



THE FUTURE OF HEALTHCARE

Financial Report 2018



Care for Life

OUR VISION

THE PREFERRED HEALTHCARE PROVIDER

Our fundamental purpose is the delivery of exceptional health treatment, care and diagnosis to all our patients. We are dedicated to being the preferred provider of care, with innovative use of technology, experienced doctors and well-trained staff who collaborate to offer the best diagnosis and treatment plans.

OUR MISSION

DELIVER QUALITY HEALTHCARE SERVICES

Our mission is to improve the health of the people and the communities we serve. Led by skilled and caring medical staff, we are consistently focused on clinical excellence and innovative technology for superior patient outcomes.

OUR CORE VALUES

VALUES THAT GUIDE US

Our values represent the philosophy of our organisation and guides all our decision-making and actions. We strive to maintain a patient-centered environment, focused on compassionate care, based on the intrinsic part of our commitment to Care for Life in every aspect of our operations. Our core values are therefore



ENSURING
SAFETY



DELIVERING
SERVICE WITH
COURTESY



PERFORMING
DUTIES WITH
INTEGRITY



EXERCISING
PROFESSIONALISM
AT ALL TIMES



STRIVING FOR
CONTINUOUS
IMPROVEMENT



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FINANCIAL STATEMENTS

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DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act 2016 to prepare the financial statements for each financial year which have been made out in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia, and the Bursa Malaysia Securities Berhad Listing Requirements.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements, the Directors have adopted appropriate accounting policies and applied them consistently. The Directors have also made judgment and estimates that are on going concern basis as the Directors have a reasonable expectation, having made enquires, that the Group and Company have resources to continue in operational existence for the foreseeable future.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Companies Act 2016.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities.

DIRECTORS' REPORT

The Directors are pleased to submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to subsidiaries. The principal activities of the subsidiaries are mainly the operation of specialist hospitals.

Details of the principal activities of the subsidiaries are set out in Note 21 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

ULTIMATE HOLDING CORPORATION

The Directors regard Johor Corporation, a body corporate established under the Johor Corporation Enactment No. 4, 1968 (as amended by the Enactment No. 5, 1995), as the ultimate holding corporation.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit before zakat and tax	266,511	94,923
Zakat	(3,930)	(300)
Tax	(72,651)	(20)
Profit for the financial year from continuing operations	189,930	94,603
Loss for the financial year from discontinued operation	(3,745)	-
Net profit for the financial year	186,185	94,603

Net profit for the financial year attributable to:

Owners of the Company from		
- continuing operations	181,579	94,603
- discontinued operation	(2,135)	-
Non-controlling interest from		
- continuing operations	8,351	-
- discontinued operation	(1,610)	-
Net profit for the financial year	186,185	94,603

DIRECTORS' REPORT (CONTINUED)

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

DIVIDENDS

The dividends paid or declared by the Company since 31 December 2017 are as follows:

	RM
In respect of the financial year ended 31 December 2018:	
First interim single tier dividend of 0.50 sen per share on 4,213,630,292 ordinary shares, declared on 26 February 2018 and paid on 20 April 2018	21,068,151
Second interim single tier dividend of 0.50 sen per share on 4,214,465,132 ordinary shares, declared on 30 May 2018 and paid on 20 July 2018	21,072,326
Third interim single tier dividend of 0.50 sen per share on 4,200,750,613 ordinary shares, declared on 16 August 2018 and paid on 5 October 2018	21,003,753
Fourth interim single tier dividend of 0.50 sen per share on 4,307,294,237 ordinary shares, declared on 29 November 2018 and paid on 15 February 2019	21,536,471
	<hr/> 84,680,701 <hr/>

The Directors did not recommend the payment of a final dividend in respect of the financial year ended 31 December 2018.

TREASURY SHARES

On 23 April 2018, at the Annual General Meeting, the shareholders of the Company renewed their approval for the Company to buy-back its own shares of up to ten percent (10%) of the issued and paid-up share capital of the Company.

During the financial year, the Company repurchased 52,150,500 ordinary shares of its issued share capital from the open market for RM55,907,363 at an average price of RM1.07 per share. The repurchase transactions were financed by internally generated funds.

As at 31 December 2018, the Company held a total of 115,197,500 of its 4,399,148,119 issued ordinary shares as treasury shares. Such treasury shares are held at a carrying amount of RM111,318,576.

DIRECTORS' REPORT (CONTINUED)

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company's issued share capital was increased by:

- a) RM86,659,164 through the issuance of 78,602,416 ordinary shares by way of the conversion of Warrants 2014/2019 at an exercise price of RM1.01 per warrant.
- b) RM37,567,134 through the issuance of 39,132,431 ordinary shares pursuant to the exercise of the Employee Share Option Scheme ("ESOS") at an exercise price of RM0.91 per option.

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

EMPLOYEES' SHARE OPTION SCHEME

The Company implemented ESOS in 2015 for a period of 5 years for eligible employees and Directors of the Group. Details of ESOS are set out in Note 36 to the financial statements.

The Company was granted an exemption by the Companies Commission of Malaysia via a letter dated 13 February 2019 from having to disclose in this report the names of the persons to whom less than 800,000 options (after share split) have been granted and details of their holdings pursuant to Section 253 (Para 5, Part 1, Fifth Schedule) of the Companies Act 2016. Other than the Directors, the persons to whom 800,000 and more options have been granted comprise the following:

	Number of options over ordinary shares				Total granted options at 31.12.2018
	At 1.1.2018	Granted	(Exercised) / (Lapsed)	At 31.12.2018	
Dato' Abdol Wahab bin Baba	-	-	-	-	900,000
Sabariah Fauziah binti Jamaluddin	824,000	-	-	824,000	880,000
Ahmad Nasiruddin bin Harun	800,000	-	-	800,000	800,000
Mohd Nasir bin Mohamed	600,000	-	(120,000)	480,000	800,000
Mah Lai Heng	720,000	-	(720,000)	-	800,000
Tan Sri Dato' Dr. Yahya Awang	200,000	-	-	200,000	800,000
Dr. Yoong Fook Ngian	800,000	-	-	800,000	800,000

A complete list is filed with the Companies Commission of Malaysia.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Dato' Kamaruzzaman bin Abu Kassim	(Chairman)
Dato' Amiruddin bin Abdul Satar	(Managing Director)
Aminudin bin Dawam	(Executive Director)
Jasimah binti Hassan	(Executive Director, appointed on 24 April 2018)
Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir	
Zulkifli bin Ibrahim	
Prof Dato' Dr. Azizi bin Haji Omar	
Mohd Sahir bin Rahmat	
Dato' Dr. Zaki Morad bin Mohamad Zaher	
Dato' Muthanna bin Abdullah	(Appointed on 24 April 2018)
Dato' Dr. Bajit Kor A/P Teja Singh	(Appointed on 24 April 2018)
Christina Foo	(Appointed on 24 April 2018)
Datuk Azzat bin Kamaludin	(Retired on 23 April 2018)
Zainah binti Mustafa	(Retired on 23 April 2018)
Dr. Kok Chin Leong	(Retired on 23 April 2018)

In accordance with Rule 95(i) of the Company's Constitution, Dato' Kamaruzzaman bin Abu Kassim, Dato' Amiruddin bin Abdul Satar and Zulkifli bin Ibrahim retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Rule 96 of the Company's Constitution, Dato' Muthanna bin Abdullah, Dato' Dr. Bajit Kor A/P Teja Singh, Christina Foo and Jasimah binti Hassan retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration as disclosed in Note 11 to the financial statements) 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.

Neither during nor at the end of the financial year was the Company or any subsidiaries a party to any arrangement whose object was to enable the Directors to acquire benefits through the acquisition of shares in, or debentures of the Company or any other body corporate, other than the Company's ESOS (see Note 36 to the financial statements).

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares, debentures, warrants or options over ordinary shares in the Company or its subsidiaries or its holding corporation or subsidiaries of the holding corporation during the financial year except as follows:

	Number of ordinary shares			At 31.12.2018
	At 1.1.2018	Acquired	(Disposed)	
<u>KPJ Healthcare Berhad</u>				
Dato' Kamaruzzaman bin Abu Kassim	254,500	-	-	254,500
Dato' Amiruddin bin Abdul Satar	25,064	-	-	25,064
Aminudin bin Dawam	44,788	-	-	44,788
Jasimah binti Hassan	1,180,000	40,000	(30,000)	1,190,000
Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir	4,800,000	-	-	4,800,000
Mohd Sahir bin Rahmat	760,000	100,000	-	860,000
Dato' Dr. Zaki Morad bin Mohamad Zaher	80,000	-	-	80,000
Dato' Dr. Bajit Kor A/P Teja Singh	751,960	-	-	751,960
<u>E.A. Technique (M) Berhad</u>				
(Subsidiary of Johor Corporation)				
Dato' Kamaruzzaman bin Abu Kassim	120,000	-	-	120,000
Jasimah binti Hassan	3,000	-	-	3,000

	Number of Warrants of 2014/2019			At 31.12.2018
	At 1.1.2018	Acquired	(Disposed)	
<u>KPJ Healthcare Berhad</u>				
Dato' Kamaruzzaman bin Abu Kassim	223,000	223,100	-	446,100
Dato' Amiruddin bin Abdul Satar	2,128	-	-	2,128
Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir	437,992	-	(437,964)	28
- Indirect	664	-	-	664
Mohd Sahir bin Rahmat	44,800	-	-	44,800

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

	Number of options over ordinary shares			
	At 1.1.2018	Granted	(Exercised)	At 31.12.2018
<u>KPJ Healthcare Berhad</u>				
Dato' Amiruddin bin Abdul Satar	2,000,000	-	-	2,000,000
Aminudin bin Dawam	800,000	-	-	800,000
Jasimah binti Hassan	660,000	-	(40,000)	620,000
Prof Dato' Dr. Azizi bin Haji Omar	330,000	-	-	330,000
Mohd Sahir bin Rahmat	400,000	-	-	400,000

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 11 to the financial statements.

