b>				
Current year	330,955	293,368	4,670	3,146
Under/(Over) provided in prior years	14,771	(1,396)	(335)	205
	<u>345,726</u>	<u>291,972</u>	<u>4,335</u>	<u>3,351</u>
<b>Deferred tax (income)/expense</b>				
Reversal of temporary differences	(6,394)	(46,329)	–	–
(Over)/Under provided in prior years	(4,707)	23,982	–	–
	<u>(11,101)</u>	<u>(22,347)</u>	<u>–</u>	<u>–</u>
	<u>334,625</u>	<u>269,625</u>	<u>4,335</u>	<u>3,351</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 33. Income tax expense (continued)

## Reconciliation of income tax expense

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before tax	1,164,453	877,617	715,361	14,123
Less:				
Share of profits of associates (net of tax)	(1,543)	(1,747)	–	–
Share of profits of joint ventures (net of tax)	(577)	(14,922)	–	–
	<u>1,162,333</u>	<u>860,948</u>	<u>715,361</u>	<u>14,123</u>
Income tax calculated using Malaysia tax rate of 24% (2016: 24%)	278,960	206,628	171,687	3,390
Effect of tax rates in foreign jurisdictions	(62,718)	(21,299)	(102)	–
Tax exempt income	(137,657)	(89,736)	(196,067)	(11,431)
Tax incentive	(2,672)	(25,571)	–	–
Non-deductible expenses	163,543	175,976	29,152	11,187
Recognition of previously unrecognised deferred tax assets	(11,198)	(1,430)	–	–
Deferred tax assets not recognised	96,303	2,471	–	–
Under/(Over) provided in prior years	10,064	22,586	(335)	205
	<u>334,625</u>	<u>269,625</u>	<u>4,335</u>	<u>3,351</u>

## 34. Earnings per share

	Group	
	2017 RM'000	2016 RM'000
Basic and diluted earnings per share is based on:		
Net profit attributable to ordinary shareholders (RM'000)		
Profit after tax and non-controlling interest	969,953	612,353
Perpetual securities distribution	(38,639)	–
	<u>931,314</u>	<u>612,353</u>
<b>Basic earnings per share</b>		
Weighted average number of shares ('000)	<u>8,236,349</u>	<u>8,228,688</u>
Basic earnings per share (sen)	<u>11.31</u>	<u>7.44</u>

**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	
	2017	2016
Weighted average number of ordinary shares used in calculation of basic earnings per share ('000)	8,236,349	8,228,688
Weighted average number of unissued ordinary shares from units under LTIP ('000)	4,080	5,803
Weighted average number of unissued ordinary shares from share options under EPP ('000)	–	2
Weighted average number of unissued ordinary shares from share options under EOS ('000)	196	–
Weighted average number of ordinary shares used in calculation of diluted earnings per share ('000)	<u>8,240,625</u>	<u>8,234,493</u>
Diluted earnings per share (sen)	<u>11.30</u>	<u>7.44</u>

### 34. Earnings per share *(continued)*

#### *Diluted earnings per share (continued)*

At 31 December 2017, 13,253,000 outstanding EOS options (2016: 22,306,000) 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
<b>2017</b>			
First and final single tier cash dividend for financial year ended 31 December 2016	3.0	<u>247,171</u>	18 July 2017
<b>2016</b>			
First and final single tier cash dividend for financial year ended 31 December 2015	3.0	<u>246,944</u>	18 July 2016

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 2017	3	<u>247,174*</u>

\* Based on 8,239,583,639 shares as at 31 December 2017.

### 36. Segment reporting

#### *Operating segments*

The Group has nine 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
- PPL Others
- Acibadem Holdings
- IMU Health
- PLife REIT
- Others

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.

## NOTES TO THE FINANCIAL STATEMENTS

## 36. Segment reporting (continued)

## Operating segments (continued)

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

	Parkway Pantai <sup>1</sup>					Acibadem Holdings <sup>3</sup>	IMU Health <sup>3</sup>	PLife REIT <sup>1</sup>	Others	Eliminations	Total
	Singapore RM'000	Malaysia RM'000	India RM'000	North Asia RM'000	PPL Others <sup>2</sup> RM'000	CEEMENA <sup>3</sup> RM'000	Malaysia RM'000	RM'000	RM'000	RM'000	RM'000
<b>2017</b>											
<b>Revenue and expenses</b>											
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
<b>Assets and liabilities</b>											
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	(4,754,338)	32,845,625
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	(4,754,338)	38,924,228
Loans and borrowings	9,434	318	347,229	1,051,177	–	3,421,866	182	1,963,566	–	–	6,793,772
Other liabilities	4,830,012	536,655	2,198,383	1,264,699	329,442	1,349,860	140,131	324,762	10,120	(4,754,338)	6,229,726
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	(4,754,338)	13,023,498

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

## NOTES TO THE FINANCIAL STATEMENTS

## 36. Segment reporting (continued)

## Operating segments (continued)

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

	Parkway Pantai <sup>1</sup>					Acibadem Holdings	IMU Health	PLife REIT <sup>1</sup>	Others	Eliminations	Total
	Singapore	Malaysia	India	North Asia	PPL Others <sup>2</sup>	CEEMENA <sup>3</sup>	Malaysia				
2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue and expenses</b>											
Revenue from external customers	3,554,048	1,620,579	560,082	259,229	171,081	3,480,192	237,071	131,584	8,019	–	10,021,885
Inter-segment revenue	98,113	988	–	–	988	–	3,648	196,260	32,569	(332,566)	–
Total segment revenue	3,652,161	1,621,567	560,082	259,229	172,069	3,480,192	240,719	327,844	40,588	(332,566)	10,021,885
EBITDA	1,007,328	430,812	27,325	(27,923)	34,373	538,065	85,504	286,907	1,127	(100,365)	2,283,153
Depreciation and impairment losses of property, plant and equipment	(217,285)	(136,006)	(54,617)	(7,727)	(4,660)	(276,621)	(12,977)	(34,090)	(770)	–	(744,753)
Amortisation and impairment losses of intangible assets	(3,699)	(709)	(9,256)	(7,323)	–	(33,631)	(511)	–	–	–	(55,129)
Foreign exchange differences	(674)	488	(6,517)	1,814	(2,084)	38	(39)	3,699	3,388	–	113
Finance income	1,374	21,261	3,499	11,697	80,466	23,939	5,539	11	10,847	(29,439)	129,194
Finance costs	(16,549)	(6,246)	(81,043)	(10,156)	(79,399)	(457,350)	(280)	(35,687)	(13)	29,439	(657,284)
Share of profits of associates (net of tax)	1,747	–	–	–	–	–	–	–	–	–	1,747
Share of profits of joint ventures (net of tax)	2,118	–	12,578	226	–	–	–	–	–	–	14,922
Others	21,725	–	(132,705)	–	54,801	(33,115)	–	–	(5,052)	–	(94,346)
Profit/(Loss) before tax	796,085	309,600	(240,736)	(39,392)	83,497	(238,675)	77,236	220,840	9,527	(100,365)	877,617
Income tax (expense)/credit	(142,561)	(58,209)	8,471	(22,093)	(16,497)	5,081	(20,471)	(19,995)	(3,351)	–	(269,625)
Profit/(Loss) for the year	653,524	251,391	(232,265)	(61,485)	67,000	(233,594)	56,765	200,845	6,176	(100,365)	607,992
<b>Assets and liabilities</b>											
Cash and cash equivalents	213,587	615,312	22,091	728,822	313,306	97,199	5,186	220,863	226,815	–	2,443,181
Other assets	12,562,839	4,459,754	1,923,064	3,179,445	6,887,652	6,390,179	530,771	4,301,618	1,281,639	(6,772,186)	34,744,775
Segment assets as at 31 December 2016	12,776,426	5,075,066	1,945,155	3,908,267	7,200,958	6,487,378	535,957	4,522,481	1,508,454	(6,772,186)	37,187,956
Loans and borrowings	7,728	40,088	351,823	394,113	1,288,242	3,440,029	372	1,953,355	–	–	7,475,750
Other liabilities	5,176,423	448,376	2,014,169	2,917,585	198,274	1,348,519	127,618	357,747	2,524	(6,772,186)	5,819,049
Segment liabilities as at 31 December 2016	5,184,151	488,464	2,365,992	3,311,698	1,486,516	4,788,548	127,990	2,311,102	2,524	(6,772,186)	13,294,799

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

## NOTES TO THE FINANCIAL STATEMENTS

## 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	Malaysia	North Asia	India	Japan	CEEMENA	Other regions	Others <sup>1</sup>	Eliminations	Total
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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 <sup>2</sup>	<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>
<b>2016</b>										
Revenue from external customers	3,562,358	1,857,802	259,229	560,082	131,432	3,480,192	167,299	3,491	–	10,021,885
Inter-segment revenue	–	–	–	–	–	–	–	42,040	(42,040)	–
Total segment revenue	<u>3,562,358</u>	<u>1,857,802</u>	<u>259,229</u>	<u>560,082</u>	<u>131,432</u>	<u>3,480,192</u>	<u>167,299</u>	<u>45,531</u>	<u>(42,040)</u>	<u>10,021,885</u>
Non-current assets <sup>2</sup>	<u>14,576,988</u>	<u>4,430,373</u>	<u>3,057,011</u>	<u>1,546,932</u>	<u>1,845,375</u>	<u>5,363,639</u>	<u>60,063</u>	<u>2,378</u>	<u>–</u>	<u>30,882,759</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**

Financial instruments are categorised as follows:

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

Group	Carrying amount RM'000	L&R/FL RM'000	AFS RM'000	FVTPL RM'000	FVHI RM'000
<b>2017</b>					
<b>Financial assets</b>					
Other financial assets	175,287	163,902	11,385	–	–
Trade and other receivables <sup>1</sup>	1,355,434	1,355,434	–	–	–
Derivative assets	25,828	1,625	–	19,167	5,036
Cash and cash equivalents	6,078,603	6,078,603	–	–	–
	<u>7,635,152</u>	<u>7,599,564</u>	<u>11,385</u>	<u>19,167</u>	<u>5,036</u>
<b>Financial liabilities</b>					
Trade and other payables <sup>2</sup>	(4,409,884)	(4,316,699)	–	(93,185)	–
Loans and borrowings	(6,793,772)	(6,793,772)	–	–	–
Bank overdrafts	(68)	(68)	–	–	–
Derivative liabilities	(26,733)	–	–	(22,493)	(4,240)
	<u>(11,230,457)</u>	<u>(11,110,539)</u>	<u>–</u>	<u>(115,678)</u>	<u>(4,240)</u>
<b>2016</b>					
<b>Financial assets</b>					
Other financial assets	1,549,904	209,658	1,340,246	–	–
Trade and other receivables <sup>1</sup>	1,217,566	1,217,566	–	–	–
Derivative assets	3,343	1,652	–	1,691	–
Cash and cash equivalents	2,443,181	2,443,181	–	–	–
	<u>5,213,994</u>	<u>3,872,057</u>	<u>1,340,246</u>	<u>1,691</u>	<u>–</u>
<b>Financial liabilities</b>					
Trade and other payables <sup>2</sup>	(4,077,917)	(3,995,272)	–	(82,645)	–
Loans and borrowings	(7,475,750)	(7,475,750)	–	–	–
Bank overdrafts	(11,348)	(11,348)	–	–	–
Derivative liabilities	(44,033)	–	–	(20,805)	(23,228)
	<u>(11,609,048)</u>	<u>(11,482,370)</u>	<u>–</u>	<u>(103,450)</u>	<u>(23,228)</u>

1 Excludes prepayments and deposits

2 Excludes deposits and advance billings

## NOTES TO THE FINANCIAL STATEMENTS

## 37. Financial instruments (continued)

## (i) Categories of financial instruments (continued)

Company	Carrying amount RM'000	L&R/FL RM'000	AFS RM'000
<b>2017</b>			
<b>Financial assets</b>			
Trade and other receivables <sup>1</sup>	2,261	2,261	–
Amounts due from subsidiaries	14,848	14,848	–
Cash and cash equivalents	1,564,893	1,564,893	–
	<u>1,582,002</u>	<u>1,582,002</u>	<u>–</u>
<b>Financial liabilities</b>			
Trade and other payables <sup>2</sup>	(7,605)	(7,605)	–
Amounts due to subsidiaries	(814)	(814)	–
	<u>(8,419)</u>	<u>(8,419)</u>	<u>–</u>
<b>2016</b>			
<b>Financial assets</b>			
Other financial assets	70,574	–	70,574
Trade and other receivables <sup>1</sup>	451	451	–
Amounts due from subsidiaries	13,089	13,089	–
Cash and cash equivalents	225,839	225,839	–
	<u>309,953</u>	<u>239,379</u>	<u>70,574</u>
<b>Financial liabilities</b>			
Trade and other payables <sup>2</sup>	(12,403)	(12,403)	–
Amounts due to subsidiaries	(2,320)	(2,320)	–
	<u>(14,723)</u>	<u>(14,723)</u>	<u>–</u>

1 Excludes prepayments and deposits

2 Excludes deposits and advance billings



## NOTES TO THE FINANCIAL STATEMENTS

### 37. Financial instruments (continued)

#### (iii) Credit risk (continued)

##### 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 non-corporate customers. Instead, a non-corporate 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.

##### *Exposure to credit risk, credit quality and collateral*

As at the end of the financial year, the maximum exposure to credit risk arising from receivables and financial assets is represented by the carrying amounts in the statements of financial position.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. Specific impairment allowance is provided on a case-by-case basis depending on the circumstances while collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

At the end of the financial year, the Group has outstanding trade receivables from 2 significant customers amounting to RM201,467,000 (2016: one significant customer with a trade receivable balance of RM77,461,000), which is individually 5% or more of the Group's gross trade receivables. Allowance for impairment of RM32,687,000 (2016: RM11,429,000) has been recognised.

##### *Credit risk concentration profile*

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an on-going basis.

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

	Note	Group	
		2017 RM'000	2016 RM'000
Malaysia		263,744	216,318
Singapore		371,318	322,575
North Asia		47,438	39,913
South Asia and Middle East		134,467	114,785
South East Asia		86,469	70,559
CEEMENA		602,342	610,982
Others		4,987	5,029
		<u>1,510,765</u>	<u>1,380,161</u>
Impairment losses		(249,659)	(263,566)
	14	<u>1,261,106</u>	<u>1,116,595</u>

### 37. Financial instruments *(continued)*

#### (iii) Credit risk *(continued)*

##### Receivables *(continued)*

##### Impairment losses

Trade receivables that are neither past due nor impaired are creditworthy with good payment record with the Group. Cash and fixed deposits are placed with reputable financial institutions which are regulated.

Similarly, the Group only enters into investments and transactions involving financial instruments with counterparties who have sound credit ratings. As such, except for the impairment loss recognised as disclosed below, the Group does not expect any counterparty to fail to meet their obligations.

The ageing of trade receivables at the reporting date are as follows:

Group	Individual and collective impairment			Individual and collective impairment		
	Gross		Net	Gross		Net
	2017 RM'000	2017 RM'000	2017 RM'000	2016 RM'000	2016 RM'000	2016 RM'000
Not past due	762,467	(3,485)	758,982	680,665	(2,057)	678,608
Past due 0 – 30 days	237,539	(3,953)	233,586	194,643	(4,371)	190,272
Past due 31 – 180 days	250,376	(33,836)	216,540	241,300	(40,071)	201,229
Past due 181 days – 1 year	85,534	(48,275)	37,259	70,677	(45,440)	25,237
Past due more than 1 year	174,849	(160,110)	14,739	192,876	(171,627)	21,249
	<u>1,510,765</u>	<u>(249,659)</u>	<u>1,261,106</u>	<u>1,380,161</u>	<u>(263,566)</u>	<u>1,116,595</u>

The movements in impairment losses in respect of trade receivables during the year are as follows:

	Group	
	2017 RM'000	2016 RM'000
At 1 January	263,566	203,532
Acquisition through business combinations	–	8,916
Impairment loss recognised	10,856	63,287
Impairment loss written off	(6,558)	(3,994)
Translation differences	(18,205)	(8,175)
At 31 December	<u>249,659</u>	<u>263,566</u>

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 37. Financial instruments *(continued)*

#### (iii) Credit risk *(continued)*

##### Receivables *(continued)*

##### Impairment losses *(continued)*

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:

Group	Individually assessed balance RM'000	Specific allowances made RM'000	Net RM'000
<b>2017</b>			
Trade receivables	250,872	(141,650)	109,222
<b>2016</b>			
Trade receivables	270,822	(178,581)	92,241

The individually impaired receivables relate to debtors that were in financial difficulties and/or debts that are in dispute. The Group assessed that portion of the debt may be unrecoverable.