INDEMNIFYING DIRECTORS, OFFICERS OR AUDITORS

No indemnities has been given or insurance premium paid, during or since the end of the year, for any person who is or has been director, officer and auditor of the Company.

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
- to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written-off and that adequate provision had been made for doubtful debts; and
 - to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company, had been written down to an amount which the current assets might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- which would render the amounts written-off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or
 - which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
 - which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION (CONTINUED)

- (c) At the date of this report:
- (i) there are no charges on the assets of the Group or of the Company which have arisen since the end of the financial year which secures the liability of any other person; and
 - (ii) there are no contingent liabilities in the Group and in the Company which have arisen since the end of the financial year.
- (d) No contingent 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 affect the ability of the Company and its subsidiaries to meet their obligations when they fall due.
- (e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.
- (f) In the opinion of the Directors:
- (i) the results of the operation of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
 - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SUBSIDIARIES

Details of subsidiaries are set out in Note 21 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 9 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401 - LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 15 February 2019. Signed on behalf of the Board of Directors:



DATO' KAMARUZZAMAN BIN ABU KASSIM
DIRECTOR



DATO' AMIRUDDIN BIN ABDUL SATAR
DIRECTOR

Kuala Lumpur

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, Dato' Kamaruzzaman bin Abu Kassim and Dato' Amiruddin bin Abdul Satar, two of the Directors of KPJ Healthcare Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 16 to 132 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and financial performance of the Group and of the Company for the financial year ended 31 December 2018 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 15 February 2019.



DATO' KAMARUZZAMAN BIN ABU KASSIM
DIRECTOR



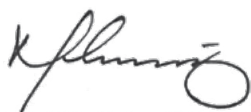
DATO' AMIRUDDIN BIN ABDUL SATAR
DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act 2016

I, Norhaizam binti Mohammad, the officer primarily responsible for the financial management of KPJ Healthcare Berhad, do solemnly and sincerely declare that, the financial statements set out on pages 16 to 132 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.



NORHAIZAM BINTI MOHAMMAD

Subscribed and solemnly declared by the above named Norhaizam binti Mohammad

At: Kuala Lumpur

On: 15 February 2019

Before me:

COMMISSIONER FOR OATH



Lot 1.08, Tingkat 1,
Bangunan KWSP, Jln Raja Laut,
50350 Kuala Lumpur.
Tel: 019 6680745

INDEPENDENT AUDITORS' REPORT

To the members of KPJ Healthcare Berhad
(Incorporated in Malaysia)
(Company No. 247079 M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

[Our opinion](#)

In our opinion, the financial statements of KPJ Healthcare Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance 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.

[What we have audited](#)

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of comprehensive income, consolidated statement of changes in equity, company statement 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 16 to 132.

[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 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.

[Our audit approach](#)

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

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

INDEPENDENT AUDITORS' REPORT

To the members of KPJ Healthcare Berhad (Continued)
(Incorporated in Malaysia)
(Company No. 247079 M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

[Key audit matter](#)

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the Group and of the Company for the current year. This matter was 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 this matter.

Key audit matter

How our audit addressed the key audit matter

Valuation of investment properties

Refer to Notes 2.9, 2.33, 6 and 18 to the financial statements.

The Group carries its investment properties at fair value. Investment properties carried at fair value as at 31 December 2018 amounted to RM311.5 million.

The valuation of the Group's investment properties is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income for that particular property.

The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuation assumptions, when aggregated, could result in material misstatement, is why we have given specific audit focus and attention to this area.

The valuations were carried out by independent professional valuers which were engaged by the Group.

External valuations

We read the valuation reports for all investment properties and discussed the reports with the valuers. We found that the valuation approach for each property was performed in accordance with MFRS 13 "Fair value measurement" and suitable for use in determining the fair values of investment properties as at 31 December 2018.

From our discussions with management and the valuers and our understanding of the valuation reports, we noted that the valuers have considered factors related to each property's individual characteristics and its overall quality, geographic location and desirability as a whole in arriving at the fair value. There was no evidence of management bias or influence on the values in relation to these factors.

We evaluated the valuers' competency, capabilities, and objectivity by checking the valuer's qualifications and registration to the Board of valuers, Appraisers, Estate Agents and Property Managers Malaysia website. We read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We found no evidence to suggest that the objectivity of the valuers in their performance of the valuations was compromised.

INDEPENDENT AUDITORS' REPORT

To the members of KPJ Healthcare Berhad (Continued)
(Incorporated in Malaysia)
(Company No. 247079 M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

[Key audit matter \(continued\)](#)

Key audit matter**How our audit addressed the key audit matter****Valuation of investment properties (continued)****External valuations (continued)****Valuation methodologies and assumptions**

We noted that the valuations of the Group's investment properties were primarily based on the investment and comparison methods. We carried out procedures to test the data inputs underpinning the valuation by agreeing them back to tenancy agreements to confirm the lettable area and agreeing outgoings to actual expenses incurred during the financial year. Where appropriate, we held discussions with the valuers to understand the factors they have considered in adjusting the inputs, including transacted price per square foot of comparable peers such as location, size, accessibility and tenure. We also assessed the reasonableness of the term yield, void rate, average rental and outgoing used by the valuer with reference to comparable peers.

We have also assessed the adequacy of disclosures in the financial statements.

Based on the procedures performed, we did not identify any material exceptions.

There are no key audit matters in relation to the financial statements of the Company.

[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 Directors' Report and contents in the 2018 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 other information 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 other information and, in doing so, consider whether the other information 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 this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT

To the members of KPJ Healthcare Berhad (Continued)
(Incorporated in Malaysia)
(Company No. 247079 M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the 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 Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) 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.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) 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 Group's or the Company's ability 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.
- (e) 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 achieves fair presentation.

INDEPENDENT AUDITORS' REPORT

To the members of KPJ Healthcare Berhad (Continued)
(Incorporated in Malaysia)
(Company No. 247079 M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

- (f) 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.

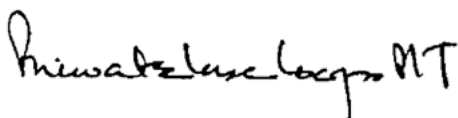
From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law 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 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

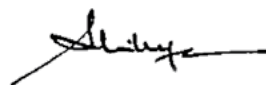
In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 21 to the financial statements.

OTHER MATTERS

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.



PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants



SHIRLEY GOH
01778/08/2020 J
Chartered Accountant

Kuala Lumpur
15 February 2019

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Continuing operations</u>					
Revenue	7	3,308,117	3,179,998	177,965	159,071
Cost of sales		(2,289,346)	(2,214,653)	-	-
Gross profit		1,018,771	965,345	177,965	159,071
Administrative expenses		(742,239)	(731,517)	(65,056)	(58,670)
Other income		29,371	26,271	3,809	2,404
Operating profit		305,903	260,099	116,718	102,805
Finance income	8	8,570	13,637	-	-
Finance costs	8	(89,632)	(79,950)	(21,795)	(18,477)
Finance costs - net		(81,062)	(66,313)	(21,795)	(18,477)
Share of results of associates, net of tax		41,670	39,540	-	-
Profit before zakat and tax	9	266,511	233,326	94,923	84,328
Zakat	12	(3,930)	(3,910)	(300)	(300)
Tax	13	(72,651)	(56,120)	(20)	(1,155)
Profit for the financial year from continuing operations		189,930	173,296	94,603	82,873
<u>Discontinued operation</u>					
Loss for the financial year from discontinued operation	14	(3,745)	(6,386)	-	-
Net profit for the financial year		186,185	166,910	94,603	82,873
Other comprehensive income:					
Item that may be subsequently reclassified to profit or loss from continuing operations:					
- Currency translation differences		8,674	(3,035)	-	-
Items that will not be reclassified to profit or loss from continuing operations:					
- Gains on revaluation of land and building	17	31,747	13,432	-	-
- Deferred tax on revaluation surplus	13	(3,824)	(3,224)	-	-
Other comprehensive income for the financial year, net of tax		36,597	7,173	-	-
Total comprehensive income for the financial year		222,782	174,083	94,603	82,873

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018 (Continued)

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net profit for the financial year attributable to:					
Owners of the Company from					
- continuing operations		181,579	165,554	94,603	82,873
- discontinued operation	14	(2,135)	(3,640)	-	-
Non-controlling interests from					
- continuing operations		8,351	7,742	-	-
- discontinued operation	14	(1,610)	(2,746)	-	-
		186,185	166,910	94,603	82,873
Total comprehensive income for the financial year attributable to:					
Owners of the Company from					
- continuing operations		218,176	172,727	94,603	82,873
- discontinued operation	14	(2,135)	(3,640)	-	-
Non-controlling interests from					
- continuing operations		8,351	7,742	-	-
- discontinued operation	14	(1,610)	(2,746)	-	-
		222,782	174,083	94,603	82,873
Earnings/(loss) per share attributable to Owners of the Company:					
Basic (sen) from					
- continuing operations	16(a)	4.17	3.78		
- discontinued operation		(0.05)	(0.08)		
Diluted (sen) from					
- continuing operations	16(b)	3.76	3.32		
- discontinued operation		(0.04)	(0.07)		