##### 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*

As at the end of the financial year, there was no indication that the amounts due from subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the amount due from subsidiaries, but would assess for impairment periodically.

## 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, respectively 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 amounts to RM35,273,000 (2016: RM36,657,000) 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, PHL 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 amounts to RM669,360,000 (2016: RM680,173,000) representing the outstanding bank loans of IHTYL.

As at the end of the reporting period, there was no indication that IHTYL would default on repayment.

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.

## NOTES TO THE FINANCIAL STATEMENTS

## 37. Financial instruments (continued)

## (iv) Liquidity risk (continued)

## Maturity analysis

The maturity profile of the Group's and the Company's financial liabilities as at the end of the financial year based on undiscounted contractual payments are as follows:

Group	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
<b>2017</b>					
<b>Non-derivative financial liabilities</b>					
Loans and borrowings	6,793,772	7,239,552	822,142	5,970,545	446,865
Bank overdrafts	68	68	68	–	–
Trade and other payables*	4,316,699	4,401,500	2,596,021	1,684,393	121,086
	<u>11,110,539</u>	<u>11,641,120</u>	<u>3,418,231</u>	<u>7,654,938</u>	<u>567,951</u>
<b>Derivative financial instruments</b>					
Foreign exchange forward contracts (gross settled)					
– assets	(416,119)	(422,659)	(290,409)	(132,250)	–
– liabilities	396,952	403,302	274,818	128,484	–
Cross currency interest rate swaps (gross settled)					
– assets	(13,156)	(13,576)	(4,625)	(8,951)	–
– liabilities	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>11,090,576</u>	<u>11,620,944</u>	<u>3,403,796</u>	<u>7,649,197</u>	<u>567,951</u>
<b>2016</b>					
<b>Non-derivative financial liabilities</b>					
Loans and borrowings	7,475,750	8,208,120	794,951	6,200,298	1,212,871
Bank overdrafts	11,348	11,348	11,348	–	–
Trade and other payables*	3,995,272	4,099,694	2,446,286	1,653,408	–
	<u>11,482,370</u>	<u>12,319,162</u>	<u>3,252,585</u>	<u>7,853,706</u>	<u>1,212,871</u>
<b>Derivative financial instruments</b>					
Foreign exchange forward contracts (gross settled)					
– assets	(85,602)	(88,851)	(33,672)	(55,179)	–
– liabilities	86,588	89,923	33,287	56,636	–
Cross currency interest rate swaps (gross settled)					
– assets	6,118	6,350	1,709	4,641	–
– liabilities	7,665	7,956	2,140	5,816	–
Interest rate swaps (net settled)	9,445	9,798	4,675	5,123	–
	<u>24,214</u>	<u>25,176</u>	<u>8,139</u>	<u>17,037</u>	<u>–</u>
	<u>11,506,584</u>	<u>12,344,338</u>	<u>3,260,724</u>	<u>7,870,743</u>	<u>1,212,871</u>

\* Excludes deposits, advance billings and CCPS liabilities



### 37. Financial instruments *(continued)*

#### (iv) Liquidity risk *(continued)*

##### *Maturity analysis (continued)*

Company	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
<b>2017</b>					
<b>Non-derivative financial liabilities</b>					
Amounts due to subsidiaries	814	814	814	–	–
Trade and other payables <sup>#</sup>	7,605	7,605	7,605	–	–
	<u>8,419</u>	<u>8,419</u>	<u>8,419</u>	<u>–</u>	<u>–</u>
<b>2016</b>					
<b>Non-derivative financial liabilities</b>					
Amounts due to subsidiaries	2,320	2,320	2,320	–	–
Trade and other payables <sup>#</sup>	12,403	12,403	12,403	–	–
	<u>14,723</u>	<u>14,723</u>	<u>14,723</u>	<u>–</u>	<u>–</u>

# Excludes deposits and 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, Hong Kong Dollar 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)).

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.

See Note 26 for the nominal value and fair value of the foreign exchange forward contracts and cross currency interest rate swaps.

## NOTES TO THE FINANCIAL STATEMENTS

## 37. Financial instruments (continued)

## (v) Market risk (continued)

## (a) Foreign currency risk (continued)

*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, based on carrying amounts as at the end of the financial year are as follows:

Group	Singapore Dollar RM'000	United States Dollar RM'000	Euro RM'000	Japanese Yen RM'000	India Rupee RM'000	Hong Kong Dollar RM'000	Chinese Renminbi RM'000	Others* RM'000
<b>2017</b>								
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	–	9	222,929	2,918
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	–	–	–	–	(664,943)	–	–	–
Foreign exchange forward contracts	–	–	–	1,897	–	–	–	–
Call option granted to non-controlling interests	–	–	–	–	(22,493)	–	–	–
	(39,331)	2,333,838	(1,722,732)	14,823	(662,603)	9	193,329	(12,872)
<b>2016</b>								
Other financial assets	–	84,579	–	–	–	–	–	–
Trade and other receivables	–	10,647	20,338	–	–	–	–	266
Intra-group receivables	28,980	5,782	–	–	–	1,304,894	–	12,629
Cash and cash equivalents	2,798	47,334	2,204	37	–	2	–	104,377
Loans and borrowings	–	(572,390)	(2,160,786)	–	–	(1,299,038)	–	(23,651)
Trade and other payables	(370)	(79,849)	(16,058)	(2,484)	–	(1,444)	(63)	(1,833)
Intra-group payables	(436,134)	(2,336)	–	–	–	–	–	(22,713)
Put options granted to non-controlling interests	–	–	–	–	(627,411)	–	–	–
Foreign exchange forward contracts	–	–	–	(986)	–	–	–	–
Call option granted to non-controlling interests	–	–	–	–	(18,128)	–	–	–
	(404,726)	(506,233)	(2,154,302)	(3,433)	(645,539)	4,414	(63)	69,075

\* 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)

###### Exposure to foreign currency risk (continued)

Company	Singapore Dollar RM'000	Malaysian Ringgit RM'000	United States Dollar RM'000	Hong Kong Dollar RM'000
<b>2017</b>				
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>	<u>–</u>
<b>2016</b>				
Trade and other receivables	–	179	–	–
Cash and cash equivalents	285	–	17,969	–
Amounts due from/(to) subsidiaries	28,424	(6,543)	–	–
Trade and other payables	(335)	–	(5,129)	(10)
	<u>28,374</u>	<u>(6,364)</u>	<u>12,840</u>	<u>(10)</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	2017		2016	
	Equity RM'000	Profit or loss RM'000	Equity RM'000	Profit or loss RM'000
Singapore Dollar	–	(3,933)	–	(40,473)
United States Dollar	–	233,384	(18)	(50,605)
Euro	–	(172,273)	–	(215,430)
Japanese Yen				
– foreign exchange forward contracts	–	(19,893)	–	(8,714)
– non-derivative financial assets and liabilities	–	1,293	–	(245)
India Rupee	(66,494)	232	(62,741)	(1,813)
Hong Kong Dollar	–	1	–	441
Chinese Renminbi	–	19,333	–	(6)
Others*	–	(1,287)	–	6,908
	<u>(66,494)</u>	<u>56,857</u>	<u>(62,759)</u>	<u>(309,937)</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

### 37. Financial instruments (continued)

#### (v) Market risk (continued)

##### (a) Foreign currency risk (continued)

###### *Sensitivity analysis (continued)*

Company	2017		2016	
	Equity RM'000	Profit or loss RM'000	Equity RM'000	Profit or loss RM'000
Singapore Dollar	–	1,454	–	2,837
Malaysian Ringgit	–	(1,257)	–	(636)
United States Dollar	–	118,298	–	1,284
Hong Kong Dollar	–	–	–	(1)
	–	118,495	–	3,484

The foreign currency risk associated with the Japanese denominated outstanding forward foreign exchange contracts as at 31 December 2017 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 debt obligations with banks and financial institutions. The Group's fixed-rate financial assets 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)).

See Note 26 for the nominal value and fair value of the interest rate swaps.

### 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	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Fixed rate instruments</b>				
Eurobonds	–	81,468	–	–
Fixed deposits	1,355,340	1,013,192	275,973	168,804
Bank borrowings	(143,944)	(116,423)	–	–
Fixed rate medium term notes	(301,007)	(126,879)	–	–
Finance lease liabilities	(133,407)	(143,624)	–	–
<b>Variable rate instruments</b>				
Cash and bank balances	3,333,110	–	1,182,936	–
Bank borrowings	(6,210,030)	(7,082,536)	–	–
Bank overdrafts	(68)	(11,438)	–	–
Finance lease liabilities	(5,384)	(6,288)	–	–
Loans from a non-controlling interest	(844,268)	(920,535)	–	–
Financial guarantee provision	(35,273)	(36,657)	–	–
Interest rate swaps	(4,240)	(9,445)	–	–
Cross currency interest rate swaps	5,036	(13,783)	–	–

###### *Sensitivity analysis*

###### *Fair value sensitivity analysis for fixed rate instruments*

Except for the Eurobonds, 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.

During the year, the Group disposed of all its Eurobonds.

As at 31 December 2016, a change of 100 basis points in interest rate would have increase or decrease equity by nil (2016: RM1,821,000) arising from the AFS Eurobonds.

## NOTES TO THE FINANCIAL STATEMENTS

## 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.

	Assets*		Equity		Profit or loss	
	100bp increase RM'000	100bp decrease RM'000	100bp increase RM'000	100bp decrease RM'000	100bp increase RM'000	100bp decrease RM'000
<b>Group</b>						
<b>2017</b>						
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
	–	–	23,620	(26,930)	(23,643)	23,643
<b>2016</b>						
Interest rate swaps	–	–	23,510	(30,357)	15,735	(15,735)
Cross currency interest rate swaps	–	–	9,037	(9,469)	2,336	(2,336)
Other variable rate instruments	23,013	(23,013)	–	–	(51,227)	51,227
	23,013	(23,013)	32,547	(39,826)	(33,156)	33,156
<b>Company</b>						
<b>2017</b>						
Other variable rate instruments	–	–	–	–	11,829	(11,829)
<b>2016</b>						
Nil						

\* Relates to interest capitalised in construction-in-progress

## (c) Equity price risk

Equity price risk mainly arises from the Group's investment in quoted equity securities classified as available-for-sale financial instruments.

The equity investments are held for long term strategic purposes. Their performance is assessed periodically together with assessment if their relevance to the Group's long term strategic plans.

As at 31 December 2016, it is estimated that an increase/(decrease) of 10% in the market price of the quoted equity securities, with all other variables held constant, would have increased/(decreased) the Group's equity by RM117,664,000.

During the year, the Group disposed of all its investments in quoted equity securities.

## 37. Financial instruments *(continued)*

### (vi) Hedging activities

#### *Cash flow hedge*

The Group has entered into interest rate swaps to hedge the cash flow risk in relation to the floating interest rate of some bank loans. As at 31 December 2017, the Group had interest rate swaps and cross currency interest rate swaps with nominal value of RM1,023,701,000 and RM382,719,000 respectively (2016: RM1,573,519,000 and RM233,574,000). Details of the cash flow of the interest rate swaps are shown in Note 37(iv).

As at 31 December 2017, 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 RM731,000 gain (2016: RM7,850,000 loss) 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 RM815,000 loss (2016: RM1,900,000 gain) 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 RM2,429,000 loss (2016: RM1,253,000 loss) were reclassified to profit or loss.

#### *Hedge of net investments in a foreign operation*

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 RM1,380,933,000 (2016: RM1,360,992,000).

Foreign exchange gain of RM21,344,000 (2016: RM81,492,000 loss) was recognised in other comprehensive income with respect to the effective portion of the hedge.

### (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.

It is not practicable to reliably estimate the fair value of put option, unquoted equity shares, club membership and other investments due to the lack of quoted market prices in an active market, significant range of reasonable fair value estimates, and the inability to reasonably assess the probabilities of the various estimates.

## NOTES TO THE FINANCIAL STATEMENTS

## 37. Financial instruments (continued)

## (vii) Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair value and carrying amounts shown in the statement of financial position.

Group	Note	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2017</b>											
<b>Financial assets</b>											
Non-current trade and other receivables <sup>1</sup>	14	–	–	–	–	–	–	2,820	2,820	2,820	2,820
Other financial assets <sup>2</sup>											
– Fixed deposits with tenor of more than 3 months	10	–	–	–	–	–	–	163,558	163,558	163,558	163,558
Financial derivatives <sup>4</sup>											
– 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	–	–	166,378	166,378	190,581	190,581
<b>Financial liabilities</b>											
Non-current trade and other payables <sup>3</sup>	25	–	–	–	–	–	–	(65,004)	(65,004)	(65,004)	(65,004)
CCPS liabilities	25	–	–	(93,185)	(93,185)	–	–	–	–	(93,185)	(93,185)
Put options granted to non-controlling interests	25	–	–	(998,309)	(998,309)	–	–	–	–	(998,309)	(998,309)
Loans from a non-controlling interest	25	–	–	–	–	–	–	(844,268)	(844,268)	(844,268)	(844,268)
Loans and borrowings	21	–	–	–	–	(301,260)	–	(6,492,787)	(6,794,047)	(6,794,047)	(6,793,772)
Bank overdrafts	16	–	–	–	–	–	–	(68)	(68)	(68)	(68)
Financial derivatives											
– Interest rate swaps	26	–	(4,240)	–	(4,240)	–	–	–	–	(4,240)	(4,240)
– Call option granted to non-controlling interests	26	–	–	(22,493)	(22,493)	–	–	–	–	(22,493)	(22,493)
		–	(4,240)	(1,113,987)	(1,118,227)	(301,260)	–	(7,402,127)	(7,703,387)	(8,821,614)	(8,821,339)

1 Exclude prepayments and deposits

2 Exclude available-for-sale unquoted equity shares, club membership and other investments

3 Exclude deposits, advance billings, CCPS liabilities and put options granted to non-controlling interests

4 Exclude put option



## NOTES TO THE FINANCIAL STATEMENTS

## 37. Financial instruments (continued)

## (vii) Fair value information (continued)

Group	Note	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2016</b>											
<b>Financial assets</b>											
Non-current trade and other receivables <sup>1</sup>	14	–	–	–	–	–	–	1,910	1,910	1,910	1,910
Other financial assets <sup>2</sup>											
– AFS quoted equity shares	10	1,176,638	–	–	1,176,638	–	–	–	–	1,176,638	1,176,638
– AFS Eurobonds and money market fund	10	–	152,042	–	152,042	–	–	–	–	152,042	152,042
– Fixed deposits with tenor of more than 3 months	10	–	–	–	–	–	–	209,244	209,244	209,244	209,244
Financial derivatives <sup>4</sup>											
– Foreign exchange forward contracts	26	–	1,691	–	1,691	–	–	–	–	1,691	1,691
		<u>1,176,638</u>	<u>153,733</u>	<u>–</u>	<u>1,330,371</u>	<u>–</u>	<u>–</u>	<u>211,154</u>	<u>211,154</u>	<u>1,541,525</u>	<u>1,541,525</u>
<b>Financial liabilities</b>											
Non-current trade and other payables <sup>3</sup>	25	–	–	–	–	–	–	(38,880)	(38,880)	(38,880)	(38,880)
CCPS liabilities	25	–	–	(82,645)	(82,645)	–	–	–	–	(82,645)	(82,645)
Put options granted to non-controlling interests	25	–	–	(864,608)	(864,608)	–	–	–	–	(864,608)	(864,608)
Loans from a non-controlling interest	25	–	–	–	–	–	–	(920,535)	(920,535)	(920,535)	(920,535)
Loans and borrowings	21	–	–	–	–	(127,355)	–	(7,348,871)	(7,476,226)	(7,476,226)	(7,475,750)
Bank overdrafts	16	–	–	–	–	–	–	(11,348)	(11,348)	(11,348)	(11,348)
Financial derivatives											
– Interest rate swaps	26	–	(9,445)	–	(9,445)	–	–	–	–	(9,445)	(9,445)
– Foreign exchange forward contracts	26	–	(2,677)	–	(2,677)	–	–	–	–	(2,677)	(2,677)
– Cross currency interest rate swaps	26	–	(13,783)	–	(13,783)	–	–	–	–	(13,783)	(13,783)
– Call option granted to non-controlling interests	26	–	–	(18,128)	(18,128)	–	–	–	–	(18,128)	(18,128)
		<u>–</u>	<u>(25,905)</u>	<u>(965,381)</u>	<u>(991,286)</u>	<u>(127,355)</u>	<u>–</u>	<u>(8,319,634)</u>	<u>(8,446,989)</u>	<u>(9,438,275)</u>	<u>(9,437,799)</u>

1 Exclude prepayments and deposits

2 Exclude available-for-sale unquoted equity shares, club membership and other investments

3 Exclude deposits, advance billings, CCPS liabilities and put options granted to non-controlling interests

4 Exclude put option

Company	Note	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2017</b>											
<b>Financial assets</b>											
Other financial assets											
– AFS money market fund	10	–	–	–	–	–	–	–	–	–	–
<b>2016</b>											
<b>Financial assets</b>											
Other financial assets											
– AFS money market fund	10	–	70,574	–	70,574	–	–	–	–	70,574	70,574

## NOTES TO THE FINANCIAL STATEMENTS

### 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 1 fair value*

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

##### *Quoted investments*

The fair value of financial assets at fair value through profit or loss and available-for-sale financial instruments is determined by reference to their quoted closing bid prices at the end of the financial year.