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
ASSETS					
<u>Non-current assets</u>					
Property, plant and equipment	17	2,430,363	2,206,013	241	-
Investment properties	18	311,460	274,205	-	-
Intangible assets	19	236,470	239,437	-	-
Investments in subsidiaries	21	-	-	1,036,206	1,026,448
Investments in associates	22	422,461	405,984	-	-
Available-for-sale financial assets	23	-	4,678	-	4,396
Equity instruments classified as FVOCI	24	4,678	-	4,396	-
Deferred tax assets	25	68,463	24,682	-	-
		3,473,895	3,154,999	1,040,843	1,030,844
<u>Current assets</u>					
Inventories	26	50,170	51,084	-	-
Trade and other receivables	27	515,743	624,896	649	741
Amounts due from subsidiaries	27	-	-	379,555	474,817
Tax recoverable		30,815	28,560	6,352	6,275
Deposits, bank and cash balances	28	540,204	200,542	80,237	3,903
Dividend receivable		5,514	-	45,000	9,900
		1,142,446	905,082	511,793	495,636
Assets held for sale	29	176,528	173,827	-	-
		1,318,974	1,078,909	511,793	495,636
Total assets		4,792,869	4,233,908	1,552,636	1,526,480
EQUITY AND LIABILITIES					
<u>Current liabilities</u>					
Trade and other payables	30	517,077	452,847	20,496	18,354
Amounts due to subsidiaries	30	-	-	48,031	157,136
Contract liabilities	31	70,274	-	-	-
Deferred revenue	31	-	68,464	-	-
Current tax liabilities		14,233	6,896	-	-
Borrowings	32	264,264	350,369	187,000	257,000
Dividend payable		21,537	-	21,537	-
		887,385	878,576	277,064	432,490

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018 (Continued)

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Liabilities associated with assets held for sale	29	179,995	190,564	-	-
		1,067,380	1,069,140	277,064	432,490
Net current assets		251,594	9,769	234,729	63,146
Non-current liabilities					
Trade and other payables	30	21,436	30,299	-	-
Amounts due to subsidiaries	30	-	-	300,074	200,359
Borrowings	32	1,481,690	1,242,340	-	-
Deferred tax liabilities	25	68,657	60,206	-	-
Provision for retirement benefits	33	2,678	2,616	-	-
Deposits	34	14,325	14,096	-	-
		1,588,786	1,349,557	300,074	200,359
Total liabilities		2,656,166	2,418,697	577,138	632,849
Net assets		2,136,703	1,815,211	975,498	893,631
Equity attributable to Owners of the Company					
Share capital	35	860,295	736,069	860,295	736,069
Less: Treasury shares		(111,319)	(55,411)	(111,319)	(55,411)
Reserves		1,234,924	1,046,137	226,522	212,973
		1,983,900	1,726,795	975,498	893,631
Non-controlling interests		152,803	88,416	-	-
Total equity		2,136,703	1,815,211	975,498	893,631
Total equity and liabilities		4,792,869	4,233,908	1,552,636	1,526,480

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Ordinary share capital (Note 35) RM'000	Treasury shares RM'000	Other reserves (Note 37) RM'000	Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
Group							
At 1 January 2018	736,069	(55,411)	182,389	863,748	1,726,795	88,416	1,815,211
Sales of interests in a subsidiary to non-controlling interest	-	-	-	53,800	53,800	66,120	119,920
Comprehensive income:							
Net profit for the financial year	-	-	-	179,444	179,444	6,741	186,185
Other comprehensive income:							
Currency translation differences of foreign subsidiaries	-	-	8,674	-	8,674	-	8,674
Revaluation surplus	-	-	27,923	-	27,923	-	27,923
Total other comprehensive income	-	-	36,597	-	36,597	-	36,597
	736,069	(55,411)	218,986	1,096,992	1,996,636	161,277	2,157,913
Transactions with Owners:							
Issue of share capital:							
- Warrants	86,659	-	(7,270)	-	79,389	-	79,389
- ESOS	37,567	-	(1,957)	-	35,610	-	35,610
- Share buy-back	-	(55,908)	-	-	(55,908)	-	(55,908)
	124,226	(55,908)	(9,227)	-	59,091	-	59,091
ESOS expenses during the financial year	-	-	12,854	-	12,854	-	12,854
Lapsed ESOS	-	-	(526)	526	-	-	-
Dividends on ordinary shares (Note 15)	-	-	-	(84,681)	(84,681)	-	(84,681)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	(8,474)	(8,474)
Total transactions with Owners	124,226	(55,908)	3,101	(84,155)	(12,736)	(8,474)	(21,210)
At 31 December 2018	860,295	(111,319)	222,087	1,012,837	1,983,900	152,803	2,136,703

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

	Ordinary share capital (Note 35) RM'000	Share premium RM'000	Treasury shares RM'000	Other reserves (Note 37) RM'000	Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
Group								
At 1 January 2017	531,784	178,141	(54,777)	164,199	775,741	1,595,088	89,641	1,684,729
Comprehensive income:								
Net profit for the financial year	-	-	-	-	161,914	161,914	4,996	166,910
Other comprehensive income:								
Currency translation differences of foreign subsidiaries	-	-	-	(3,035)	-	(3,035)	-	(3,035)
Revaluation surplus	-	-	-	10,208	-	10,208	-	10,208
Total other comprehensive income	-	-	-	7,173	-	7,173	-	7,173
	531,784	178,141	(54,777)	171,372	937,655	1,764,175	94,637	1,858,812
Transactions with Owners:								
Issue of share capital:								
- Warrants	730	1	-	(61)	-	670	-	670
- ESOS	24,075	1,338	-	(1,324)	-	24,089	-	24,089
- Share buy-back	-	-	(634)	-	-	(634)	-	(634)
	24,805	1,339	(634)	(1,385)	-	24,125	-	24,125
ESOS expenses during the financial year	-	-	-	13,171	-	13,171	-	13,171
Lapsed ESOS	-	-	-	(769)	769	-	-	-
Dividends on ordinary shares (Note 15)	-	-	-	-	(74,676)	(74,676)	-	(74,676)
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	(6,221)	(6,221)
Total transactions with Owners	24,805	1,339	(634)	11,017	(73,907)	(37,380)	(6,221)	(43,601)
Transfer pursuant to Section 618 of Companies Act 2016	179,480	(179,480)	-	-	-	-	-	-
At 31 December 2017	736,069	-	(55,411)	182,389	863,748	1,726,795	88,416	1,815,211

COMPANY STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Ordinary share capital (Note 35) RM'000	Treasury shares RM'000	Warrant reserves RM'000	Share option reserves RM'000	Retained earnings RM'000	Total equity RM'000
<u>Company</u>						
At 1 January 2018	736,069	(55,411)	31,631	61,189	120,153	893,631
Net profit for the financial year	-	-	-	-	94,603	94,603
Transactions with Owners:						
Issue of share capital:						
- Warrants	86,659	-	(7,270)	-	-	79,389
- ESOS	37,567	-	-	(1,957)	-	35,610
- Share buy-back	-	(55,908)	-	-	-	(55,908)
	124,226	(55,908)	(7,270)	(1,957)	-	59,091
Dividends on ordinary shares (Note 15)	-	-	-	-	(84,681)	(84,681)
ESOS - expense during the financial year	-	-	-	12,854	-	12,854
Lapsed ESOS	-	-	-	(526)	526	-
Total transactions with Owners	124,226	(55,908)	(7,270)	10,371	(84,155)	(12,736)
At 31 December 2018	860,295	(111,319)	24,361	71,560	130,601	975,498

COMPANY STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

	Ordinary share capital (Note 35) RM'000	Share premium RM'000	Treasury shares RM'000	Warrant reserves RM'000	Share option reserves RM'000	Retained earnings RM'000	Total equity RM'000
<u>Company</u>							
At 1 January 2017	531,784	178,141	(54,777)	31,692	50,111	111,187	848,138
Net profit for the financial year	-	-	-	-	-	82,873	82,873
Transactions with Owners:							
Issue of share capital:							
- Warrants	730	1	-	(61)	-	-	670
- ESOS	24,075	1,338	-	-	(1,324)	-	24,089
- Share buy-back	-	-	(634)	-	-	-	(634)
	24,805	1,339	(634)	(61)	(1,324)	-	24,125
Dividends on ordinary shares (Note 15)	-	-	-	-	-	(74,676)	(74,676)
ESOS - expense during the financial year	-	-	-	-	13,171	-	13,171
Lapsed ESOS	-	-	-	-	(769)	769	-
Total transactions with Owners	24,805	1,339	(634)	(61)	11,078	(73,907)	(37,380)
Transfer pursuant to Section 618 of Companies Act 2016	179,480	(179,480)	-	-	-	-	-
At 31 December 2017	736,069	-	(55,411)	31,631	61,189	120,153	893,631