##### *Fixed rate medium term notes*

The fair values of fixed rate medium term notes are determined by reference to their quoted closing bid price at the end of the financial year.

##### *Level 2 fair value*

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities either directly or indirectly.

##### *Derivative, eurobonds and money market funds*

The fair value of foreign exchange forward contracts, cross currency interest rate swaps, interest rate swaps, eurobonds and money market 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 (2016: no transfer in either direction).

##### *Level 3 fair value*

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

##### *Derivatives*

Call option granted to non-controlling interests are stated at fair value and valued using the Black Scholes model. The key assumptions used include risk-adjusted discount rate, dividend yield and volatility.

##### *Non-derivative financial assets and liabilities*

CCPS liabilities are stated at fair value 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.

Put options granted to non-controlling interest are stated at fair value based on the subsidiary's equity value described above and the discounted cash flow method based on present value of expected payment discounted using a risk-adjusted discount rate.

Fair value of other non-derivative financial assets and liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the financial year. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

### 37. Financial instruments (continued)

#### (vii) Fair value information (continued)

##### Level 3 fair value (continued)

##### Non-derivative financial assets and liabilities (continued)

The following table shows a reconciliation for call option granted to non-controlling interests, CCPS liabilities and put options granted to non-controlling interests from the beginning balances to the ending balances for Level 3 fair value measurements:

	Call option granted to non- controlling interests RM'000	CCPS liabilities RM'000	Put options granted to non- controlling interests RM'000
<b>2017</b>			
At 1 January	18,128	82,645	864,608
Arising from business combination	–	–	161,440
Change in fair value	4,753	13,753	45,229
Translation differences	(388)	(3,213)	(72,968)
At 31 December	<u>22,493</u>	<u>93,185</u>	<u>998,309</u>
<b>2016</b>			
At 1 January	1,948	58,433	405,249
Arising from business combination	–	–	176,882
Change in fair value	15,580	21,947	287,733
Translation differences	600	2,265	(5,256)
At 31 December	<u>18,128</u>	<u>82,645</u>	<u>864,608</u>

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	Type	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Black Scholes model	Call option granted to non-controlling interests	<ul style="list-style-type: none"> <li>Risk-adjusted discount rate at 6.4% (2016: 6.5%)</li> <li>Dividend yield at 0% (2016: 0%)</li> <li>Volatility at 33.2% (2016: 46.6%)</li> </ul>	<p>The estimated fair value would increase/(decrease) if the risk-adjusted discount rates were lower/(higher).</p> <p>The estimated fair value would increase/(decrease) if the dividend yield were lower/(higher).</p> <p>The estimated fair value would increase/(decrease) if volatility were higher/(lower).</p>
Discounted cash flow approach	<ul style="list-style-type: none"> <li>CCPS liabilities</li> <li>Put options granted to non-controlling interests</li> </ul>	Risk-adjusted discount rates at 11.9% to 15% (2016: 11.9% to 15%)	The estimated fair value would increase/(decrease) if the risk-adjusted discount rates were lower/(higher).

## NOTES TO THE FINANCIAL STATEMENTS

### 37. Financial instruments *(continued)*

#### (vii) Fair value information *(continued)*

##### Level 3 fair value *(continued)*

##### Key unobservable inputs

Key unobservable inputs correspond to:

- Discount rates, based on the risk-free rate for bonds issued by government in the relevant market, adjusted for a risk premium to reflect the increased risk of investing in the asset class;
- Dividend yield, based on historical return from investment in the equity markets; and
- Volatility, based on historical volatility of comparable companies of a similar term.

### 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	2017 RM'000	2016 RM'000
Loans and borrowings	21	6,793,772	7,475,750
Bank overdrafts		68	11,348
Less: Cash and cash equivalents	16	(6,078,603)	(2,443,181)
Net debt		<u>715,237</u>	<u>5,043,917</u>
Total equity		<u>25,900,730</u>	<u>23,893,157</u>
Debt-to-equity ratio		<u>0.03</u>	<u>0.21</u>

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

The Group is in compliance with all externally imposed capital requirements for the financial years ended 2017 and 2016.

### 39. Operating leases

#### (i) Leases as lessee

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-cancellable operating lease payable:				
– Within 1 year	231,212	271,685	18	18
– After 1 year but within 5 years	792,984	812,224	42	60
– After 5 years	2,056,475	2,372,889	–	–
	<u>3,080,671</u>	<u>3,456,798</u>	<u>60</u>	<u>78</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 to 2017.

The Group is unable to ascertain the amount of the lease premium from 2018 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	
	2017 RM'000	2016 RM'000
Non-cancellable operating lease receivable:		
– Within 1 year	195,640	175,322
– After 1 year but within 5 years	606,365	526,816
– After 5 years	774,659	811,901
	<u>1,576,664</u>	<u>1,514,039</u>

### 40. Capital and other commitments

	Group	
	2017 RM'000	2016 RM'000
(a) Capital expenditure commitments		
<i>Property, plant and equipment and investment properties</i>		
– Contracted but not provided for	1,083,580	1,147,134
(b) Joint venture		
Share of capital commitment of joint venture	137,291	145,648

## NOTES TO THE FINANCIAL STATEMENTS

## 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	
	2017 RM'000	2016 RM'000
<i>With substantial shareholders and their related parties</i>		
Sales and provision of services	348,005	343,672
Purchases and consumption of services	(54,706)	(45,840)
<i>With key management personnel and their related parties</i>		
Sales and provision of services	13,157	17,594
Purchases and consumption of services	(88,318)	(74,243)
<i>With associates</i>		
Sales and provision of services	9,454	8,732
Rental income	1,708	414
Purchases and consumption of services	(1,798)	(2,212)
<i>With related corporations</i>		
Consultancy fees rendered	340	–
Purchases and consumption of services	(3,512)	(3,632)
<i>With director of a subsidiary</i>		
Consultancy fees paid	(272)	(294)
	<u>(272)</u>	<u>(294)</u>
	<b>Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<i>With subsidiaries</i>		
Share-based payment transactions	40,118	43,378
	<u>40,118</u>	<u>43,378</u>

#### 41. Related parties (continued)

##### Related party transactions (continued)

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

	Group	
	2017 RM'000	2016 RM'000
<b>Trade and other receivables</b>		
Substantial shareholders and their related parties	46,161	50,109
Key management personnel and their related parties	4,302	8,276
	<u>50,463</u>	<u>58,385</u>
<b>Trade and other payables</b>		
Substantial shareholders and their related parties	(3,907)	(4,108)
Key management personnel and their related parties	(4,976)	(15,918)
	<u>(8,883)</u>	<u>(20,026)</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 2017

In July 2017, a wholly owned subsidiary, Parkway Healthcare (Hong Kong) Limited ("PHHK") disposed of its aesthetic business for nil consideration

The effects of the disposal are as follows:

	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		—
Fair value of net identified assets disposed		<u>(213)</u>
		(213)
Staff termination expenses paid		(563)
Loss on disposal of business		<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>

## NOTES TO THE FINANCIAL STATEMENTS

### 42. Acquisition and disposal of business *(continued)*

#### *Acquisition of business in 2016*

In June 2016, RGE, an indirect 76.25% owned subsidiary of the Company, acquired a food and beverage business for a total cash consideration of INR 200,000,000 (equivalent to RM12,380,000).

#### Fair value of consideration transferred

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

	<b>RM'000</b>
Cash and cash equivalents	12,380

#### Identifiable assets acquired and liabilities assumed

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

	<b>RM'000</b>
Inventories	94
Trade and other receivables	69
Trade and other payables	(163)
Fair value of net identifiable assets acquired	—
Purchase consideration settled in cash and cash equivalents	12,380
Less: Cash and cash equivalents (net of bank overdrafts) acquired	—
	<u>12,380</u>

#### Goodwill

	<b>Note</b>	<b>RM'000</b>
Fair value of consideration transferred		12,380
Fair value of net identified assets acquired		—
Goodwill	6	<u>12,380</u>

### 43. Acquisitions of subsidiaries

#### *Acquisitions of subsidiaries in 2017*

- (a) On 10 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) On 31 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.



### 43. Acquisitions of subsidiaries (continued)

#### Acquisitions of subsidiaries in 2017 (continued)

##### 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 (provisional) RM'000	Total RM'000
Cash and cash equivalents	7,923	29,237	37,160

##### 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 (provisional) 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		7,923	25,316	33,239

The fair value of Angsana group's identifiable assets acquired, liabilities assumed, non-controlling interests in the acquisition and the resulting goodwill is provisional, pending the completion of the purchase price allocation exercise. 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.

##### Net cash outflow arising from acquisitions of subsidiaries

	ME-Di RM'000	Angsana (provisional) 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)
	7,923	(1,189)	6,734

##### Goodwill

	Note	ME-Di RM'000	Angsana (provisional) 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	–	15,313	15,313

## NOTES TO THE FINANCIAL STATEMENTS

## 43. Acquisitions of subsidiaries (continued)

## Acquisitions of subsidiaries in 2017 (continued)

## Post-acquisition contributions to the Group

	ME-Di RM'000	Angsana (provisional) RM'000	Total RM'000
Revenue	–	2,975	2,975
Net profit/(loss)	–	(6,959)	(6,959)

If the above acquisitions had occurred on 1 January 2017, management estimates that consolidated Group revenue would have been RM11,148,027,000 and consolidated Group profit after tax for the financial year would have been RM822,810,000.

## 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.

## Acquisitions of subsidiaries in 2016

## (a) Acquisition of indirect subsidiary – Tokushukai-Sofia EOOD (“Tokuda”)

On 8 June 2016, ACC, an indirect subsidiary of the Company, acquired 100% of Tokuda and its subsidiaries for a cash consideration of TL203,471,000 (equivalent to RM284,329,000).

## (b) Acquisition of indirect subsidiary – City Clinic

On 8 June 2016, ACC, an indirect subsidiary of the Company, acquired 100% of City Clinic and its subsidiaries for a fair value consideration of TL134,044,000 (equivalent to RM187,312,000). The purchase consideration was partially satisfied by cash payment of TL35,150,000 (equivalent to RM49,118,000), deferred cash purchase consideration of Euro 6,000,000 (equivalent to RM33,563,000), and issuance of the ACC's shares of a total value of approximately TL74,876,000 (equivalent to RM104,631,000).

Pursuant to the acquisition of City Clinic, the Group granted put options to non-controlling interest of 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.

The put options granted to non-controlling interests are classified as a financial liability under trade and other payables (Note 25).

## (c) Acquisition of indirect subsidiary – APlus Saglik Hizmetleri A.S.

On 24 October 2016, ASH acquired 100% equity interest in APlus Saglik Hizmetleri A.S. (“APSH”) comprising of 1,250,000 ordinary shares for a total consideration of TL6,641,000 (equivalent to RM8,961,000).

## Fair value of consideration transferred

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

	Tokuda RM'000	City Clinic RM'000	APSH RM'000	City Clinic adjustments during Window Period RM'000	Fair values recognised on acquisition (final) RM'000
Cash and cash equivalents	284,329	49,118	8,961	33,563	375,971
Equity instruments	–	104,631	–	–	104,631
	284,329	153,749	8,961	33,563	480,602

### 43. Acquisitions of subsidiaries *(continued)*

#### *Acquisitions of subsidiaries in 2016 (continued)*

##### Final purchase price allocation in 2017

Following the completion of the final purchase price allocation of City Clinic acquisition during the financial year:

- (i) final purchase price adjustments made during the 12 months period from acquisition date (the “Window Period”) have not been applied retrospectively as these adjustments, which relate mainly to balance sheet effects, are immaterial to the Group.
- (ii) adjustments were made to the provisional fair values of the City Clinic acquisition consideration originally recorded in 2016. The effect of the adjustments made during the Window Period are as per set out below.

##### Identifiable assets acquired and liabilities assumed

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

	Note	Tokuda RM'000	City Clinic RM'000	APSH RM'000	City Clinic adjustments during Window Period RM'000	Fair values recognised on acquisition (final) RM'000
Property, plant and equipment	3	237,126	111,509	–	–	348,635
Intangible assets	6	45,380	42,001	8,961	–	96,342
Deferred tax assets	11	3,262	4,223	–	–	7,485
Inventories		8,303	12,311	–	–	20,614
Trade and other receivables		33,388	26,341	–	–	59,729
Cash and cash equivalents		45,756	1,553	–	–	47,309
Trade and other payables		(56,394)	(69,227)	–	–	(125,621)
Employee benefits	23	(1,434)	(401)	–	–	(1,835)
Loans and borrowings		–	(85,196)	–	–	(85,196)
Deferred tax liabilities	11	(10,466)	(974)	–	–	(11,440)
Fair value of net identifiable assets acquired		304,921	42,140	8,961	–	356,022

##### Net cash outflow arising from acquisitions of subsidiaries

	Tokuda RM'000	City Clinic RM'000	APSH RM'000	City Clinic adjustments during Window Period RM'000	Fair values recognised on acquisition (final) RM'000
Purchase consideration settled in cash and cash equivalents	284,329	49,118	8,961	33,563	375,971
Less: Deferred cash purchase consideration	–	–	–	(33,563)	(33,563)
Less: Cash and cash equivalents (net of bank overdrafts) acquired	(45,756)	(1,553)	–	–	(47,309)
	238,573	47,565	8,961	–	295,099

## NOTES TO THE FINANCIAL STATEMENTS

## 43. Acquisitions of subsidiaries (continued)

## Acquisitions of subsidiaries in 2016 (continued)

## Goodwill

				City Clinic adjustments during Window Period	Fair values recognised on acquisition (final)
	Note	Tokuda RM'000	City Clinic RM'000	APSH RM'000	RM'000
Fair value of consideration transferred		284,329	153,749	8,961	33,563
Fair value of net identified assets acquired		(304,921)	(42,140)	(8,961)	–
Non-controlling interests, based on their proportionate interest in the fair value of net identifiable assets acquired		74	(1,151)	–	–
Goodwill on consolidation recognised in balance sheet	6	–	110,458	–	33,563
Negative goodwill recognised in profit or loss	30	(20,518)	–	–	–

## Post-acquisition contributions to the Group

	Tokuda RM'000	City Clinic RM'000	APSH RM'000	Total RM'000
Revenue	134,377	92,693	–	227,070
Net profit/(loss)	201	(20,187)	–	(19,986)

If the above acquisitions had occurred on 1 January 2016, management estimates that consolidated Group revenue would have been RM10,183,551,000 and consolidated Group profit after tax for the financial year would have been RM592,828,000.

## Acquisition-related costs

The Group incurred acquisition-related costs of approximately RM3,494,000 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.

#### 44. Disposal of a subsidiary

##### *Disposal of a subsidiary in 2017*

On 2 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:

	<b>Note</b>	<b>RM'000</b>
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	<u>(132)</u>
Net identifiable assets		(1,915)
Less: Non-controlling interests		766
Gain on disposal of a subsidiary recognised in profit or loss	30	<u>1,149</u>
Cash consideration		–
Less: Cash and cash equivalents disposed		<u>(9)</u>
Cash flow on disposal, net of cash disposed		<u><u>(9)</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

### 44. Disposal of a subsidiary (continued)

#### Disposal of a subsidiary in 2016

In April 2016, PHL entered into a Share Purchase Agreement to dispose its 90% equity interest in SIPL for a total consideration of SGD33,673,000 (equivalent to RM100,068,000).

The effects of the disposal are as follows:

	Note	RM'000
Property, plant and equipment	3	148
Deferred tax assets	11	115
Other financial assets		32,853
Trade and other receivables		100,394
Cash and cash equivalents		90,514
Trade and other payables		(165,090)
Employee benefits		(370)
Tax payable		(702)
Deferred tax liabilities	11	(26)
Net identifiable assets		57,836
Gain on disposal of a subsidiary recognised in profit or loss	30	54,801
Less: Put option recognised at fair value		(1,580)
Less: Remaining interest in SIPL remeasured at fair value <sup>(i)</sup>		(10,989)
Cash consideration		100,068
Less: Cash and cash equivalents disposed		(90,514)
Cash flow on disposal, net of cash disposed		9,554

(i) The remeasurement to fair value of the Group's remaining 10% interest in SIPL resulted in a gain of RM6,407,000 which is included in gain on disposal of a subsidiary (see Note 30) recognised in the Group's consolidated statement of profit or loss and other comprehensive income.

On disposal of the Group's controlling stake in SIPL, the Group entered into an agreement with the purchaser and is granted a put option to sell all of its remaining shares in SIPL only after 14 April 2019 and at the higher of the prevailing market price or consideration determined pursuant to the agreement. This put option is classified as a financial derivative asset (Note 26).

### 45. Changes in ownership interest in subsidiaries

#### Changes in ownership interests in subsidiaries in 2017

- (a) On 4 April 2017, Parkway Trust Management Limited ("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) On 10 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 (approximately 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.

## 45. Changes in ownership interest in subsidiaries *(continued)*

### *Changes in ownership interests in subsidiaries in 2017 (continued)*

- (c) On 20 April 2017 and 1 June 2017, CHL allotted 3,807,106 and 2,358,071 equity shares respectively to Gleneagles Development Pte Ltd (“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.

- (d) On 8 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 70.76% to 71.87%.

The transaction resulted in a decrease in capital reserve and non-controlling interests of RM3,008,000 and RM2,919,000 respectively.

- (e) On 15 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) On 16 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) On 1 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.

### *Changes in ownership interests in subsidiaries in 2016*

- (a) On 2 February 2016, Pantai Hospitals Sdn. Bhd. acquired 1,852,500 ordinary shares of RM1.00 each, representing approximately 7.72% of the total issued and paid-up share capital of Syarikat Tunas Pantai Sdn. Bhd. (“STPSB”) from Koperasi Tunas Muda Sungai Ara Berhad for a total consideration of RM25,858,000. Consequential thereto, the Group’s effective interest in STPSB has increased from 92.28% to 100%.

The transaction resulted in a decrease in capital reserve and non-controlling interests of RM17,826,000 and RM8,032,000 respectively.

- (b) On 24 March 2016, Parkway HK Holdings Limited acquired the remaining 15% equity interest in Parkway Healthcare Hong Kong Limited (“PHHK”) from MediOne (Hong Kong) Limited for a total consideration of HKD11,250,000 (equivalent to RM5,859,000). Consequential thereto, the Group’s effective interest in PHHK has increased from 85.0% to 100%.

The transaction resulted in a decrease in capital reserve of RM7,663,000 and an increase in non-controlling interests of RM1,804,000.

## NOTES TO THE FINANCIAL STATEMENTS

### 45. Changes in ownership interest in subsidiaries *(continued)*

#### *Changes in ownership interests in subsidiaries in 2016 (continued)*

- (c) On 4 May 2016, Parkway Trust Management Limited (“PTM”) transferred 145,900 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 35.74% to 35.71%.

The transaction resulted in an increase in capital reserve, non-controlling interests and hedge reserve of RM33,000, RM860,000 and RM6,000 respectively, and a decrease in foreign currency translation reserve of RM5,000.

- (d) On 8 June 2016, following the partial settlement of the purchase consideration of City Clinic through the issue of new shares in ACC and an internal restructuring, the shareholdings of ACC was reconstituted as follows:
- (i) 23.5% held by minority shareholders;
  - (ii) 15% held by Clinical Hospital Acibadem Sistina Skopje (a 50.3% owned subsidiary of ASH); and
  - (iii) 61.5% held by ASH.

Consequential thereto, the Group’s effective interest in ACC was diluted from 59.6% to 41.2%.

The transaction resulted in an increase in non-controlling interests of RM125,358,000 and a decrease in capital reserve of RM20,021,000.

- (e) On 8 September 2016, Gleneagles (Malaysia) Sdn. Bhd. (“GMSB”) acquired 174,391 ordinary shares of RM1.00 each, representing approximately 0.72% in the share capital of Pulau Pinang Clinic Sdn. Bhd. (“PPCSB”) for total consideration of RM3,139,000. Consequential thereto, the Group’s effective interest in PPCSB increased from 70.1% to 70.8%.

The transaction resulted in a decrease in capital reserve and non-controlling interests of RM1,414,000 and RM1,725,000 respectively.

- (f) On 15 September 2016, Pantai Group Resources Sdn. Bhd. acquired the remaining 15% equity interest in Pantai Integrated Rehab Services Sdn. Bhd. (“PIRSSB”) for total consideration of RM7,565,000. Consequential thereto, the Group’s effective interest in PIRSSB increased from 85.0% to 100.0%.

The transaction resulted in a decrease in capital reserve and non-controlling interest of RM4,353,000 and RM3,212,000 respectively.

- (g) Upon the finalisation of the purchase price allocation for the acquisition of RGE in 2016, an increase in capital reserves of RM112,000, and a decrease in non-controlling interest of RM112,000 were recognised in 2016.



## 46. Subsidiaries

Details of subsidiaries are as follows:

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2017 %	2016 %
<b>Direct subsidiaries</b>				
IMU Health Sdn. Bhd.	Malaysia	Investment holding and provision of management services to its subsidiaries	100	100
Integrated Healthcare Holdings Limited <sup>#</sup>	Federal Territory of Labuan Malaysia	Investment holding	100	100
Integrated Healthcare Holdings (Bharat) Limited <sup>#</sup>	Mauritius	Investment holding	100	100
Integrated Healthcare Turkey Yatirimlari Limited	Federal Territory of Labuan Malaysia	Investment holding	100	100
Integrated Healthcare Capital Sdn. Bhd. <sup>+</sup>	Malaysia	Liquidated during the year	–	100
<b>Indirect subsidiaries</b>				
<b>Held through IMU Health Sdn. Bhd.:</b>				
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
<b>Held through Integrated Healthcare Holdings Limited:</b>				
Parkway Pantai Limited <sup>#</sup>	Singapore	Investment holding	100	100
<b>Held through Integrated Healthcare Holdings (Bharat) Limited:</b>				
Integrated (Mauritius) Healthcare Holdings Limited <sup>+</sup>	Mauritius	In the process of striking off	100	100

## NOTES TO THE FINANCIAL STATEMENTS

## 46. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2017 %	2016 %
<b>Held through IMU Healthcare Sdn. Bhd.:</b>				
IMU Dialysis Sdn. Bhd.	Malaysia	Establishing, operating and managing dialysis centre(s) for the provision of haemodialysis services	60	60
<b>Held through Integrated Healthcare Turkey Yatirimlari Limited:</b>				
Integrated Healthcare Hastaneler Turkey Sdn. Bhd.	Malaysia	Investment holding	100	100
<b>Held through Parkway Pantai Limited:</b>				
Parkway HK Holdings Limited <sup>(1)#</sup>	Hong Kong	Investment holding	100	100
Parkway Holdings Limited <sup>#</sup>	Singapore	Investment holding	100	100
Pantai Diagnostics Indonesia Sdn. Bhd.	Malaysia	Investment holding	100	100
Pantai Holdings Sdn. Bhd. (formerly known as Pantai Holdings Berhad)	Malaysia	Investment holding	100	100
Parkway Group Healthcare Pte Ltd <sup>(7)#</sup>	Singapore	Investment holding and provision of management and consultancy services	100	100
Gleneagles Development Pte Ltd <sup>(5)#</sup>	Singapore	Investment holding	100	100
Parkway Healthcare Indo-China Pte. Ltd. <sup>#</sup>	Singapore	Investment holding	100	100
Northern TK Venture Pte. Ltd	Singapore	Investment holding	100	–
Angsana Holdings Pte. Ltd**	Singapore	Investment holding	55	–
<b>Held through Integrated Healthcare Hastaneler Turkey Sdn. Bhd.:</b>				
Acıbadem Sağlık Yatırımları Holding A.Ş. <sup>#</sup>	Turkey	Investment holding	60	60
<b>Held through Acıbadem Sağlık Yatırımları Holding A.Ş.:</b>				
APlus Hastane Otelcilik Hizmetleri A.Ş. <sup>#</sup>	Turkey	Provision of catering, laundry and cleaning services for hospitals	60	60
Acıbadem Proje Yönetimi A.Ş. <sup>#</sup>	Turkey	Supervise and manage the construction of healthcare facilities	60	60
Acıbadem Sağlık Hizmetleri ve Ticaret A.Ş. <sup>#</sup>	Turkey	Provision of medical, surgical and hospital services	59.6	59.6

#### 46. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2017 %	2016 %
<b>Held through Acıbadem Sağlık Hizmetleri ve Ticaret A.Ş.:</b>				
Acıbadem Poliklinikleri A.Ş. <sup>#</sup>	Turkey	Provision of outpatient and surgical (in certain clinics only) services	59.6	59.6
Acıbadem Labmed Sağlık Hizmetleri A.Ş. <sup>#</sup>	Turkey	Provision of laboratory services	59.6	59.6
International Hospital İstanbul A.Ş. <sup>#</sup>	Turkey	Provision of medical, surgical and hospital services	53.6	53.6
Acıbadem Mobil Sağlık Hizmetleri A.Ş. <sup>#</sup>	Turkey	Provision of emergency, home and ambulatory care services	59.6	59.6
Clinical Hospital Acıbadem Sistina Skopje <sup>#</sup>	Macedonia	Provision of medical, surgical and hospital services	30.0	30.0
Acıbadem Sistina Medikal Kompani Doo Skopje <sup>#</sup>	Macedonia	Provision of medical equipment and import and wholesale of drug and medical materials	29.8	29.8
Acıbadem Ortadogu Saglik Yatirimlari A.Ş. <sup>(6)#</sup>	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	59.6	59.6
Acıbadem International Medical Center B.V. <sup>#</sup>	Netherlands	Provision of outpatient services	59.6	59.6
Acıbadem Teknoloji A.Ş. <sup>#</sup>	Turkey	Conduct research, develop and commercially market healthcare related software, operating and information systems, web-based applications and other technology solutions nationally and internationally	59.6	59.6
APlus Saglik Hizmetleri A.S. <sup>#</sup>	Turkey	Provision of medical, surgical and hospital services	59.6	59.6
Acıbadem City Clinic B.V. <sup>(11)#</sup>	Netherlands	Investment holding	33.3	41.2

## NOTES TO THE FINANCIAL STATEMENTS

## 46. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2017 %	2016 %
<b>Held through Acibadem Poliklinikleri A.Ş.:</b>				
Gemtip Özel Sağlık Hizmetleri Sanayi ve Ticaret A.S.#	Turkey	Provision of outpatient services	40.5	40.5
Medlife Clinic Ambulance ve Özel Sağlık Hizmetleri İthalat ve İhracat A.Ş. <sup>(16)</sup>	Turkey	Dissolved during the year	–	35.7
Bodrum Medikal Özel Sağlık Hizmetleri Turizm Gıda İnşaat Pazarlama İthalat İhracat Sanayi ve Ticaret A.Ş.#	Turkey	Provision of outpatient services	35.7	35.7
Özel Turgutreis Poliklinik Hizmetleri Ticaret A.Ş. <sup>(16)</sup>	Turkey	Dissolved during the year	–	35.7
Sesu Özel Sağlık Hizmetleri Tıbbi Malzemeler Sanayi ve Ticaret A.Ş. <sup>(17)</sup>	Turkey	Provision of outpatient services	–	35.7
<b>Held through Clinical Hospital Acibadem Sistina Skopje:</b>				
Ordinacija po Interna Medicina Acibadem Sistina Bitola 24#	Bulgaria	Outpatient medical center	30.0	–
Poliklinika Acibadem Sistina Bitola 27#	Bulgaria	Outpatient medical center	30.0	–
<b>Held through Acibadem City Clinic B.V.:</b>				
Tokushukai-Sofia EOOD <sup>(14)</sup>	Bulgaria	Dissolved during the year	–	41.2
Acibadem City Clinic EAD (formerly known as City Hospitals and Clinics EAD)#	Bulgaria	Investment holding	33.3	41.2
<b>Held through Tokushukai-Sofia EOOD:</b>				
Tokuda Clinical Research Center AD#	Bulgaria	Site management organisation	– <sup>(14)</sup>	35.0
Acibadem City Clinic Hospice EOOD (formerly known as Tokuda Hospice EOOD)#	Bulgaria	Hospice care centre	– <sup>(14)</sup>	41.2
Tokuda Pharmacy EOOD	Bulgaria	Pharmacy	– <sup>(14)</sup>	41.2
Acibadem City Clinic Diagnostic and Consultation Center EAD (formerly known as Tokuda Medical Center EAD)#	Bulgaria	Outpatient diagnostic and consultative centre	– <sup>(14)</sup>	41.2
Acibadem City Clinic Tokuda Hospital EAD (formerly known as Multi-Profile Hospital for Acute Care Tokuda Hospital Sofia EAD)#	Bulgaria	Multi-profile hospital for acute care	– <sup>(14)</sup>	41.2

#### 46. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2017 %	2016 %
<b>Held through Acibadem City Clinic EAD (formerly known as City Hospitals and Clinics EAD):</b>				
Acibadem City Clinic University Hospital EOOD <i>(formerly known as City Clinic University Multi-Profile Hospital for Acute Care EOOD)#</i>	Bulgaria	University multi-profile hospital for acute care	33.3	41.2
Acibadem City Clinic Cardiac Surgery Hospital Burgas OOD <i>(formerly known as Specialized Hospital for Acute Care of Cardiac Surgery City Clinic Burgas OOD)#</i>	Bulgaria	Specialised hospital for acute care of cardiac surgery	23.3	28.8
Acibadem City Clinic Diagnostic and Consultative Centre EOOD <i>(formerly known as City Clinic Diagnostic and Consultative Centre EOOD)#</i>	Bulgaria	Outpatient diagnostic and consultative centre	33.3	41.2
Acibadem City Clinic Medical Center Varna EOOD <i>(formerly known as City Clinic Medical Center Bregalnitsa EOOD)#</i>	Bulgaria	Outpatient medical centre	33.3	41.2
Acibadem City Clinic Medical Center Burgas EOOD <i>(formerly known as City Clinic Medical Center Burgas EOOD)#</i>	Bulgaria	Outpatient medical centre	33.3	41.2
City Clinic Services EOOD#	Bulgaria	Dissolved during the year	–	41.2
Acibadem City Clinic Pharmacies EOOD <i>(formerly known as City Clinic Pharmacies EOOD)#</i>	Bulgaria	Pharmacy	33.3	41.2
Healthcare Consulting OOD#	Bulgaria	Site management organisation	16.8	20.8
United Medical Center Varna EOOD#	Bulgaria	Liquidated during the year	–	41.2
Tokuda Clinical Research Center AD#	Bulgaria	Site management organisation	28.3 <sup>(14)</sup>	–
Acibadem City Clinic Hospice EOOD <i>(formerly known as Tokuda Hospice EOOD)#</i>	Bulgaria	Hospice care centre	33.3 <sup>(14)</sup>	–
Tokuda Pharmacy EOOD	Bulgaria	Pharmacy	33.3 <sup>(14)</sup>	–
Acibadem City Clinic Diagnostic and Consultation Center EAD <i>(formerly known as Tokuda Medical Center EAD)#</i>	Bulgaria	Outpatient diagnostic and consultative centre	33.3 <sup>(14)</sup>	–
Acibadem City Clinic Tokuda Hospital EAD <i>(formerly known as Multi-Profile Hospital for Acute Care Tokuda Hospital Sofia EAD)#</i>	Bulgaria	Multi-profile hospital for acute care	33.3 <sup>(14)</sup>	–