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Operating activities					
Profit/(loss) before zakat and tax					
- continuing operations		266,511	233,326	94,923	84,328
- discontinued operation	14	(4,524)	(8,050)	-	-
		261,987	225,276	94,923	84,328
Adjustments for:					
Share of results of associates		(41,670)	(39,540)	-	-
Finance income	8	(10,066)	(13,948)	-	-
Finance costs	8	91,148	82,260	21,795	18,477
Dividend income from subsidiaries		-	-	(121,598)	(108,388)
Dividend income from Al-Salam REIT		-	-	(103)	-
Trade receivables:					
- Impairment	27	10,076	15,484	-	-
- Reversal of impairment loss	27	(8,773)	(1,682)	-	-
Share based payments		12,854	13,171	1,393	1,785
Gain on fair value on investment properties	18	(10,931)	(2,313)	-	-
Gain on disposal of shares in associates (net)		-	(1,524)	-	-
Loss on disposal of shares in subsidiaries		369	-	-	-
Property, plant and equipment:					
- Depreciation	17	151,689	127,875	17	-
- Written-off		902	12	-	-
- (Gain)/loss on disposal		(127)	614	-	-
Inventories written-off		396	213	-	-
Amortisation of software development expenditure	19	3,798	3,090	-	-
Intangible assets written-off	19	750	-	-	-
Provision for retirement benefits	33	310	270	-	-
Operating profit/(loss) before working capital changes		462,712	409,258	(3,573)	(3,798)
Changes in working capital:					
Inventories		518	(4,178)	-	-
Receivables		89,701	(61,017)	9,993	24,729
Payables		5,923	96,992	14,976	(2,176)
Contract liabilities		70,274	-	-	-
Deferred revenue		-	(8,340)	-	-
Related companies		-	-	74,842	(136,546)
Cash flows generated from/(used in) operations		629,128	432,715	96,238	(117,791)

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2018 (Continued)

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Operating activities (continued)</u>					
Zakat paid		(3,930)	(3,910)	(300)	(300)
Income tax refund		2,555	2,187	-	-
Income tax paid		(109,278)	(68,477)	(96)	(226)
Retirement benefits paid	33	(248)	(202)	-	-
Net cash generated from/(used in) operating activities		518,227	362,313	95,842	(118,317)
<u>Investing activities</u>					
Additions to property, plant and equipment		(380,307)	(450,796)	(258)	-
Additions to intangible assets	19	(7,322)	(9,288)	-	-
Additional investments in associates	22	(9,000)	-	-	-
Purchase of available-for-sale financial assets	23	-	(2,532)	-	(2,532)
Proceeds from disposal of property, plant and equipment		287	2,061	-	-
Proceeds from disposal of carparks to an associate		13,000	-	-	-
Proceeds from disposal of interest in subsidiary	21	10	-	-	-
Proceeds from disposal of shares in associates		-	8,739	-	-
Interest received		10,066	13,948	-	-
Increase in deposits with licensed banks with maturity of more than 3 months	28	(109,956)	(4,941)	-	-
Dividends received from associates/subsidiaries		29,295	23,390	76,598	108,388
Net cash (used in)/generated from investing activities		(453,927)	(419,419)	76,340	105,856
<u>Financing activities</u>					
Additional investments in subsidiaries		(610)	-	-	-
Proceeds from dilution of interest in subsidiary	21	119,920	-	-	-
Grant income received	17	-	2,731	-	-
Dividends paid to non-controlling interests		(8,474)	(6,221)	-	-
Issue of shares:					
- Warrants		79,389	670	79,389	670
- ESOS		35,610	24,089	35,610	24,089
- Share buy-back		(55,908)	(634)	(55,908)	(634)
Borrowings:					
- Drawdown		347,576	118,837	-	97,000
- Repayments		(219,229)	(68,462)	(70,000)	-
Interest paid		(91,148)	(82,260)	(21,795)	(18,477)
Dividends paid to shareholders		(63,144)	(90,396)	(63,144)	(90,396)
Designated account	28	(3,182)	3,001	-	-
Net cash generated/(used in) from financing activities		140,800	(98,645)	(95,848)	12,252

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2018 (Continued)

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
NET CHANGE IN CASH AND CASH EQUIVALENTS		205,100	(155,751)	76,334	(209)
CURRENCY TRANSLATION DIFFERENCES		14,267	5,473	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		184,847	335,125	3,903	4,112
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	28	404,214	184,847	80,237	3,903

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	At 1.1.2018 RM'000	Cash flows RM'000	Non-cash movement			At 31.12.2018 RM'000
			Interest expenses RM'000	Foreign exchange movement RM'000	New leases RM'000	
2018						
Borrowings						
- Current	382,479	(137,539)	30,974	(458)	2,588	278,044
- Non-current	1,242,340	174,738	60,174	(1,142)	5,580	1,481,690
	1,624,819	37,199	91,148	(1,600)	8,168	1,759,734
Cash and cash equivalents (other than bank overdrafts)	(186,941)	(226,331)	-	(193)	-	(413,465)
Bank overdrafts	2,094	7,157	-	-	-	9,251
Cash and cash equivalents	(184,847)	(219,174)	-	(193)	-	(404,214)
	1,439,972	(181,975)	91,148	(1,793)	8,168	1,355,520

Company	At 1.1.2018 RM'000	Cash flows RM'000	Non-cash movement		At 31.12.2018 RM'000
			Interest expenses RM'000		
2018					
Borrowings					
- Current	257,000	(79,244)	9,244		187,000

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2018 (Continued)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

Group	At 1.1.2017 RM'000	Cash flows RM'000	Non-cash movement			At 31.12.2017 RM'000
			Interest expenses RM'000	Foreign exchange movement RM'000	New leases RM'000	
<u>2017</u>						
Borrowings						
- Current	320,832	33,412	29,612	(4,546)	3,169	382,479
- Non-current	1,242,313	(65,297)	52,648	-	12,676	1,242,340
	1,563,145	(31,885)	82,260	(4,546)	15,845	1,624,819
Cash and cash equivalents (other than bank overdrafts)	(347,738)	170,838	-	(10,041)	-	(186,941)
Bank overdrafts	12,613	(10,519)	-	-	-	2,094
Cash and cash equivalents	(335,125)	160,319	-	(10,041)	-	(184,847)
	1,228,020	128,434	82,260	(14,587)	15,845	1,439,972

Company	At 1.1.2017 RM'000	Cash flows RM'000	Non-cash movement		At 31.12.2017 RM'000
			Interest expenses RM'000		
<u>2017</u>					
Borrowings					
- Current	160,000	88,942	8,058		257,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

1 GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The address of registered office of the Company is Level 16, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor.

The address of principal place of business of the Company is Level 12, Menara KPJ, 238 Jalan Tun Razak, 50400 Kuala Lumpur.

The Directors regard Johor Corporation, a body corporate established under the Johor Corporation Enactment No. 4, 1968 (as amended by the Enactment No. 5, 1995), as the ultimate holding corporation.

The principal activities of the Company are investment holding and provision of management services to subsidiaries. The principal activities of the subsidiaries are mainly the operation of specialist hospitals. The details of the principal activities of the subsidiaries are disclosed in Note 21 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution on 15 February 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements have been prepared under the historical cost convention except as disclosed in the summary of accounting policies below.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.2 Standards, amendments to published standards and interpretations that are effective**

The Group has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2018:

- MFRS 9 'Financial Instruments'
- MFRS 15 'Revenue from Contracts with Customers'
- Amendments to MFRS 2 'Share-based Payment - Classification and Measurement of Share-based Payment Transactions'
- Amendments to MFRS 140 'Investment Property - Transfers of Investment Property'
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'
- Annual Improvements to MFRSs 2014 - 2016 Cycle: MFRS 128 'Investments in Associates and Joint Ventures'

The Group has adopted MFRS 9 and MFRS 15 for the first time in the 2018 financial statements, which resulted in the changes in accounting policies as follows:

i. MFRS 15 'Revenue from Contracts with Customers'

The Group and the Company applied MFRS 15 for the first time in the 2018 financial statements with the date of initial application of 1 January 2018 by using the modified retrospective transition method.

Under the modified retrospective transition method, the Group and the Company apply the new policy retrospectively only to contracts that are not completed at the date of initial application. Accordingly, the 2017 comparative information was not restated. The cumulative effects of initially applying MFRS 15 does not have a significant effect to the opening balance of retained earnings as at 1 January 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118.

Had the Group continue to apply the previous accounting policies in accordance with MFRS 118, contract liabilities would be classified as deferred revenue.

ii. MFRS 9 'Financial Instruments'

The Group has applied MFRS 9 retrospectively with the date of initial application of 1 January 2018. In accordance with the transitional provisions provided in MFRS 9, comparative information for 2017 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139. The cumulative effects of initially applying MFRS 9 does not have a significant effect to the opening balance of retained earnings as at 1 January 2018.

The detailed impact of change in accounting policies are set out in Note 2.12. Other than that, the adoption of other amendments listed above did not have any material impact on the current period or any prior period and is not likely to have a material effect for future periods.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards and amendments that have been issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2018. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for the following:

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the full retrospective application approach and will restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RM2,927,692,000 (see Note 39), which are mainly in respect of the Group's leases of hospital lands and buildings from Al-Aqar Healthcare REIT.

The application of MFRS 16 is expected to have the following effects:

- The Group expects a significant increase in total assets and total liabilities due to the recognition of right-of-use assets and lease liabilities
- Due to the straight line method of depreciating right-of-use assets, the capitalised right-of-use assets will be lower than the lease liabilities resulting in a lower net assets at the date of initial application
- Going forward, depreciation charges and interest expense will be reported in the profit or loss instead of rental expense of land and building. This will give rise to a significant improvement of Group's EBITDA.