## NOTES TO THE FINANCIAL STATEMENTS

## 46. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2017 %	2016 %
<b>Held through Pantai Holdings Sdn. Bhd.</b> (formerly known as Pantai Holdings Berhad):				
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
<b>Held through Pantai Group Resources Sdn. Bhd.:</b>				
P.T. Pantai Healthcare Consulting <sup>(3)#</sup>	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	Dormant	100	100
Twin Towers Medical Centre KLCC Sdn.Bhd.	Malaysia	Operation of an outpatient and daycare medical centre	100 <sup>(13)</sup>	–
<b>Held through Twin Towers Healthcare Sdn. Bhd.:</b>				
Twin Towers Medical Centre KLCC Sdn. Bhd.	Malaysia	Operation of an outpatient and day care medical centre	– <sup>(13)</sup>	100

#### 46. Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2017 %	2016 %
<b>Held through Pantai Hospitals Sdn. Bhd.:</b> <i>(continued)</i>				
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. <sup>(4)</sup>	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	Dormant	51	51
<b>Held through Pantai Medical Centre Sdn. Bhd.:</b>				
Magnetom Imaging Sdn. Bhd.	Malaysia	Liquidated during the year	–	100
Pantai-ARC Dialysis Services Sdn. Bhd.	Malaysia	Provision of haemodialysis services	51	51
HPAK Cancer Centre Sdn. Bhd.	Malaysia	Under Members' Voluntary Liquidation	100	100
Oncology Centre (KL) Sdn. Bhd.	Malaysia	Provision of comprehensive professional oncological services, inclusive of diagnostic, radiotherapy and chemotherapy treatment	100	100

## NOTES TO THE FINANCIAL STATEMENTS

## 46. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2017 %	2016 %
<b>Held through Pantai Premier Pathology Sdn. Bhd.:</b>				
Orifolio Options Sdn. Bhd.	Malaysia	Letting of property	100	100
<b>Held through Gleneagles (Malaysia) Sdn. Bhd.:</b>				
Pulau Pinang Clinic Sdn. Bhd.	Malaysia	Provision of medical, surgical and hospital services	71.87	70.77
GEH Management Services (M) Sdn. Bhd.	Malaysia	Dormant	100	100
<b>Held through Parkway Healthcare Indo-China Pte Ltd:</b>				
Andaman Alliance Healthcare Limited <sup>#</sup>	Myanmar	Provision of medical and health related facilities and services	52	52
<b>Held through Parkway HK Holdings Limited:</b>				
Parkway Healthcare (Hong Kong) Limited <sup>#</sup>	Hong Kong	Provision of medical and healthcare outpatient services	100	100
GHK Hospital Limited <sup>#</sup>	Hong Kong	Private hospital ownership, development and management	60	60
<b>Held through Parkway Holdings Limited:</b>				
Parkway Hospitals Singapore Pte. Ltd. <sup>#</sup>	Singapore	Private hospitals ownership and management	100	100
Parkway Trust Management Limited <sup>#</sup>	Singapore	Provision of management services to PLife REIT	100	100
Parkway Investments Pte. Ltd. <sup>#</sup>	Singapore	Investment holding	100	100
Parkway Novena Pte. Ltd. <sup>#</sup>	Singapore	Development, ownership and management of private hospital premises	100	100
Parkway Irrawaddy Pte. Ltd. <sup>#</sup>	Singapore	Development, ownership and management of a medical centre	100	100
Parkway Shenton Pte Ltd <sup>#</sup>	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 <sup>#</sup>	Singapore	Operation of radiology clinics	100	100



#### 46. Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2017 %	2016 %
<b>Held through Parkway Holdings Limited: <i>(continued)</i></b>				
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	75	75
Gleneagles Management Services Pte Ltd#	Singapore	Provision of advisory, administrative, management and consultancy services to healthcare facilities	100	100
<b>Held through Parkway Hospitals Singapore Pte. Ltd.:</b>				
Parkway Promotions Pte Ltd#	Singapore	Promoters and organisers of healthcare events	100	100
MENA Services Pte Ltd#	Singapore	Nursing agency	100	100
<b>Held through Parkway Group Healthcare Pte Ltd:</b>				
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	Liquidation in process	70	70
PCH Holding Pte. Ltd.#	Singapore	Investment holding	70.1	100
Shanghai Gleneagles Hospital Management Co., Ltd#	People's Republic of China	Provision of management and consultancy services to healthcare facilities	100	100

## NOTES TO THE FINANCIAL STATEMENTS

## 46. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2017 %	2016 %
<b>Held through PCH Holding Pte. Ltd.:</b>				
Medical Resources International Pte Ltd <sup>#</sup>	Singapore	Investment holding	70.1	100
M & P Investments Pte Ltd <sup>#</sup>	Singapore	Investment holding	70.1	100
Parkway (Shanghai) Hospital Management Ltd. <sup>#</sup>	People's Republic of China	Provision of management and consultancy services to healthcare facilities	70.1	100
<b>Held through M &amp; P Investments Pte Ltd:</b>				
ParkwayHealth Shanghai International Hospital Company Limited <sup>#</sup>	People's Republic of China	Provision of medical and health related facilities and services	49.07	70
Gleneagles Chengdu Hospital Co., Ltd (formerly known as ParkwayHealth Chengdu Hospital Company Limited) <sup>#</sup>	People's Republic of China	Provision of specialised care and services	49.07	70
ParkwayHealth Zifeng Nanjing OBGYN Hospital Company Limited <sup>#</sup>	People's Republic of China	Provision of medical and health related facilities and services	42.06	–
<b>Held through Medi-Rad Associates Ltd:</b>				
Radiology Consultants Pte Ltd <sup>#</sup>	Singapore	Radiology consultancy and interpretative services	100	100
<b>Held through Gleneagles Development Pte Ltd:</b>				
Continental Hospitals Private Limited <sup>#</sup>	India	Private hospital ownership and management	53.13	51
Ravindranath GE Medical Associates Private Limited <sup>(12)#</sup>	India	Private hospital ownership and management, specialty tertiary care including multi organ transplant healthcare facility	76.25	76.25
Parkway Healthcare India Private Limited <sup>#</sup>	India	Provision of management and consultancy services	100	100
<b>Held through Continental Hospitals Private Limited:</b>				
C3 Health Community Corporation Private Limited <sup>##</sup>	India	Operation of clinics	52.07	49.98
Continental Community Clinics Private Limited <sup>##</sup>	India	Dormant	52.07	49.98

#### 46. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2017 %	2016 %
<b>Held through Ravindranath GE Medical Associates Private Limited:</b>				
Centre for Digestive and Kidney Diseases (India) Private Limited <sup>#</sup>	India	Private hospital ownership and management, specialty tertiary care including multi organ transplant healthcare facility	49.55	49.55
Global Clinical Research Services Private Limited <sup>#</sup>	India	Provision of clinical research services	76.02	76.02
<b>Held through Parkway Shenton Pte Ltd:</b>				
Nippon Medical Care Pte Ltd <sup>#</sup>	Singapore	Operation of clinics	70	70
Parkway Shenton International Holdings Pte. Ltd. <sup>#</sup>	Singapore	Investment holding	100	100
Shenton Family Medical Clinics Pte Ltd <sup>#</sup>	Singapore	To provide, establish and carry on the business of clinics	100	100
<b>Held through Parkway Shenton International Holdings Pte. Ltd.:</b>				
Parkway Shenton Vietnam Limited <sup>+</sup>	Vietnam	Dormant	100	100
<b>Held through Medical Resources International Pte Ltd:</b>				
Shanghai Rui Xin Healthcare Co., Ltd. <sup>(8)#</sup>	People's Republic of China	Provision of medical and healthcare outpatient services	70.1	100
Shanghai Rui Hong Clinic Co., Ltd. <sup>(10)#</sup>	People's Republic of China	Provision of medical and healthcare outpatient services	70.1	100
Shanghai Xin Rui Healthcare Co., Ltd. <sup>(9)#</sup>	People's Republic of China	Provision of medical and healthcare outpatient services	70.1	100
<b>Held through Parkway (Shanghai) Hospital Management Ltd.:</b>				
Shanghai Shu Kang Hospital Investment Management Co., Ltd. <sup>#</sup>	People's Republic of China	Investment holding	70.1	100
Suzhou Industrial Park Yuan Hui Clinic Co., Ltd. <sup>#</sup>	People's Republic of China	Provision of medical and healthcare outpatient services	70.1	100
<b>Held through Shanghai Shu Kang Hospital Investment Management Co., Ltd.:</b>				
Shanghai Mai Kang Hospital Investment Management Co., Ltd. <sup>#</sup>	People's Republic of China	Investment holding	70.1	100

## NOTES TO THE FINANCIAL STATEMENTS

## 46. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2017 %	2016 %
<b>Held through Shanghai Mai Kang Hospital Investment Management Co., Ltd.:</b>				
Chengdu Rui Rong Clinic Co., Ltd.#	People's Republic of China	Provision of medical and healthcare outpatient services	70.1	100
Shanghai Rui Pu Clinic Co., Ltd.#	People's Republic of China	Provision of medical and healthcare outpatient services	70.1	100
Shanghai Rui Xiang Clinic Co., Ltd.#	People's Republic of China	Provision of medical and healthcare outpatient services	70.1	100
Shanghai Rui Ying Clinic Co., Ltd.#	People's Republic of China	Provision of medical and healthcare outpatient services	70.1	100
<b>Held through Parkway Investments Pte. Ltd.:</b>				
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 <sup>(2)#</sup>	Singapore	Real estate investment trust	35.69	35.71
<b>Held through Parkway Life Real Estate Investment Trust:</b>				
Matsudo Investment Pte. Ltd.#	Singapore	Investment holding	35.69	35.71
Parkway Life Japan2 Pte. Ltd.#	Singapore	Investment holding	35.69	35.71
Parkway Life Japan3 Pte. Ltd.#	Singapore	Investment holding	35.69	35.71
Parkway Life Japan4 Pte. Ltd.#	Singapore	Investment holding	35.69	35.71
Parkway Life MTN Pte. Ltd.#	Singapore	Provision of financial and treasury services	35.69	35.71
Parkway Life Malaysia Pte. Ltd.#	Singapore	Investment holding	35.69	35.71
<b>Held through Matsudo Investment Pte. Ltd.:</b>				
Godo Kaisha Phoebe <sup>(15)</sup>	Japan	Special purpose entity – Investment in real estate	35.69	35.71

#### 46. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2017 %	2016 %
<b>Held through Parkway Life Japan2 Pte. Ltd.:</b>				
Godo Kaisha Urbino <sup>(15)</sup>	Japan	Liquidated	–	35.71
Godo Kaisha Del Monte <sup>(15)</sup>	Japan	Special purpose entity – Investment in real estate	35.69	35.71
Godo Kaisha Tenshi 1 <sup>(15)</sup>	Japan	Special purpose entity – Investment in real estate	35.69	35.71
Godo Kaisha Tenshi 2 <sup>(15)</sup>	Japan	Special purpose entity – Investment in real estate	35.69	35.71
<b>Held through Parkway Life Japan3 Pte. Ltd.:</b>				
Godo Kaisha Healthcare 1 <sup>(15)</sup>	Japan	Special purpose entity – Investment in real estate	35.69	35.71
Godo Kaisha Healthcare 2 <sup>(15)</sup>	Japan	Special purpose entity – Investment in real estate	35.69	35.71
Godo Kaisha Healthcare 3 <sup>(15)</sup>	Japan	Special purpose entity – Investment in real estate	35.69	35.71
Godo Kaisha Healthcare 4 <sup>(15)</sup>	Japan	Special purpose entity – Investment in real estate	35.69	35.71
Godo Kaisha Healthcare 5 <sup>(15)</sup>	Japan	Special purpose entity – Investment in real estate	35.69	35.71
<b>Held through Parkway Life Japan4 Pte. Ltd.:</b>				
Godo Kaisha Samurai <sup>(15)</sup>	Japan	Special purpose entity – Investment in real estate	35.69	35.71
Godo Kaisha Samurai 2 <sup>(15)</sup>	Japan	Special purpose entity – Investment in real estate	35.69	35.71
Godo Kaisha Samurai 3 <sup>(15)</sup>	Japan	Special purpose entity – Investment in real estate	35.69	35.71
Godo Kaisha Samurai 4 <sup>(15)</sup>	Japan	Special purpose entity – Investment in real estate	35.69	35.71
Godo Kaisha Samurai 5 <sup>(15)</sup>	Japan	Special purpose entity – Investment in real estate	35.69	35.71

## NOTES TO THE FINANCIAL STATEMENTS

## 46. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and business	Principal activities	Effective equity interest held	
			2017 %	2016 %
<b>Held through Parkway Life Japan4 Pte. Ltd.: (continued)</b>				
Godo Kaisha Samurai 6 <sup>(15)</sup>	Japan	Special purpose entity – Investment in real estate	35.69	35.71
Godo Kaisha Samurai 7 <sup>(15)</sup>	Japan	Special purpose entity – Investment in real estate	35.69	35.71
Godo Kaisha Samurai 8 <sup>(15)</sup>	Japan	Special purpose entity – Investment in real estate	35.69	35.71
Godo Kaisha Samurai 9 <sup>(15)</sup>	Japan	Special purpose entity – Investment in real estate	35.69	35.71
Godo Kaisha Samurai 10 <sup>(15)</sup>	Japan	Special purpose entity – Investment in real estate	35.69	35.71
Godo Kaisha Samurai 11 <sup>(15)</sup>	Japan	Special purpose entity – Investment in real estate	35.69	35.71
Godo Kaisha Samurai 12 <sup>(15)</sup>	Japan	Special purpose entity – Investment in real estate	35.69	–
<b>Held through Parkway Life Malaysia Pte. Ltd.:</b>				
Parkway Life Malaysia Sdn. Bhd. <sup>##</sup>	Malaysia	Special purpose entity – Investment in real estate	35.69	35.71
<b>Held through Angsana Holdings Pte. Ltd.:</b>				
Angsana Molecular & Diagnostics Laboratory Pte. Ltd. <sup>##</sup>	Singapore	Provision of medical laboratories including biochemistry, chemistry, haematology and molecular blood analysis and testing	55	–
Angsana Molecular & Diagnostics Laboratory (HK) Limited <sup>##</sup>	Hong Kong	Provision of molecular diagnostic assays and services	55	–
Angsana Molecular & Diagnostics Laboratory Sdn Bhd <sup>##</sup>	Malaysia	Research laboratories and carry business including taking blood samples for testing	55	–
<b>Held through Angsana Molecular &amp; Diagnostics Laboratory Pte. Ltd.:</b>				
Allergy Laboratory Pte Ltd <sup>##</sup>	Singapore	Provision of diagnostic test, treatment sets and consultation for allergic diseases	55	–

#### 46. Subsidiaries *(continued)*

- 1 Parkway Pantai Limited holds 99.99% shares in Parkway HK Holdings Limited. The other 0.01% shares are held by PHL.
  - 2 Parkway Investment Pte. Ltd., PTM and Integrated Healthcare Holdings Limited hold 35.25% (2016: 35.25%), 0.40% (2016: 0.43%) and 0.04% (2016: 0.04%) of the units in PLife REIT respectively.
  - 3 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").
  - 4 PHSB holds 70% shares in Gleneagles Hospital (Kuala Lumpur) Sdn. Bhd.. The other 30% is held by Gleneagles (Malaysia) Sdn. Bhd..
  - 5 Parkway Pantai Limited holds 98% shares in Gleneagles Development Pte Ltd. The remaining 2% are held by Gleneagles International Pte Ltd.
  - 6 Acibadem Ortadogu Saglik Yatirimlari A.Ş.'s shares are owned by ASH (75%), Acibadem Mobil (5%), POL (10%), APlus Hastane ve Otelcilik Hizmetleri A.Ş. (4.998%) and Acibadem Proje Yonetimi A.Ş. (5%).
  - 7 PPL holds 78.5% shares in Parkway Group Healthcare Pte Ltd ("PGH"). The other 21.5% shares are held by PHL.
  - 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 Xin Rui Healthcare Co., Ltd.. The other 30% is held by Shanghai Mai Kang.
  - 10 MRI holds 70% shares in Shanghai Rui Hong Clinic Co., Ltd.. The other 30% is held by Shanghai Mai Kang.
  - 11 ASH and Clinical Hospital Acibadem Sistina Skopje hold 48.3% (2016: 61.5%) and 15.0% (2016:15%) shares in ACC respectively.
  - 12 The Group consolidated 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 72.26% on a fully diluted basis.
  - 13 Shares were transferred within the Group pursuant to an internal restructuring during the year.
  - 14 During the year, Tokushukai-Sofia EOOD merged with Acibadem City Clinic EAD (formerly known as City Hospitals and Clinics EAD). All subsidiaries under Tokushukai-Sofia EOOD were transferred over to Acibadem City Clinic EAD and Tokushukai-Sofia EOOD was subsequently dissolved.
  - 15 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.
  - 16 During the year, POL acquired the remaining 40% interest in these companies and subsequently after acquisition, merged and dissolved these companies.
  - 17 During the year, ASH disposed of its 40% interest in SESU.
- # Audited by other member firms of KPMG International.
- ## Audited by firms other than member firms of KPMG International.
- + Audit is not required.

## NOTES TO THE FINANCIAL STATEMENTS

## 47. Associates

Details of associates are as follows:

Name of associate	Place of incorporation and business	Principal activities	Effective equity interest held	
			2017 %	2016 %
<b>Indirect associates</b>				
<b>Held through Gleneagles (Malaysia) Sdn. Bhd.:</b>				
Gleneagles Medical Centre (Kuala Lumpur) Sdn. Bhd.##	Malaysia	In liquidation	30	30
<b>Held through Gleneagles Medical Holdings Limited:</b>				
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
<b>Held through Medi-Rad Associates Ltd:</b>				
Positron Tracers Pte. Ltd.#	Singapore	Ownership and operation of a cyclotron for production of radioactive tracers	33	33

# 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	
			2017 %	2016 %
<b>Indirect joint ventures</b>				
<b>Held through Gleneagles Development Pte Ltd:</b>				
Apollo Gleneagles Hospital Ltd <sup>##</sup>	India	Private hospital ownership and management	50	50
<b>Held through Parkway-Healthcare (Mauritius) Ltd:</b>				
Apollo Gleneagles PET-CT Private Limited <sup>##</sup>	India	Operation of PET-CT radio imaging centre	50	50
<b>Held through Shenton Family Medical Clinics Pte Ltd:</b>				
Shenton Family Medical Clinic (Ang Mo Kio) <sup>+</sup>	Singapore	Dissolved	–	50
Shenton Family Medical Clinic (Bedok Reservoir) <sup>+</sup>	Singapore	Operation of medical clinic	50	50
Shenton Family Medical Clinic (Bukit Gombak) <sup>+</sup>	Singapore	Operation of medical clinic	50	50
Shenton Family Medical Clinic (Duxton) <sup>+</sup>	Singapore	Operation of medical clinic	50	50
Shenton Family Medical Clinic (Jurong East) <sup>+</sup>	Singapore	Operation of medical clinic	50	50
Shenton Family Medical Clinic (Serangoon) <sup>+</sup>	Singapore	Operation of medical clinic	50	50
Shenton Family Medical Clinic (Tampines) <sup>+</sup>	Singapore	Operation of medical clinic	50	50
Shenton Family Medical Clinic (Yishun) <sup>+</sup>	Singapore	Operation of medical clinic	50	50
Shenton Family Medical Clinic (Towner) <sup>+</sup>	Singapore	Operation of medical clinic	50	50

## NOTES TO THE FINANCIAL STATEMENTS

## 48. Joint ventures (continued)

Name of joint venture	Place of incorporation and business	Principal activities	Effective equity interest held	
			2017 %	2016 %
<b>Held through Parkway Shenton Pte Ltd:</b>				
Hale Medical Clinic (Concourse) Pte Ltd <sup>##</sup>	Singapore	Operation of medical clinic	50	50
<b>Held through Parkway Group Healthcare Pte Ltd:</b>				
Khubchandani Hospitals Private Limited <sup>##</sup>	India	Dormant	50	50
<b>Held through Shanghai Mai Kang Hospital Investment Management Co., Ltd.:</b>				
Shanghai Hui Xing Hospital Investment Management Co., Ltd. <sup>(1)#</sup>	People's Republic of China	Investment holding	42.06	60
<b>Held through Shanghai Hui Xing Hospital Investment Management Co., Ltd.:</b>				
Shanghai Hui Xing Jinpu Clinic Co., Ltd. <sup>(1)#</sup>	People's Republic of China	Provision of medical and healthcare outpatient services	42.06	60

1 Notwithstanding that the equity interest in 2016 is more than 50%, the Group had accounted for the Shanghai Hui Xing Hospital Management Co., Ltd., and its subsidiary, Shanghai Hui Xing Jinpu Clinic Co., Ltd. as a joint venture in accordance to MFRS 10 on the basis that the Group does not have control over the entity's operating activities.

# Audited by other member firms of KPMG International.

## Audited by firms other than member firms of KPMG International.

+ Audit is not required.

## 49. Subsequent events

(i) On 9 January 2018, Parkway-Healthcare (Mauritius) Limited ("PHML") acquired 0.13% equity interest in RGE for a total consideration of INR16,240,000 (equivalent to RM1,023,000).

Consequential thereto, the Group's effective interest in RGE increased from 76.25% to 76.38% based on shareholdings interests that give rise to present access to the rights and rewards of ownership in RGE.

(ii) On 7 February 2018, Parkway Life Japan2 Pte Ltd ("TK Investor") entered into a Tokumei Kumiai agreement ("TK Agreement") with G. K. Nest ("TK Operator"). Pursuant to the TK Agreement, the purchase price of the property amounting to JPY1,500 million (approximately RM53.6 million) will be injected into the TK Operator by the TK Investor to facilitate the acquisition of one nursing rehabilitation facility by the TK Operator.

(iii) On 8 February 2018, PHL divested 26% equity interest in Gleneagles JPMC Sdn Bhd ("GJPMC") for a total consideration of BND4,203,000 (equivalent to RM12,457,000). Consequential thereto, the Group's equity interest in GJPMC decreased from 75.0% to 49.0%. However, GJPMC is still being consolidated as subsidiary of the Group pursuant to MFRS 10: *Consolidated Financial Statements*.

(iv) On 16 March 2018, MRI acquired 60% equity interest in Chengdu Shenton Health Clinic., Ltd. (formerly known as Sincere Chengdu Clinic Co., Ltd.) ("Chengdu Shenton Clinic") for a total consideration of RMB12,000,000 (equivalent to RM7,440,000). The principal activity of Chengdu Shenton Clinic is the management and operation of medical and health related facilities and services.

## ANALYSIS OF SHAREHOLDINGS

As at 30 March 2018

Class of securities : Ordinary shares

Issued share capital: 8,239,596,639 ordinary shares

Voting right : One vote per ordinary share

### DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Holders	%	No. of Holdings	%
Less than 100	147	1.95	1,538	0.00
100 - 1,000	2,071	27.44	1,680,307	0.02
1,001 - 10,000	3,593	47.60	15,939,988	0.19
10,001 - 100,000	998	13.22	31,423,046	0.38
100,001 - 411,979,830*	735	9.74	2,363,300,878	28.68
411,979,831 and above**	4	0.05	5,827,250,882	70.73
Total	7,548	100.00	8,239,596,639	100.00

Notes:

\* Less than 5% of issued share capital

\*\* 5% and above of issued share capital

### CATEGORY OF SHAREHOLDERS

Category of Shareholders	No. of Shareholders	% of Shareholders	No. of Shares held	% of Issued Shares
Individual	5,723	75.82	31,442,704	0.38
Banks/Finance Companies	89	1.18	742,579,500	9.01
Investments Trusts/Foundations/Charities	1	0.01	100,000	0.00
Other Types of Companies	90	1.19	4,857,270,928	58.95
Government Agencies/Institutions	0	0.00	0	0.00
Nominees	1,645	21.80	2,608,203,507	31.66
Others	0	0.00	0	0.00
Total	7,548	100.00	8,239,596,639	100.00

## ANALYSIS OF SHAREHOLDINGS

As at 30 March 2018

### SUBSTANTIAL SHAREHOLDERS

(As per Register of Substantial Shareholders)

No.	Name	Direct Interest		Indirect Interest	
		No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
1.	Pulau Memutik Ventures Sdn Bhd	3,362,201,056	40.81	–	–
2.	Khazanah Nasional Berhad	–	–	3,362,201,056 <sup>i</sup>	40.81
3.	Mitsui & Co., Ltd	1,485,400,000	18.03	–	–
4.	Employees Provident Fund Board	713,409,300 <sup>ii</sup>	8.66	–	–

Notes:

i Deemed interest by virtue of its shareholding in Pulau Memutik Ventures Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

ii The shares are held through various nominees companies.

### DIRECTORS' DIRECT AND INDIRECT INTERESTS IN THE COMPANY AND ITS RELATED CORPORATIONS

(As per Register of Directors' Shareholdings)

Interest in the Company	Number of ordinary shares			
	Direct Interest		Indirect Interest	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
1. Dr Tan See Leng	10,453,800	0.13	–	–
2. Mehmet Ali Aydinlar	176,202,000	2.14	88,910,861 <sup>i</sup>	1.08
3. Kuok Khoon Ean	250,000	0.00	–	–
4. Chang See Hiang	100,000	0.00	–	–

Note:

i Deemed interest by virtue of his wife, Hatice Seher Aydinlar's shareholding in the Company and SZA Gayrimenkul Yatırım İnşaat ve Ticaret A.Ş.'s shareholding in the Company, a company wholly-owned by Mehmet Ali Aydinlar and his wife, pursuant to Section 8 of the Companies Act 2016.

**DIRECTORS' DIRECT AND INDIRECT INTERESTS IN THE COMPANY AND ITS RELATED CORPORATIONS**  
**(As per Register of Directors' Shareholdings) (continued)**

*Mehmet Ali Aydinlar's direct and/or indirect interest in the subsidiaries are as follows:*

Interest in subsidiaries	Number of ordinary shares of TL1.00 each			
	Direct Interest		Indirect Interest	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Acibadem Saglik Yatirimlari Holding A.S.	354,533,087	23.20	27,466,913	1.80
Acibadem Saglik Hizmetleri ve Ticaret A.S.	1	0.00	1	0.00
Acibadem Poliklinikleri A.S.	1	0.00	3	0.00
Acibadem Proje Yonetimi A.S.	1	0.00	–	–
Aplus Hastane Otelcilik Hizmetleri A.S.	1	0.00	2	0.00

Interest in subsidiaries	Number of ordinary shares of TL2.00 each			
	Direct Interest		Indirect Interest	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
International Hospital İstanbul A.S.	1	0.00	1	0.00

*Chang See Hiang's direct interest in the subsidiary is as follows:*

Interest in subsidiary	Number of units			
	Direct Interest		Indirect Interest	
	No. of Units Held	% of Issued Units	No. of Units Held	% of Issued Units
Parkway Life Real Estate Investment Trust	300,000	0.05	–	–

*Shirish Moreshwar Apte's direct interest in the subsidiary is as follows:*

Interest in subsidiary	Number of units			
	Direct Interest		Indirect Interest	
	No. of Units Held	% of Issued Units	No. of Units Held	% of Issued Units
Parkway Life Real Estate Investment Trust	150,000	0.02	–	–

*Dr Tan See Leng's direct interest in the subsidiary is as follows:*

Interest in subsidiary	USD500 million 4.25% Senior Perpetual Securities	
	Direct Interest	
	Value of Securities Held USD'000	
Parkway Pantai Limited	3,000	

## ANALYSIS OF SHAREHOLDINGS

As at 30 March 2018

### DIRECTORS' DIRECT AND INDIRECT INTERESTS IN THE COMPANY AND ITS RELATED CORPORATIONS (As per Register of Directors' Shareholdings) *(continued)*

#### Long Term Incentive Plan

		Number of units convertible into ordinary shares
		Direct Interest
		No. of Units Held
	<b>Interest in the Company</b>	
1.	Dr Tan See Leng	1,233,000
2.	Mehmet Ali Aydinlar	660,000

#### Enterprise Option Scheme

		Number of options convertible into ordinary shares
		Direct Interest
		No. of Options Held
	<b>Interest in the Company</b>	
1.	Dr Tan See Leng	14,229,000

Save as disclosed above, none of the Directors of the Company has any interest direct or indirect in the Company and its related corporations.

## LIST OF TOP 30 LARGEST SHAREHOLDERS

As at 30 March 2018

No.	Name	No. of Shares Held	% of Issued Shares
1.	Pulau Memutik Ventures Sdn Bhd	3,362,201,056	40.81
2.	Mitsui & Co., Ltd	1,485,400,000	18.03
3.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	560,616,500	6.80
4.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for The Central Depository (Pte) Limited	419,033,326	5.09
5.	DB (Malaysia) Nominee (Asing) Sdn Bhd BNYM SA/NV for Kuwait Investment Authority	143,350,000	1.74
6.	Kumpulan Wang Persaraan (Diperbadankan)	137,784,200	1.67
7.	Amanahraya Trustees Berhad Amanah Saham Bumiputera	120,000,000	1.46
8.	Cartaban Nominees (Asing) Sdn Bhd GIC Private Limited for Government of Singapore (C)	102,544,100	1.24
9.	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLT OD67)	99,607,252	1.21
10.	Amanahraya Trustees Berhad Amanah Saham Wawasan 2020	82,451,400	1.00
11.	DB (Malaysia) Nominee (Asing) Sdn Bhd Deutsche Bank AG London (DB LN EQ HSE CE)	52,766,991	0.64
12.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)	52,500,000	0.64
13.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Emerging Markets Stock Index Fund	47,771,475	0.58
14.	HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for Matthews Pacific Tiger Fund	47,676,300	0.58
15.	Amanahraya Trustees Berhad Amanah Saham Bumiputera 2	43,800,000	0.53
16.	Amanahraya Trustees Berhad Amanah Saham Malaysia	43,185,000	0.52

## LIST OF TOP 30 LARGEST SHAREHOLDERS

As at 30 March 2018

No.	Name	No. of Shares Held	% of Issued Shares
17.	Amanahraya Trustees Berhad Public Islamic Dividend Fund	40,924,400	0.50
18.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for New World Fund, Inc.	40,889,000	0.50
19.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Total International Stock Index Fund	37,856,281	0.46
20.	Permodalan Nasional Berhad	37,451,600	0.45
21.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura)	36,408,100	0.44
22.	Amanahraya Trustees Berhad As 1Malaysia	28,976,300	0.35
23.	Amsec Nominees (Tempatan) Sdn Bhd MTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)	25,701,300	0.31
24.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for UBS AG Singapore (Foreign)	24,877,899	0.30
25.	Cartaban Nominees (Asing) Sdn Bhd GIC Private Limited for Monetary Authority of Singapore (H)	24,590,300	0.30
26.	Amanahraya Trustees Berhad Public Islamic Equity Fund	24,439,900	0.30
27.	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund	24,223,200	0.29
28.	Amanahraya Trustees Berhad Public Islamic Sector Select Fund	22,000,000	0.27
29.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	21,705,000	0.26
30.	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund PO01 for Morgan Stanley Investment Management Emerging Markets Trust	20,871,900	0.25
	Total	7,211,602,780	87.52