The overall effects of MFRS 16 is currently being assessed as part of a Group-wide project for implementing MFRS 16 and a reliable estimate of the quantitative effects is not yet available.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.3 Standards and amendments that have been issued but not yet effective (continued)**

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

IC Interpretation 23 will be applied retrospectively.

- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures' (effective from 1 January 2019) clarify that an entity should apply MFRS 9 'Financial Instruments' (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

In addition, such long-term interest are subject to loss allocation and impairment requirements in MFRS 128.

The amendments shall be applied retrospectively.

- Amendments to MFRS 9 'Prepayment features with negative compensation' (effective 1 January 2019) allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model.

The amendments will be applied retrospectively.

- Annual Improvements to MFRSs 2015 - 2017 Cycle:
 - Amendments to MFRS 3 'Business Combinations' (effective from 1 January 2019) clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly, it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.
 - Amendments to MFRS 11 'Joint Arrangements' (effective from 1 January 2019) clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.
 - Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.
 - Amendments to MFRS 123 'Borrowing Costs' (effective from 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards and amendments that have been issued but not yet effective (continued)

- Amendments to MFRS 119 'Plan amendment, curtailment or settlement' (effective 1 January 2019) requires an entity to use the updated actuarial assumptions from remeasurement of its net defined benefit liability or asset arising from plan amendment, curtailment or settlement, to determine current service cost and net interest for the remaining period after the change to the plan.

The amendments will be applied prospectively.

- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

In addition, the revised definition of the term 'outputs' is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

The amendments shall be applied prospectively.

2.4 Basis of consolidation

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

The Company controls an investee if and only if the Company has all the following:

- (i) Power over the investee (such as existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- (i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Company, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.4 Basis of consolidation (continued)**

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in retained earnings and attributed to Owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in the profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to the profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

2.5 Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 9 either in the profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the profit or loss.

Business combinations involving entities under common control are accounted for by applying the merger method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the 'acquired' entity is reflected within equity as merger reserve/deficit. The profit or loss reflects the results of the combining entities for the full financial year, irrespective of when the combination takes place. Comparatives are presented if the entities had always been combined since the date the entities had come under common control.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in the profit or loss. The accounting policy for goodwill is disclosed in Note 2.10.

Gains or losses on disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Subsidiaries

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are included in the profit or loss.

Subsidiaries are consolidated using the acquisition method of accounting except for Johor Specialist Hospital Sdn Bhd and Ipoh Specialist Hospital Sdn Bhd which were consolidated using the merger method of accounting as disclosed in Note 2.5.

2.7 Investments in associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

On acquisition of an investment in an associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

An associate is equity accounted for from the date on which the investee becomes an associate.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The profit or loss reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income ('OCI') of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

Dividends received or receivable from an associate is recognised as a reduction in the carrying amount of the investment.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the profit or loss outside operating profit and represents the profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of profit of an associate' in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.8 Property, plant and equipment**

Property, plant and equipment are initially stated at cost. Land and buildings are subsequently shown at fair value, less subsequent depreciation and impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price, import duties, non-refundable purchase taxes and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to Note 2.21 on borrowing costs).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in other income/loss in profit or loss.

When revalued assets are sold, the revaluation surplus included in equity is transferred directly to retained earnings when the asset is retired or disposed of.

Freehold land is not depreciated as it has an infinite life. Leasehold land classified as finance lease (refer to Note 2.15) is amortised in equal instalments over the period of the respective leases that range from 50 to 100 years. Other property, plant and equipment are depreciated on the straight-line method to allocate the cost or the revalued amounts, to their residual values over their estimated useful lives, summarised as follows:

Buildings	2%
Renovation	8% - 20%
Medical and other equipment	7.5% - 33.33%
Furniture and fittings	10% - 20%
Vehicles	10% - 20%
Computers	10% - 20%

Depreciation on assets under construction commences when the assets are ready for their intended use.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property, plant and equipment (continued)

Parts of some items of property, plant and equipment may require replacement or major overhauls at regular intervals. An entity allocates the amount initially recognised in respect of an item of property, plant and equipment to its significant parts and depreciates separately each significant part if those parts have different useful lives. The entity capitalises the cost of the replacements when (i) it is probable that future economic benefits associated with the item will flow to the entity; and (ii) the cost of the item can be reliably measured. The carrying amount of the replaced parts is derecognised.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.11 on impairment of non-financial assets.

2.9 Investment properties

Investment properties are initially measured at cost, including professional fees for legal services, property transfer taxes, other transaction costs and borrowing costs if the investment property meets the definition of a qualifying asset. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise.

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions that market participants would make when pricing the property under current market conditions.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the profit or loss in the period of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.8 up to the date of change in use.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.10 Intangible assets****(a) Goodwill**

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually according to the basis set out in Note 2.11 and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.31.

(b) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on the straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date.

Software development expenditure

Software development is stated at cost less accumulated amortisation and impairment losses. The expenditure represents development work carried out in developing specialised software packages for use in the Group's business and is capitalised if the product is technically feasible and the Group has sufficient resources to complete the development. It is amortised over the straight-line basis over a period of 5 to 10 years. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.11. The expenditure capitalised includes cost to purchase the software and direct cost such as salaries and hardware usage costs specifically attributable to each project. Cost incurred in software development which have ceased to be technically viable, are written off.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill of intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment.

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

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units, 'CGU').

In assessing value-in-use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously.

Impairment losses are recognised in the profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

2.12 Financial assets

Accounting policies applied from 1 January 2018

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

Reclassification of investment in non-trading equity securities from available-for-sale financial assets ('AFS') to fair value through other comprehensive income ('FVOCI').

The Group and the Company elected to present in OCI changes in the fair value of all its investments in equity securities previously classified as AFS, because these investments are not held for trading or arise from contingent consideration recognised by acquirer in business combination. As a result, investments in these equity securities were reclassified from AFS financial assets to financial assets at FVOCI. Related AFS reserves were reclassified to FVOCI reserve on 1 January 2018.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.12 Financial assets (continued)****Accounting policies applied from 1 January 2018 (continued)****(c) Measurement**

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ('SPPI').

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

There are three measurement categories into which the Group classifies its debt instruments:

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and recognised in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income as applicable.

(ii) Fair value through other comprehensive income ('FVOCI')

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of comprehensive income as applicable.

(iii) Fair value through profit or loss ('FVTPL')

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within other gains/(losses) in the period which it arises.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

(c) Measurement (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of comprehensive income as applicable.

(d) Subsequent measurement - Impairment

Impairment for debt instruments and financial guarantee contracts

The Group assesses on a forward looking basis the expected credit loss ('ECL') associated with its debt instruments carried at amortised cost and at FVOCI and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and the Company has the followings financial instruments that are subject to the ECL model:

- Trade receivables and other receivables and intercompany receivables
- Financial guarantee contracts

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group expects to receive, over the remaining life of the financial instrument. For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.12 Financial assets (continued)****Accounting policies applied from 1 January 2018 (continued)****(d) Subsequent measurement - Impairment (continued)****Impairment for debt instruments and financial guarantee contracts (continued)**

The ECL approach can be classified into the categories below:

- (i) General 3-stage approach for other receivables, intercompany receivables (non-trade) and financial guarantee contracts issued.

At each reporting date, the Group and the Company measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. Note 3(a)(ii) sets out the measurement details of ECL.

- (ii) Simplified approach for trade receivables

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Note 3(a)(i) sets out the measurement details of ECL.

Significant increase in credit risk

The Group and the Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

(d) Subsequent measurement - Impairment (continued)

Definition of default and credit-impaired financial assets

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

The Group defines a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

Groupings of instruments for ECL measured on collective basis

(i) Collective assessment

To measure ECL, trade receivables arising from hospital operations have been grouped based on shared credit risk characteristics such as type of receivables and the days past due.

(ii) Individual assessment

Trade receivables which are in default or credit-impaired are assessed individually.

Write-off

(i) Trade receivables

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period after schedule payment was made.

Impairment losses on trade receivables are presented as impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(ii) Other receivables

The Group and the Company assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Company may write-off financial assets that are still subject to enforcement activity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

As disclosed above, the adoption of MFRS 9 in 2018 resulted in reclassification and change in measurement of certain financial assets and financial liabilities.