# LIST OF TOP 10 PROPERTIES

for the Financial Year Ended 31 December 2017

No.	Address	Freehold/ Leasehold Land and/or Buildings	Year of Expiry of Lease	Land Area  Sq m	Built-up/ Strata Area  Sq m	Existing Use	Approximate Age of Buildings	Net Book Value  RM'000
<b>SINGAPORE</b>								
1.	<b>Mount Elizabeth Novena Hospital and Medical Centre Units</b> 38 Irrawaddy Road Singapore 329563	Leasehold land and building	2108	N/A	Strata area: 56,361	Hospital building and medical centre	4 years	3,999,544 <sup>a</sup>
2.	<b>Mount Elizabeth Hospital and Medical Centre Units</b> 3 Mount Elizabeth Singapore 228510	Leasehold land and building	2075	N/A	Strata area: 58,290	Hospital building and medical centre	38 years	1,447,039 <sup>a,b</sup>
3.	<b>Gleneagles Hospital and Medical Centre Units</b> 6 Napier Road, Singapore 258499; 6A Napier Road, Singapore 258500	Freehold land and building	–	N/A	Strata area: 49,003	Hospital building and medical centre	26 years	702,510 <sup>a,b</sup>
<b>MALAYSIA</b>								
4.	<b>Gleneagles Medini Hospital</b> Plot A25 under HSD478967, PT 170682, Medini Iskandar Malaysia, Johor	Leasehold land and building	2107	72,313	Built-up area: 55,313	Hospital building and medical centre	2 years	394,148
5.	<b>Pantai Hospital Kuala Lumpur</b> 8 Jalan Bukit Pantai 59100 Kuala Lumpur	Leasehold land and building	2111	22,533	Built-up area: 132,711	Hospital building	13 years for original block; 3 years and 2 year for extension blocks	312,159 <sup>b</sup>
6.	<b>Gleneagles Medical Centre Penang</b> 1 Jalan Pangkor 10050 Penang	Freehold land and building	–	12,411	Built-up area: 717,43	Hospital building	19 years and 5 years for extension block	182,176 <sup>b</sup>
7.	<b>Gleneagles Kuala Lumpur</b> 286 Jalan Ampang 50450 Kuala Lumpur	Freehold land and building	–	13,552	Built-up area: 29,947	Hospital building	18 years	149,254 <sup>b</sup>

## LIST OF TOP 10 PROPERTIES

for the Financial Year Ended 31 December 2017

No.	Address	Freehold/ Leasehold Land and/or Buildings	Year of Expiry of Lease	Land Area  Sq m	Built-up/ Strata Area  Sq m	Existing Use	Approximate Age of Buildings	Net Book Value  RM'000
<b>HONG KONG</b>								
8.	<b>Gleneagles Hong Kong Hospital</b> 1 Nam Fung Path Wong Chuk Hang Hong Kong	Leasehold building	2063	27,500	Built-up area: 46,750	Hospital building	Less than 1 Year	1,277,472
<b>INDIA</b>								
9.	<b>Continental Hospitals</b> Plot No.3, Road No.2, IT & Financial District, Nanakramguda, Gachibowli, Hyderabad, 500 032, India	Freehold land and building	–	11,938	Built-up area: 120,242	Hospital building and medical centre	4 years	281,505 <sup>c</sup>
<b>BULGARIA</b>								
10.	<b>Bulgaria Tokuda Hosital</b> bul. "Nikola Y. Vaptsarov" 51B, 1407 Sofia, Bulgaria	Freehold land and building	–	27,000	Built-up area: 51,138	Hospital building and medical centre	11 years for original block and 8 years for extension blocks	213,670

## Notes:

- a Carrying value includes fair value of investment properties, which were revalued in 2017 in accordance with the Group's accounting policies
- b Properties were revalued in 2010 pursuant to a purchase price allocation performed upon acquisition of Parkway Group
- c Properties were revalued in 2015 pursuant to a purchase price allocation performed upon acquisition of Continental Hospitals

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Eighth Annual General Meeting of **IHH HEALTHCARE BERHAD** (“IHH” or “the Company”) will be held at Ballroom A & B, Level 6, Hilton Hotel KL Sentral, 3 Jalan Stesen Sentral, 50470 Kuala Lumpur, Wilayah Persekutuan, Malaysia on Monday, 28 May 2018 at 10.00 a.m. for the following purposes:

### AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon.
2. To approve the payment of a first and final single tier cash dividend of 3 sen per ordinary share for the financial year ended 31 December 2017. **Ordinary Resolution 1**
3. To re-elect the following Directors who retire pursuant to Article 113(1) of the Constitution of the Company:
  - (i) Rossana Annizah binti Ahmad Rashid **Ordinary Resolution 2**
  - (ii) Shirish Moreshwar Apte **Ordinary Resolution 3**
4. To re-elect Jill Margaret Watts who retires pursuant to Article 120 of the Constitution of the Company. **Ordinary Resolution 4**
5. To approve the payment of additional fees of RM157,500 payable to the Chairman of the Board in respect of his role as Chairman retrospectively with effect from 1 January 2018 until 30 June 2018. **Ordinary Resolution 5**
6. To approve the payment of the following fees and other benefits payable to the Directors of the Company by the Company: **Ordinary Resolution 6**
  - (i) Directors’ fees to the Non-Executive Directors in respect of their directorship and committee membership in the Company with effect from 1 July 2018 until 30 June 2019 as per the table below:

Structure	Chairman (RM per annum)	Member (RM per annum)
Board of Directors	600,000	285,000
Audit Committee	175,000	100,000
Risk Management Committee	175,000	100,000
Nomination Committee	150,000	90,000
Remuneration Committee	150,000	90,000
Steering Committee	350,000	100,000

- (ii) Any other benefits provided to the Directors of the Company by the Company with effect from 1 July 2018 until 30 June 2019, subject to a maximum amount equivalent to RM1,000,000.

## NOTICE OF ANNUAL GENERAL MEETING

7. To approve the payment of the following fees and other benefits payable to the Directors of the Company by the Company's subsidiaries:

**Ordinary Resolution 7**

- (i) Directors' fees (or its equivalent amount in Ringgit Malaysia as converted using the middle rate of Bank Negara Malaysia foreign exchange on the payment dates, where applicable) to the Directors of the Company who are holding directorship and committee membership in the subsidiaries of IHH for the period with effect from 1 July 2018 to 30 June 2019 as per below:

Parkway Trust Management Limited

Structure	Chairman (SGD per annum)	Member (SGD per annum)
Board of Directors	94,500	47,250
Audit Committee	73,500	–
Nomination & Remuneration Committee	73,500	–

Acibadem Saglik Yatirimlari Holding A.S. Group

Structure	Chairman (TRY per annum)	Member (TRY per annum)
Board of Directors	–	36,000
Audit & Risk Management Committee	30,000	30,000

- (ii) Any other benefits provided to the Directors of the Company by the subsidiaries with effect from 1 July 2018 until 30 June 2019, subject to a maximum amount equivalent to RM300,000.

8. To re-appoint KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.

**Ordinary Resolution 8**

### AS SPECIAL BUSINESS

To consider and if thought fit, pass the following resolutions:

9. **AUTHORITY TO ALLOT SHARES PURSUANT TO SECTION 75 OF THE COMPANIES ACT 2016**

**Ordinary Resolution 9**

“THAT subject to the Companies Act 2016 (the “Act”), the Constitution of the Company and the approvals from Bursa Malaysia Securities Berhad and other relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 75 of the Act, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution in any one financial year does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.”

10. **PROPOSED ALLOCATION OF UNITS UNDER THE LONG TERM INCENTIVE PLAN (“LTIP”) OF THE IHH GROUP AND ISSUANCE OF NEW ORDINARY SHARES IN IHH (“IHH SHARES”) TO DR TAN SEE LENG**

Ordinary Resolution 10

“THAT approval be and is hereby given for the Directors of the Company at any time and from time to time, commencing from the date of the shareholders’ approval (“Approval Date”) and expiring at the conclusion of the annual general meeting of the Company commencing next after the Approval Date or the expiration of the period within which the next annual general meeting of the Company is required to be held, to allocate, grant and subsequently vest such number of units as the same may be allocated, granted and vested to Dr Tan See Leng, the Managing Director and Chief Executive Officer of the Company, under any of the LTIPs of the IHH Group, and to allot and issue a corresponding number of new IHH Shares to him upon the surrender of such units to the Company, as part of the compensation package for his services to the Company and/or its group of companies, PROVIDED THAT the total allocation will be based on the aggregate value of Singapore Dollar 2,692,018 or its equivalent amount in Ringgit Malaysia as converted using the middle rate of Bank Negara Malaysia foreign exchange on the issue date (“Base Allocation”), equivalent to the total number of units that may be granted and vested or the corresponding number of IHH Shares that may be allotted and issued within that Base Allocation (“Base Number”) at the issue price per unit/IHH Share to be determined based on the five (5)-day weighted average market price of IHH Shares as traded on Bursa Malaysia Securities Berhad prior to the issue date (“Issue Price”), PROVIDED FURTHER THAT if the Base Number contains a fractional part of a thousand, the actual number of units that may be granted and vested or the corresponding number of IHH Shares that may be allotted and issued (“Actual Number”) will be rounded-up to the nearest thousand notwithstanding that the total value of the Actual Number may exceed the Base Allocation based on the Issue Price, AND PROVIDED ALWAYS THAT the Proposed Allocation shall be subject to the terms and conditions and/or adjustments which may be made in accordance with the provisions of the respective Bye Laws for the LTIP.”

11. **PROPOSED ALLOCATION OF UNITS UNDER THE LONG TERM INCENTIVE PLAN (“LTIP”) OF THE IHH GROUP AND ISSUANCE OF NEW ORDINARY SHARES IN IHH (“IHH SHARES”) TO MEHMET ALI AYDINLAR**

Ordinary Resolution 11

“THAT approval be and is hereby given for the Directors of the Company at any time and from time to time, commencing from the date of the shareholders’ approval (“Approval Date”) and expiring at the conclusion of the annual general meeting of the Company commencing next after the Approval Date or the expiration of the period within which the next annual general meeting of the Company is required to be held, to allocate, grant and subsequently vest such number of units as the same may be allocated, granted and vested to Mehmet Ali Aydinlar, an Executive Director of the Company, under any of the LTIPs of the IHH Group, and to allot and issue a corresponding number of new IHH Shares to him upon the surrender of such units to the Company, as part of the compensation package for his services to the Company and/or its group of companies, PROVIDED THAT the total allocation will be based on the aggregate value of United States Dollar 1,000,000 or its equivalent amount in Ringgit Malaysia as converted using the middle rate of Bank Negara Malaysia foreign exchange on the issue date (“Base Allocation”), equivalent to the total number of units that may be granted and vested or the corresponding number of IHH Shares that may be allotted and issued within that Base Allocation (“Base Number”) at the issue price per unit/IHH Share to be determined based on the five (5)-day weighted average market price of IHH Shares as traded on Bursa Malaysia Securities Berhad prior to the issue date (“Issue Price”), PROVIDED FURTHER THAT if the Base Number contains a fractional part of a thousand, the actual number of units that may be granted and vested or the corresponding number of IHH Shares that may be allotted and issued (“Actual Number”) will be rounded-up to the nearest thousand notwithstanding that the total value of the Actual Number may exceed the Base Allocation based on the Issue Price, AND PROVIDED ALWAYS THAT the Proposed Allocation shall be subject to the terms and conditions and/or adjustments which may be made in accordance with the provisions of the respective Bye Laws for the LTIP.”

## NOTICE OF ANNUAL GENERAL MEETING

12. **PROPOSED RENEWAL OF AUTHORITY FOR IHH TO PURCHASE ITS OWN SHARES OF UP TO TEN PERCENT (10%) OF THE PREVAILING TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY (“PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY”)** **Ordinary Resolution 12**

“THAT subject to the Companies Act 2016 (the “Act”), rules, regulations and orders made pursuant to the Act, the provisions of the Company’s Constitution and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”) and the approvals of all relevant governmental and/or relevant authorities, the Company be and is hereby authorised, to the extent permitted by law, to purchase and/or hold such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the best interest of the Company provided that:

- (i) the aggregate number of shares which may be purchased (“Purchased Shares”) and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten percent (10%) of the prevailing total number of issued shares of the Company at the point of purchase;
- (ii) the maximum funds to be allocated for the Company to purchase its own shares pursuant to the Proposed Renewal of Share Buy-Back Authority shall not exceed the retained profits of the Company;
- (iii) upon completion of the purchase by the Company of its own shares, the Directors of the Company be and are hereby authorised, at their discretion, to deal with the Purchased Shares in the following manner as may be permitted by the Act, rules, regulations, guidelines, requirements and/or orders of Bursa Securities and any other relevant authorities for the time being in force:
  - (a) cancel all or part of the Purchased Shares; and/or
  - (b) retain all or part of the Purchased Shares as treasury shares (as defined in Section 127 of the Act); and/or
  - (c) resell the treasury shares on Bursa Securities in accordance with the relevant rules of Bursa Securities; and/or
  - (d) distribute the treasury shares as share dividends to the shareholders of the Company; and/or
  - (e) transfer the treasury shares for the purposes of or under the employees’ share scheme established by the Group; and/or
  - (f) transfer the treasury shares as purchase consideration; and/or
  - (g) sell, transfer or otherwise use the treasury shares for such other purposes as the Minister may by order prescribe,

or in any other manner as may be prescribed by the Act, the applicable laws, regulations and guidelines applied from time to time by Bursa Securities and/or any other relevant authority for the time being in force and that the authority to deal with the Purchased Shares shall continue to be valid until all the Purchased Shares have been dealt with by the Directors.

THAT the authority conferred by this ordinary resolution shall be effective immediately upon passing of this ordinary resolution and shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting (“AGM”) of the Company at which time the authority shall lapse unless by ordinary resolution passed at that AGM, the authority is renewed, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Listing Requirements and any other relevant authorities.

AND THAT the Directors of the Company be and are hereby empowered to do all acts and things (including the opening and maintaining of a central depositories account(s) under the Securities Industry (Central Depositories) Act, 1991) and to take all such steps and to enter into and execute all declarations, commitments, transactions, deeds, agreements, arrangements, undertakings, indemnities, transfers, assignments and/or guarantees as they may deem fit, necessary, expedient and/or appropriate in the best interest of the Company in order to implement, finalise and give full effect to the Proposed Renewal of Share Buy-Back Authority with full powers to assent to any conditions, modifications, variations (if any) as may be imposed by the relevant authorities.”

13. To transact any other business of which due notice shall have been given.

### **NOTICE ON DIVIDEND ENTITLEMENT AND PAYMENT**

**NOTICE IS ALSO HEREBY GIVEN THAT** a first and final single tier cash dividend of 3 sen per ordinary share for the financial year ended 31 December 2017 (“Dividend”), if approved by the shareholders at the forthcoming Eighth Annual General Meeting, will be paid on 18 July 2018 to depositors whose names appear in the Record of Depositors on 29 June 2018.

A depositor shall qualify for entitlement to the Dividend only in respect of:

- (a) shares transferred into the Depositor’s securities account before 4.00 p.m. on 29 June 2018 in respect of transfers; and
- (b) shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

**MICHELE KYTHE LIM BENG SZE** (LS 0009763)

**SEOW CHING VOON** (MAICSA 7045152)

Company Secretaries

Kuala Lumpur  
27 April 2018

## NOTICE OF ANNUAL GENERAL MEETING

### NOTES:

#### PROXY AND/OR AUTHORISED REPRESENTATIVES

1. A member entitled to attend and vote at the above Meeting is entitled to appoint a proxy or proxies to exercise all or any of his rights to attend, participate, speak and vote in his/her stead.
2. Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. A member other than an exempt authorised nominee shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting. Notwithstanding the foregoing, any member other than an exempt authorised nominee who is also a substantial shareholder (within the meaning of the Companies Act 2016) shall be entitled to appoint up to (but not more than) five (5) proxies. Where such member appoints more than one (1) proxy, the appointment shall be invalid unless the percentage of the shareholding to be represented by each proxy is specified.
4. The instrument appointing a proxy shall:
  - (i) in the case of an individual, be signed by the appointer or by his/her attorney.
  - (ii) in the case of corporation, be either under its common seal or signed by its attorney or an officer on behalf of the corporation.