The measurement category and the carrying amount of financial assets and financial liabilities in accordance with MFRS 139 and MFRS 9 at 1 January 2018 are compared as follows:

	Measurement category		Carrying amount		
	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139) (RM'000)	Reclassifications (RM'000)	New (MFRS 9) (RM'000)
Group					
Non-current financial assets					
Investment in equity securities	AFS	-	4,678	(4,678)	-
Investment in equity securities	-	FVOCI	-	4,678	4,678
Current financial assets					
Trade and other receivables	Amortised cost	Amortised cost	604,920	-	604,920
Deposits, bank and cash balances	Amortised cost	Amortised cost	200,542	-	200,542
Current financial liabilities					
Trade and other payables	Amortised cost	Amortised cost	452,847	-	452,847
Borrowings	Amortised cost	Amortised cost	350,369	-	350,369
Non-current financial liabilities					
Trade and other payables	Amortised cost	Amortised cost	30,299	-	30,299
Borrowings	Amortised cost	Amortised cost	1,242,340	-	1,242,340

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

The measurement category and the carrying amount of financial assets and financial liabilities in accordance with MFRS 139 and MFRS 9 at 1 January 2018 are compared as follows: (continued)

	Measurement category		Carrying amount		
	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139) (RM'000)	Reclassifications (RM'000)	New (MFRS 9) (RM'000)
<i>Company</i>					
Non-current financial assets					
Investment in equity securities	AFS	-	4,396	(4,396)	-
Investment in equity securities	-	FVOCI	-	4,396	4,396
Current financial assets					
Trade and other receivables	Amortised cost	Amortised cost	741	-	741
Amount due from subsidiaries	Amortised cost	Amortised cost	474,817	-	474,817
Deposits, bank and cash balances	Amortised cost	Amortised cost	3,903	-	3,903
Current financial liabilities					
Trade and other payables	Amortised cost	Amortised cost	18,354	-	18,354
Amount due to subsidiaries	Amortised cost	Amortised cost	157,136	-	157,136
Borrowings	Amortised cost	Amortised cost	257,000	-	257,000
Non-current financial liabilities					
Trade and other payables	Amortised cost	Amortised cost	200,359	-	200,359

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.12 Financial assets (continued)****Accounting policies applied until 31 December 2017****(a) Classification**

Financial assets are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired.

(i) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in the profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in the profit or loss. Dividends on an available-for-sale equity instrument are recognised in the profit or loss when the Group's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

(a) Classification (continued)

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

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date that is, the date that the Group and the Company commit to purchase or sell the asset.

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit or loss.

(c) Subsequent measurement - gains and losses

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in the profit or loss in the period in which the changes arise.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Note 2.11) and foreign exchange gains and losses on monetary assets (Note 2.31).

Interest and dividend income on available-for-sale financial assets are recognised separately in the profit or loss. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in the profit or loss. Dividends income on available-for-sale equity instruments are recognised in the profit or loss when the Group's right to receive payments is established.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.12 Financial assets (continued)****Accounting policies applied until 31 December 2017 (continued)****(d) Subsequent measurement - Impairment**Assets carried at amortised cost

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If 'loans and receivables' or a 'held-to-maturity investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

When an asset is uncollectible, it is written-off against the related allowance account. Such assets are written-off after all the necessary procedures have been completed and the amount of the loss has been determined.

Assets classified as available-for-sale

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group uses criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through profit or loss.

In the case of equity securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the profit or loss. The amount of cumulative loss reclassified to the profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss. Impairment losses recognised in the profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss in subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

(e) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to the profit or loss.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

2.14 Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Accounting policies applied from 1 January 2018

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 'Financial instruments' and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 'Revenue from Contracts with Customers', where appropriate.

Accounting policies applied until 31 December 2017

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with MFRS 137 'Provisions, contingent liabilities and contingent assets' and the amount initially recognised less cumulative amortisation, where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.15 Leases****(a) As lessee**

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit or loss.

Leased assets are depreciated over the estimated useful lives of the assets. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in the profit or loss on the straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on the straight-line basis. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

2.16 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised initially at fair value plus transaction costs. Transaction costs include transfer taxes and duties.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less loss allowance. See accounting policy Note 2.12 on impairment of financial assets.

2.17 Non-current assets (or disposal groups) classified as assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Non-current assets (or disposal groups) classified as assets held for sale (continued)

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of comprehensive income.

2.18 Inventories

Inventories are stated at the lower of cost (determined on the weighted average basis) and net realisable value.

Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and the estimated costs necessary to make the sale.

2.19 Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

In the statement of financial position, banks overdrafts are shown within borrowings in current liabilities.

2.20 Trade payables

Trade payables represent liabilities for goods or services provided to the Group prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities unless payment is not due within 12 months after the reporting period. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value net of transaction costs incurred, which include transfer taxes and duties.

Trade payables are subsequently measured at amortised cost using the effective interest method.

2.21 Borrowings and borrowing costs

(a) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.21 Borrowings and borrowing costs (continued)****(a) Borrowings (continued)**

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised as finance cost in profit or loss.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been 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.

Where the terms of a financial liability are renegotiated and the Company issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Accounting policies applied from 1 January 2018

When borrowings measured at amortised cost is modified without this resulting in derecognition, any gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, shall be recognised immediately in profit or loss.

Accounting policies applied until 31 December 2017

Until 31 December 2017, the Group had accounted for modification of borrowings measured at amortised cost without resulting in extinguishment of the original borrowings and amortised the difference arising from the modification over the remaining life of the modified borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(b) Borrowing costs

General and specific 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 added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Current and deferred income taxes

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

(b) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets including tax benefit from reinvestment allowance are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the parent and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the investor is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the investor the ability to control the reversal of the temporary difference, a deferred tax liability is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same tax authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.22 Current and deferred income taxes (continued)****(b) Deferred tax (continued)**

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

2.23 Employee benefits**(a) Short term benefits**

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as accruals in the statement of financial position.

(b) Defined contribution plans

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

(c) Defined benefit plans

The liability or asset recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan reflects the increase in the defined benefit obligation resulting from employee service in the current year. It is recognised in profit or loss in employee benefit expense, except where included in the cost of an asset.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income in the period in which they arise.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Share-based payments - Employee options

The Group operates an equity-settled, share-based compensation plan under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the options granted in exchange for the services of the employees are recognised as employee benefit expense with a corresponding increase to share option reserve within equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding of shares for a specific period of time).

Non-market vesting conditions and service conditions are included in assumptions about the number of options that are expected to vest.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to share option reserve in equity.

In circumstances where employees provide services in advance of the grant date, the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. When options are not exercised and lapse, the share option reserve is transferred to retained earnings.

In its separate financial statements of the Company, the grant by the Company of options over its equity instruments to the employees of subsidiary in the Group is treated as a capital contribution to the subsidiary. The fair value of options granted to employees of the subsidiary in exchange for the services of the employees to the subsidiary are recognised as investment in subsidiary, with a corresponding credit to equity of the Company.

The Company recharges the subsidiaries the difference between the market price at the date of exercise and the exercise price. When the Company recharges its subsidiaries, it is treated as a return of the capital contribution by the subsidiaries, with a corresponding credit to profit or loss.

2.25 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Group expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.25 Provisions (continued)**Onerous contracts

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

The present value of future payments for surplus leased properties under non-cancellable operating leases, net of estimated sub-leasing revenue, is recognised as a liability (or, if lower, the costs of exiting from the contract) for the leased property that is no longer part of a cash generating unit.

2.26 Contingent liabilities

The Group does not recognise contingent liabilities but discloses their existence in the notes to the financial statements. A contingent liability is a possible obligation that arises from past events whose crystallisation will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstances where there is a liability that is not recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

2.27 Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- (i) expected to be realised or intended to be sold or consumed in normal operating cycle;
- (ii) held primarily for the purpose of trading;
- (iii) expected to be realised within twelve months after the reporting period; or
- (iv) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- (i) it is expected to be settled in normal operating cycle;
- (ii) it is held primarily for the purpose of trading;
- (iii) it is due to be settled within twelve months after the reporting period; or
- (iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.28 Share capital and share issuance expenses**(a) Classification**

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the substance of the contractual arrangement of the particular instrument. See accounting policy Note 2.21 on borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Share capital and share issuance expenses (continued)

(b) Share issue costs

Incremental costs directly attributable to the issue of new shares or options are deducted against equity.

(c) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument is recognised directly in equity.

(d) Purchase of own shares

Where any company within the Group purchases the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of tax, is deducted from equity attributable to the Owners of the Company as treasury shares until the shares are cancelled, reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the Owners of the Company.

2.29 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in the profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2.30 Revenue recognition

Accounting policies applied from 1 January 2018

Revenue from contracts with customers

(a) Revenue from hospital and healthcare charges

Revenue from hospital and healthcare charges comprises inpatient and outpatient hospital charges, consultation fees, and sales of pharmaceutical products, medical supplies and surgical products. These revenue are recognised as follows:

i. Revenue from inpatient and outpatient hospital charges

Inpatient revenue are recognised on a daily basis, as services are provided or goods delivered to patients. These services are typically provided over a short time frame, including consultancy and other services that the hospital provides such as the use of medical equipment, drugs, nursing procedures, room charges and others.

Outpatient cases generally do not involve surgical procedures and revenue is recognised on an individual component basis when performance obligations are satisfied. The outpatient revenue charges including consultants' charges are identified as separate performance obligations as the services are separately identifiable.

Revenue is recognised at a point in time as services are rendered or goods delivered. Revenue will only be recognised to the extent that it is highly probable that a significant reversal will not occur, net of discounts. A receivable is recognised upon billing net of deposits received.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.30 Revenue recognition (continued)****Accounting policies applied from 1 January 2018 (continued)**

Revenue from contracts with customers (continued)

(a) Revenue from hospital and healthcare charges (continued)

ii. Wellness packages

Revenue from wellness packages are recognised as and when the performance obligations are satisfied. Each services offered in a wellness package has been identified as a separate performance obligation.

Advance payment received are recognised as contract liabilities.

(b) Tuition fees

Revenue from tuition fees will be recognised within the semester of each courses offered to the students. Each number of semesters are identified as a performance obligations and the transaction price is allocated according to each semesters based on cost plus margin. The revenue will then be recognised over time throughout the semester. Advance payment received at the commencement of the semester will be recognised as contract liabilities. Non-refundable registration fees and enrolment fees are recognised at point in time.

(c) Management fees

Management fees are recognised in the accounting period in which the services are rendered to the subsidiaries and the Group has a present right to payment for the services.

Revenue from other sources

(a) Dividend income

Dividend income is recognised when the Group's right to receive payment is established. Dividends that clearly represents a recovery of part of the cost of an investment is recognised in OCI if it relates to an investment in equity instruments measured at FVOCI.

(b) Interest income

Interest income is recognised on the accrual basis using the effective interest method.

(c) Rental income

Rental income receivable under operating lease is recognised on the 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Revenue recognition (continued)

Accounting policies applied until 31 December 2017

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods and rendering of services

Revenue from hospital operations comprises inpatient and outpatient hospital charges, consultation fees, and sales of pharmaceutical products, medical supplies and surgical products. These are recognised when services are rendered and goods are delivered, net of discounts, rebates and returns.

(b) Wellness subscription fees

Wellness subscription fees are recognised in the period the services are provided.

(c) Tuition fees

Revenue from tuition fees are recognised over the period of instruction whereas non-refundable registration and enrolment fees are recognised on a receipt basis.

(d) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(e) Management fees

Management fees represent fees charged to subsidiaries for assisting in the management of the subsidiaries and these are recognised upon performance of services.

(f) Interest income

Interest income is recognised on the accrual basis using the effective interest method.

(g) Rental income

Rental income receivable under operating lease is recognised on the 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.

2.31 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.31 Foreign currencies (continued)****(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flow or net investment hedges or are attributable to items that form part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within finance income or expenses. All other foreign exchange gains and losses are presented in profit or loss on a net basis within finance income or expenses.

Changes in the fair value of monetary securities denominated in foreign currency classified as debt instruments classified as at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as at fair value through other comprehensive income, are included in other comprehensive income.

(c) Group companies

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income or statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

Goodwill and fair value adjustments arising on the acquisitions of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.32 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The Board of Directors has appointed an Executive Committee which assesses the financial performance and position of the Group, and makes strategic decisions. The Executive Committee, which has been identified as being the chief operating decision maker, consists of the Key Management Personnel of the Company.

2.33 Fair value measurement

Fair value is 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (i) In the principal market for the asset or liability, or
- (ii) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participant act in their economic best interest.

A fair value measurement of a non-financial asset 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.

The Group uses valuation techniques that appropriate in circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- (i) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- (ii) Level 2 - Valuation techniques for the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- (iii) Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purposes of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liabilities and the level of the fair value hierarchy as explained above.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.34 Government grants**

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to costs are recognised in the profit or loss over the periods to match the related costs for which the grants are intended to compensate.

Government grants relating to the purchase of assets are presented as a reduction of the carrying amount of the related assets. The government grant is recognised in the profit or loss over the life of the related property, plant and equipment as a reduced depreciation expense.

2.35 Earnings per share**(i) Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to Owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.36 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency exchange risk.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises mainly from trade and other receivables, cash and cash equivalents, and deposits with financial institutions. Risk arising from these are minimised through effective monitoring of receivable accounts that exceeded the stipulated credit terms. Credit limits are set and credit history is reviewed to minimise potential losses. The Group has no significant concentration of credit risk with any single customer.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

The Group seeks to invest cash assets safely and profitability and buys insurance to protect itself against insurable risk in this regard, counterparties are assessed for credit limits that are set to minimise any potential losses. The Group's cash and cash equivalents and short term deposits are placed with creditworthy financial institutions and the risks arising there from are minimised in view of the financial strength of these financial institutions.

The Company provides unsecured financial guarantee to banks in respect of banking facilities granted to a subsidiary. The Company monitors on an ongoing basis the results of the subsidiary and the repayment made by the subsidiary. As at the reporting date, there is no indication that the subsidiary would default on repayment. The financial guarantees have not been recognised since the fair value on initial recognition is not material.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position. In addition, the Company is exposed to credit risk arising from the financial guarantee contracts as disclosed in Note 3 (a) (iii).

Group Impairment Policy

(i) Trade Receivables using simplified approach

The historical loss rates are calculated based on the percentage of revenue that will turn into bad debts at the end of the period. The expected loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group have identified the gross domestic product ('GDP') and credit rating of each category of customers to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. No significant changes to estimation techniques or assumptions were made during the reporting period.

(ii) Other Receivables using general 3-stage approach

The Group and the Company use three categories for other receivables which reflect their credit risk and how the loss allowance is determined for each of those categories. A summary of the assumptions underpinning the Group's and the Company's ECL model is as follows:

Category	Group's and Company's definition of category	Basis for recognising ECL
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows	12 month ECL
Underperforming	Debtors for which there is a significant increase in credit risk or significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see Note 2.12(d) above)	Lifetime ECL
Non-performing	Interest and/or principal repayments are 90 days past due or there is evidence indicating the asset is credit-impaired (see Note 2.12(d) above)	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount (see Note 2.12(d) above)	Asset is written off

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(a) Credit risk (continued)****Group Impairment Policy (continued)**

Based on the above, loss allowance is measured on either 12 month ECL or lifetime ECL using a PD x LGD x EAD methodology as follows:

- PD ('probability of default') - the likelihood that the debtor would not be able to repay during the contractual period;
- LGD ('loss given default') - the percentage of contractual cash flows that will not be collected if default happens; and
- EAD ('exposure at default') - the outstanding amount that is exposed to default risk.

In deriving the PD and LGD, the Group and the Company consider historical data by each debtor by category and adjusts for forward-looking macroeconomic data. Loss allowance is measured at a probability-weighted amount that reflects the possibility that a credit loss occurs and the possibility that no credit loss occurs. No significant changes to estimation techniques or assumptions were made during the reporting period.

Reconciliation of loss allowance**(i) Trade receivables using simplified approach**

The loss allowance for trade receivables as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

Trade receivables

	Group	
	2018 RM'000	2017* RM'000
31 December - calculated under MFRS 139/Opening loss allowance as at 1 January 2018 - calculated under MFRS 9	44,873	34,621
Increase in loss allowance recognised in profit or loss during the year	10,076	15,484
Written-off	(5,317)	(3,550)
Reversal of impairment loss	(8,773)	(1,682)
At 31 December	40,859	44,873

* Loss allowance disclosed in comparative period is based on MFRS 139's incurred loss model.

No significant changes in the gross carrying amount of financial assets that resulted from the implementation of MFRS 9 to Group and Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

Reconciliation of loss allowance (continued)

(ii) Other receivables using general 3-stage approach

Other receivables are assessed using general 3-stage approach. The balances are deemed recoverable and performing, as there is no indication of increase in credit risk of these balances.

Maximum exposure to credit risk

(i) Trade receivables using simplified approach

The Group recognises the ECL allowance when the amount due exceed 90 days and 365 days for individual and corporate customers respectively. The loss allowance recognised as at 31 December 2018 for individual and corporate customer is RM15,647,000 and RM25,212,000 respectively.

The remaining amount not provided are deemed recoverable, will low probability of default. This is supported after considering the historical data by each debtor category and the possibility of no credit loss may occur.

(ii) Other receivables using general 3-stage approach

The maximum exposure to credit risk for other receivable balances is represented by the carrying amount recognised in the statement of financial position due to the balances are considered to be performing, have low risk of default and strong capacity to meet contractual cash flow.

(iii) Financial guarantee contracts using general 3-stage approach

The following table contains an analysis of the credit risk exposure of financial guarantee contracts for which an ECL allowance is recognised. The total amount guaranteed below also represents the maximum amount that the Company have to pay if the guarantee is called on:

	Stage 1 12 month ECL RM'000	Stage 2 Lifetime ECL RM'000	Stage 3 Lifetime ECL RM'000	Total RM'000
Company's internal credit rating				
Performing	1,188,092	-	-	1,188,092
Underperforming	-	-	-	-
Non-performing	-	-	-	-
Total amount guaranteed	1,188,092	-	-	1,188,092
Loss allowance	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(b) Liquidity risk**

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

Cash flow forecasting is performed by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal statements of financial position ratio targets.

Surplus cash held by the subsidiaries over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in financial instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
2018				
<u>Group</u>				
Trade and other payables	517,077	21,436	-	538,513
Borrowings*	275,992	1,106,205	484,513	1,866,710
Provision for retirement benefits	-	-	2,678	2,678
Dividend payable	21,537	-	-	21,537
Deposits	-	-	14,325	14,325
Total undiscounted financial liabilities	814,606	1,127,641	501,516	2,443,763
<u>Company</u>				
Trade and other payables	20,496	-	-	20,496
Amounts due to subsidiaries	48,031	313,816	3,532	365,379
Borrowings	194,542	-	-	194,542
Dividend payable	21,537	-	-	21,537
Financial guarantee contracts**	1,188,092	-	-	1,188,092
Total undiscounted financial liabilities	1,472,698	313,816	3,532	1,790,046

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

	On demand or within 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
<u>2017</u>				
<u>Group</u>				
Trade and other payables	452,847	30,299	-	483,146
Borrowings*	364,465	1,046,750	280,312	1,691,527
Deposits	-	-	14,096	14,096
Provision for retirement benefits	-	-	2,616	2,616
Total undiscounted financial liabilities	817,312	1,077,049	297,024	2,191,385
<u>Company</u>				
Trade and other payables	18,354	-	-	18,354
Amounts due to subsidiaries	157,136	213,553	3,498	374,187
Borrowings	269,182	-	-	269,182
Financial guarantee contracts**	966,815	-	-	966,815
Total undiscounted financial liabilities	1,411,487	213,553	3,498	1,628,538

* Excludes borrowings presented in liabilities associated with assets held for sale

** Related to Islamic Medium Term Notes (Note 32)

The Group has total undrawn borrowing facilities amounting to RM0.62 billion (2017: RM0.81 billion) as at 31 December 2018.