A copy of the Authorisation Document or the duly registered Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and exercised, should be enclosed with the proxy form.
5. A corporation which is a member, may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting, in accordance with the Company's Constitution.

6. The instrument appointing the proxy together with the Authorisation Document or the duly registered Power of Attorney referred to in Note 4 above, if any, must be deposited at the office of the Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time appointed for the taking of the poll or at any adjournment thereof.
7. **Personal data privacy**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the above Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the above Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the above Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.
8. **Members entitled to attend**

Only Members whose names appear in the General Meeting Record of Depositors on 21 May 2018 shall be entitled to attend, speak and vote at this Eighth Annual General Meeting of the Company or appoint a proxy(ies) on his/her behalf.



## EXPLANATORY NOTES ON ORDINARY BUSINESS:

### 1. Retirement of Director

Kuok Khoon Ean who retires by rotation pursuant to Article 113(1) of the Constitution of the Company at this Eighth AGM, has expressed his intention not to seek re-election. Hence, he will retain office until the close of this Eighth AGM.

### 2. Directors' fees and any other benefits

By virtue of Section 230(1) of the Companies Act 2016, shareholders' approval is required for the fees of the Directors and any benefits to be paid to Directors including any compensation for loss of employment of a Director or former Director of a listed company and its subsidiaries.

In light of the above, the Board has recommended to the shareholders for approval at the forthcoming Eighth AGM of the Company, the proposed Ordinary Resolutions 5 – 7 pertaining to the payment of Directors' fees and any other benefits to the Directors of the Company by the Company and its subsidiaries respectively.

#### Fees payable to the Chairman of the Board

Following the re-designation of Dato' Mohammed Azlan bin Hashim, a Non-Independent Non-Executive Director, as the Chairman of the Board on 1 January 2018, the Board (save for the Chairman) has agreed to recommend for the shareholders to vote in favour of the Ordinary Resolution 5 in respect of the additional fees payable to the Chairman of the Board retrospectively with effect from 1 January 2018 to 30 June 2018.

#### Directors' fees payable by the Company

In view of the rapid growth of the Group which has added on to the complexity of the governance structure of the Group as well as the need for more efficient meetings of the various Board and committees of the Board, the Group has undertaken a restructuring exercise during the financial year involving the Board and committees of the Board across the Group ("Streamlining Exercise") to, among others, simplify and streamline the overall governance structure of the Group. Under the Streamlining Exercise, certain identical Board committees established at some of the operating companies of IHH were collapsed and their functions had been or would be taken over by the respective equivalent IHH Board committees.

As a result of the Streamlining Exercise and in line with the recommendations of the Malaysian Code on Corporate Governance, beginning 1 July 2018, the Audit & Risk Management Committee ("ARMC") will be split into an Audit Committee and a Risk Management Committee ("RMC"), respectively, whereas the Nomination & Remuneration Committee will be split into a Nomination Committee and a Remuneration Committee, respectively. The splitting of the Board committees would accord the respective committees' members more time to focus on the respective functions.

In view that the Streamlining Exercise has resulted in increased responsibilities undertaken by the NEDs coupled with the increased coverage and footprint of IHH Group operationally, at the recommendation of the Senior Management, the Board (save for the NEDs) has agreed to recommend for the shareholders to vote in favour of the Ordinary Resolution 6 to effect the proposed revised NEDs fees structure following the Streamlining Exercise. The proposed NEDs fees are benchmarked against the Company's peer groups comprising Malaysia-based large market capitalisation ("cap") companies, Singapore-based large cap companies and regional healthcare large cap companies.

Please refer to the Corporate Governance Overview Statement as laid out on pages 132 to 149 of the Company's Annual Report 2017 for further explanation in relation to the proposed NEDs fees structure following the Streamlining Exercise.

The payment of the NEDs fees will only be made if and after the proposed Ordinary Resolutions 5 – 7 have been passed at the Eighth AGM of the Company.

#### Any other benefits provided to the Directors of the Company by the Company and its subsidiaries

Any other benefits provided to the Directors of the Company by the Company and its subsidiaries are mainly comprised of medical benefits. Such benefits will be provided to the Directors of the Company if and after the proposed Ordinary Resolutions 6 – 7 have been passed at the Eighth AGM of the Company.

## NOTICE OF ANNUAL GENERAL MEETING

### EXPLANATORY NOTES ON SPECIAL BUSINESS:

1. Resolution pursuant to Section 75 of the Companies Act 2016

The proposed Ordinary Resolution 9 is a renewal of the general mandate for issuance of shares by the Company under Section 75 of the Companies Act 2016 (“General Mandate”). The General Mandate, if passed, will empower the Directors to issue shares in the Company up to an amount of not exceeding in total ten percent (10%) of the total number of issued shares of the Company for any possible fund raising activities, funding investment project(s), working capital or such purposes as the Directors consider would be in the interest of the Company. The approval is sought to avoid any delay and cost in convening separate general meetings for such issuance of shares. This authority, unless revoked or varied at a general meeting will expire at the next annual general meeting of the Company.

The Company had, during its Seventh Annual General Meeting held on 22 May 2017, obtained its shareholders’ approval for the General Mandate. No share was issued pursuant to the General Mandate as at the date of this Notice.

2. Resolutions pursuant to the proposed allocation of units under the Long Term Incentive Plan (“LTIP”) of the IHH Group and issuance of new ordinary shares in IHH (“IHH Shares”) to the Executive Directors of the Company i.e. Dr Tan See Leng and Mehmet Ali Aydinlar (“Proposed Allocation”)

The proposed Ordinary Resolutions 10 – 11 are for the purpose of approving the allocation of LTIP units and the corresponding number of new IHH Shares to the Executive Directors of the Company i.e. Dr Tan See Leng and Mehmet Ali Aydinlar under the LTIP as established by our Company.

### Rationale of the Proposed Allocation

The purpose of the LTIP is to promote ownership of IHH Shares by eligible employees of our Group including the Executive Directors, thereby motivating eligible employees including the Executive Directors to work towards achieving our business goals and objectives and to enable us to attract, retain and reward eligible employees of our Group by permitting them to participate in our Company’s growth. The LTIP units are granted to eligible employees including Executive Directors as part of the annual compensation package and upon the meeting of performance targets based upon, among others, the Balanced Scorecard and individual annual performance appraisal. The Proposed Allocation is part of the compensation package to the Executive Directors.

### Maximum Number and Basis of Allocation

The actual number of LTIP units to be granted to the Executive Directors of the Company will be determined at the sole and absolute discretion of the Board after taking into account their performance in the Company or its group of companies or such other matters which the Board may in their sole discretion deem fit. In respect of the Proposed Allocation, upon considering the actual performance of the Company, Parkway Pantai Limited and Acibadem Saglik Yatirimlari Holding A.S. and their respective group of companies for the financial year ended 2017, the Board recommends the total allocation to the Executive Directors based on the aggregate value in the currency applicable in the jurisdiction each Executive Director is based in to be converted using the middle rate of Bank Negara Malaysia foreign exchange on the issue date (“Base Allocation”) which will be equivalent to the total number of units that may be granted and vested or the corresponding number of IHH Shares that may be allotted and issued within that Base Allocation (“Base Number”) based on issue price per unit/IHH Share to be determined based on the five (5)-day weighted average market price of IHH Shares as traded on Bursa Securities prior to the issue date (“Issue Price”), provided that if the Base Number contains a fractional part of a thousand, the actual number of units that may be granted and vested or the corresponding number of IHH Shares that may be allotted and issued (“Actual Number”) will be rounded-up to the nearest thousand notwithstanding that the total value of the Actual Number may exceed the Base Allocation based on the Issue Price.

The total number of IHH Shares which may be issued under this LTIP shall not exceed two percent (2%) of the total number of issued shares of our Company at any time during the existence of the LTIP. Also, the total number of IHH Shares which may be issued under LTIP units granted under this LTIP to a participant who either singly or collectively with persons connected with him owns twenty percent (20%) or more of the total number of issued shares of the Company shall not exceed in aggregate ten percent (10%) of the total number of IHH Shares to be issued under the LTIP.

All LTIP units that have been vested must be surrendered to the Company and the Company shall allot and issue to the eligible employee such number of IHH Shares on the basis of one (1) IHH Share for each LTIP unit. There is no price payable by the eligible employees or Executive Directors for the allotment and issuance of new IHH Shares to them upon surrender of the LTIP units. No shares will be allotted and issued upon the surrender of LTIP units if such allotment and issuance would violate any provision of applicable laws, nor shall any LTIP units be exercisable more than ten (10) years, from the date on which the LTIP becomes effective. No LTIP unit shall be granted pursuant to the LTIP on or after the tenth anniversary of the date on which the LTIP becomes effective.

#### Unit Price, Ranking and Listing

The IHH Shares to be issued to the Executive Directors upon the surrender of all granted and vested LTIP units shall be based on the five (5)-day weighted average market price of IHH Shares at the time the LTIP unit is issued. The new IHH Shares to be issued pursuant to the Proposed Allocation shall, upon allotment and issue, rank equally in all respects with the existing IHH Shares save that they shall not be entitled to any rights, allotments, entitlements, dividends and/or distributions, the entitlement date of which is prior to the date of allotment of such new IHH Shares to be issued. The new IHH Shares to be issued pursuant to the Proposed Allocation shall be primarily listed on the Main Market of Bursa Securities and secondarily listed on the Main Board of Singapore Exchange Securities Trading Limited, subject to obtaining the necessary approvals.

#### Directors' and Major Shareholders' Interests

Each of Dr Tan See Leng and Mehmet Ali Aydinlar is deemed interested in the Proposed Allocation to him individually.

Accordingly, each of Dr Tan See Leng and Mehmet Ali Aydinlar has abstained and will continue to abstain from all deliberations and voting on the Proposed Allocation to him individually at the relevant Board meetings of IHH and/or its subsidiary. In addition, each of Dr Tan See Leng and Mehmet Ali Aydinlar will abstain and has undertaken to ensure that persons connected to him will abstain from voting in respect of their respective direct and/or indirect shareholding in IHH, if any, on the resolutions pertaining to the Proposed Allocation to him individually at the AGM to be convened.

Save as disclosed above, none of the directors, major shareholders and persons connected to the directors and major shareholders of IHH are interested in the Proposed Allocation.

#### 3. Proposed renewal of authority for IHH to purchase its own shares of up to ten percent (10%) of the prevailing total number of issued shares of the Company

The proposed Ordinary Resolution 12, if passed, will enable the Company to purchase its own shares through Bursa Securities of up to ten percent (10%) of the prevailing total number of issued shares of the Company. This authority will, unless revoked or varied at a general meeting, expire at the conclusion of the next AGM of the Company.

Further information on the Proposed Renewal of Share Buy-Back Authority is set out in the Statement to shareholders dated 27 April 2018, which is despatched together with the Company's Annual Report 2017.

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# FORM OF PROXY

## Eighth Annual General Meeting



IHH Healthcare Berhad

\*I/\*We \_\_\_\_\_  
(Full name and NRIC/Passport/Company no. in capital letters)

of \_\_\_\_\_  
(Full address in capital letters and telephone no.)

being a member/members of IHH HEALTHCARE BERHAD ("Company"), hereby appoint:

Full Name	Full Address	NRIC/ Passport No.	Proportion of Shareholding	
			No. of Shares	%

\*and/\*or

Full Name	Full Address	NRIC/ Passport No.	Proportion of Shareholding	
			No. of Shares	%

\*and/\*or (only in the case of a substantial shareholder)

Full Name	Full Address	NRIC/ Passport No.	Proportion of Shareholding	
			No. of Shares	%

\*and/\*or (only in the case of a substantial shareholder)

Full Name	Full Address	NRIC/ Passport No.	Proportion of Shareholding	
			No. of Shares	%

\*and/\*or (only in the case of a substantial shareholder)

Full Name	Full Address	NRIC/ Passport No.	Proportion of Shareholding	
			No. of Shares	%

or failing \*him/\*her/\*them, the CHAIRMAN OF THE MEETING as \*my/\*our \*proxy/\*proxies to vote for \*me/\*us on \*my/\*our behalf at the Eighth Annual General Meeting of the Company to be held at Ballroom A & B, Level 6, Hilton Hotel KL Sentral, 3 Jalan Stesen Sentral, 50470 Kuala Lumpur, Wilayah Persekutuan, Malaysia on Monday, 28 May 2018 at 10.00 a.m. and at any adjournment thereof. \*I/\*We indicate with an "√" or "x" in the spaces below how \*I/\*we wish \*my/\*our vote to be cast:

No.	Resolutions	For	Against
<b>Ordinary Resolutions</b>			
1	Payment of a first and final single tier cash dividend of 3 sen per ordinary share		
2	Re-election of Rossana Annizah binti Ahmad Rashid		
3	Re-election of Shirish Moreshwar Apte		
4	Re-election of Jill Margaret Watts		
5	Approval of payment of additional fees to the Chairman of the Board		
6	Approval of payment of Directors' fees and other benefits to the Directors of the Company by the Company		
7	Approval of payment of Directors' fees and other benefits to the Directors of the Company by the Company's subsidiaries		
8	Re-appointment of KPMG PLT as Auditors of the Company and authority to the Directors to fix their remuneration		
9	Authority to allot shares pursuant to Section 75 of the Companies Act 2016		
10	Allocation of units under the Long Term Incentive Plan of the IHH Group and issuance of new ordinary shares in IHH to Dr Tan See Leng		
11	Allocation of units under the Long Term Incentive Plan of the IHH Group and issuance of new ordinary shares in IHH to Mehmet Ali Aydinlar		
12	Proposed renewal of authority for IHH to purchase its own shares of up to ten percent (10%) of the prevailing total number of issued shares of IHH		

Subject to the abovestated voting instructions, \*my/\*our \*proxy/\*proxies may vote or abstain from voting on any resolutions as \*he/\*she/\*they may think fit.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018.

Total no. of Shares held	
Securities Account No.	

\_\_\_\_\_  
Signature of member/Common Seal of member

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**IMPORTANT: PLEASE READ THE NOTES BELOW**

**Notes:**

- \* Delete whichever is not applicable.
- 1. A member entitled to attend and vote at the above Meeting is entitled to appoint a proxy or proxies to exercise all or any of his rights to attend, participate, speak and vote in his/her stead.
- 2. Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- 3. A member other than an exempt authorised nominee shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting. Notwithstanding the foregoing, any member other than an exempt authorised nominee who is also a substantial shareholder (within the meaning of the Companies Act 2016) shall be entitled to appoint up to (but not more than) five (5) proxies. Where such member appoints more than one (1) proxy, the appointment shall be invalid unless the percentage of the shareholding to be represented by each proxy is specified.
- 4. The instrument appointing a proxy shall:
  - (i) in the case of an individual, be signed by the appointer or by his/her attorney.
  - (ii) in the case of corporation, be either under its common seal or signed by its attorney or an officer on behalf of the corporation.

A copy of the Authorisation Document or the duly registered Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and exercised, should be enclosed with the proxy form.

- 5. A corporation which is a member, may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting, in accordance with the Company's Constitution.
- 6. The instrument appointing the proxy together with the Authorisation Document or the duly registered Power of Attorney referred to in Note 4 above, if any, must be deposited at the office of the Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time appointed for taking of the poll or at any adjournment thereof.
- 7. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the above Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the above Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the above Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.
- 8. Only Members whose names appear in the General Meeting Record of Depositors on 21 May 2018 shall be entitled to attend, speak and vote at this Eighth Annual General Meeting of the Company or appoint a proxy(ies) on his/her behalf.

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**IHH HEALTHCARE BERHAD (901914-V)**

c/o Symphony Share Registrars Sdn Bhd  
Level 6 Symphony House,  
Pusat Dagangan Dana 1,  
Jalan PJU 1A/46,  
47301 Petaling Jaya,  
Selangor Darul Ehsan,  
Malaysia

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