(c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their borrowings. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 basis points (2017: 25 basis points) lower/higher, with all other variables held constant, the Group's profit before tax for the financial year would have been RM1,116,901 (2017: RM929,459) higher/lower, arising mainly as a result of lower/higher interest expenses on floating rate loans and borrowings. The assumed movement in interest rate for interest rate sensitivity analysis is based on the currently observable market environment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(d) Foreign currency exchange risk**

Foreign currency exchange 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 does not face significant exposure from foreign currency exchange risk.

(e) Offsetting financial assets and financial liabilities

There is no offsetting of financial assets and financial liabilities during the year for the Group and Company.

4 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and health capital ratios in order to support its business, maximise shareholder value and comply with its financial covenants.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gross gearing ratio, which is total borrowings divided by shareholders' funds.

The Group's gross gearing ratios as at 31 December 2018 and 2017 were as follows:

	Group	
	2018 RM'000	2017 RM'000
Current borrowings*	264,264	350,369
Non-current borrowings*	1,481,690	1,242,340
Total borrowings (Note 32)	1,745,954	1,592,709
Shareholders' funds	1,983,900	1,726,795
Gross gearing ratio (%)	0.88	0.92

* Exclude borrowings presented in liabilities associated with assets held for sale

The Group has complied with all material external financial covenants during the financial year as disclosed in Note 29 and 32.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

5 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

Current asset/liability	Note
Trade and other receivables and amounts due from subsidiaries	27
Deposits, cash and bank balances	28
Trade and other payables and amounts due to subsidiaries	30
Borrowings	32
Deposits	34

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

The fair values of long term receivables and payables, which primarily comprise advances to or from subsidiaries, are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangement at the reporting date.

(b) Fair value measurement

Qualitative disclosures fair value measurement hierarchy for assets and liabilities are as follows:

	Level 1		Level 3	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Group				
Equity instruments classified as FVOCI	1,864	-	2,814	-
Available-for-sale financial assets	-	1,864	-	2,814
Property, plant and equipment (Note 17):				
- Freehold land	-	-	193,156	190,506
- Long leasehold land	-	-	168,289	150,435
- Buildings	-	-	751,467	687,651
Investment properties (Note 18)	-	-	311,460	274,205
	1,864	1,864	1,427,186	1,305,611
Company				
Equity instruments classified as FVOCI	1,864	-	2,532	-
Available-for-sale financial assets	-	1,864	-	2,532

The Group and the Company do not have any financial liabilities carried at fair value nor any financial instruments classified as Level 2 as at 31 December 2018 and 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

6 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of goodwill

The Group tests goodwill for impairment annually whether goodwill has suffered any impairment, in accordance with its accounting policy stated in Note 2.11. More regular reviews are performed if events indicate that this is necessary.

The recoverable amounts of cash-generating units have been determined based on fair value less cost to sell calculations. The calculations require the use of estimates as set out in Note 20.

(b) Income tax

Significant estimation is involved in determining the provision for income taxes. There are certain tax allowances for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether taxes will be claimable. Where the final tax outcome of these matters is different from the amount that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details of income tax expense are disclosed in Note 13.

(c) Valuation of investment properties

The Group carries its investment properties at fair values. These require the use of external valuers and assumptions that are based on unobservable inputs. The key assumptions are as disclosed in Note 18 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

7 REVENUE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Revenue from contract with customers:</u>				
Revenue from hospital and healthcare charges				
- revenue from inpatient and outpatient hospital charges	3,217,809	3,083,619	-	-
- wellness packages	6,690	8,123	-	-
Tuition fees	43,169	47,922	-	-
Management fees	1,655	1,526	50,314	48,014
	3,269,323	3,141,190	50,314	48,014
<u>Revenue from other sources:</u>				
Dividend income	103	125	121,701	108,388
Interest income	-	-	5,950	2,669
Rental income	37,266	36,434	-	-
Other revenue	1,425	2,249	-	-
	38,794	38,808	127,651	111,057
	3,308,117	3,179,998	177,965	159,071

Disaggregation of revenue from contracts with customers

The following tables show the Group's revenue disaggregated by the Group's major services and provide reconciliations of the disaggregated revenue with the major market segments. The table also include the timing of revenue recognised:

	Continuing operations				Total RM'000
	Hospital and healthcare charges		Others		
	Malaysia RM'000	Others RM'000	Malaysia RM'000	Others RM'000	
<u>2018</u>					
Segment revenue	3,608,688	58,964	338,594	49,169	4,055,415
Intersegment revenue	(449,843)	-	(291,656)	(5,799)	(747,298)
Revenue from external customers	3,158,845	58,964	46,938	43,370	3,308,117
Timing of revenue recognition					
- Point in time	3,158,845	58,964	46,938	201	3,264,948
- Over time	-	-	-	43,169	43,169
	3,158,845	58,964	46,938	43,370	3,308,117

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

7 REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers (continued)

	Continuing operations				Total RM'000
	Hospital and healthcare charges		Others		
	Malaysia RM'000	Others RM'000	Malaysia RM'000	Others RM'000	
<u>2017</u>					
Segment revenue	3,447,891	60,595	329,454	54,605	3,892,545
Intersegment revenue	(424,867)	-	(281,121)	(6,559)	(712,547)
Revenue from external customers	3,023,024	60,595	48,333	48,046	3,179,998
Timing of revenue recognition					
- Point in time	3,023,024	60,595	48,333	124	3,132,076
- Over time	-	-	-	47,922	47,922
	3,023,024	60,595	48,333	48,046	3,179,998

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

8 FINANCE INCOME AND COSTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Finance costs</u>				
<u>Continuing operations</u>				
Profit sharing on Islamic financing:				
- Islamic Medium Term Notes	60,174	52,648	-	-
- Term loans	36,882	29,871	-	-
- Revolving credits	9,371	10,084	9,244	8,058
- Finance lease liabilities	1,251	1,529	-	-
- Bank overdrafts	414	225	-	-
Interest expense on conventional financing:				
- Term loans	87	130	-	-
- Finance lease liabilities	123	578	-	-
- Interest on advances from subsidiaries	-	-	12,521	10,347
- Others	-	-	30	72
	108,302	95,065	21,795	18,477
Less: Interest expense capitalised in:				
- Property, plant and equipment (Note 17)	(18,670)	(15,115)	-	-
	89,632	79,950	21,795	18,477
<u>Discontinued operation</u>				
Others (Note 14)	1,516	2,310	-	-
	91,148	82,260	21,795	18,477
<u>Finance income</u>				
<u>Continuing operations</u>				
Profit sharing from deposits with licensed banks	(6,368)	(11,560)	-	-
Accretion of receivables	(2,202)	(2,077)	-	-
	(8,570)	(13,637)	-	-
<u>Discontinued operation</u>				
Profit sharing from deposits with licensed banks	(1,496)	(311)	-	-
	(10,066)	(13,948)	-	-
Net finance costs	81,082	68,312	21,795	18,477

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

9 PROFIT BEFORE ZAKAT AND TAX

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

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Auditors' remuneration:					
- Statutory audits					
- PricewaterhouseCoopers PLT		2,092	1,652	286	269
- Non-PricewaterhouseCoopers PLT		479	467	-	-
- Other services					
- PricewaterhouseCoopers PLT		581	872	576	632
- Non-PricewaterhouseCoopers PLT		893	37	550	-
Trade receivables:					
- Impairment charge for the year	27	10,076	15,484	-	-
- Reversal of impairment loss	27	(8,773)	(1,682)	-	-
Contribution to Klinik Waqaf An-Nur	38	2,010	3,174	-	-
Directors' remuneration	11	5,428	3,829	5,242	3,634
Consultants fees		816,777	796,038	-	-
Cost of medical supplies		788,930	777,195	-	-
External lab services		7,543	10,015	-	-
Inventories written-off		396	213	-	-
Professional fees		7,364	5,308	1,604	1,326
Repair and maintenance		68,872	73,151	993	805
Investment properties:					
- Rental income		(12,088)	(14,090)	-	-
- Direct operating expenses		6,849	4,481	-	-
Property, plant and equipment:					
- Depreciation	17	151,689	125,265	17	-
- Written-off		902	12	-	-
- (Gain)/loss on disposal		(127)	580	-	-
Rental expense of land and buildings		109,701	110,736	3,171	3,254
Rental of equipment and vehicles		8,392	5,615	321	171
Employee benefits costs	10	738,229	693,929	36,800	36,661
Software expenditure under development					
- Written-off	19	750	-	-	-
Amortisation of software expenditure	19	3,798	3,090	-	-
Gain on fair value of investment properties	18	(10,931)	(2,313)	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

10 EMPLOYEE BENEFITS COSTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Staff costs (excluding Directors' remuneration):				
- Salaries, allowances and bonuses	655,600	616,598	32,280	32,019
- Contributions to defined contribution plan	69,465	63,890	3,127	2,857
- Share-based payments - ESOS	12,854	13,171	1,393	1,785
- Provision for retirement benefits (Note 33)	310	270	-	-
	738,229	693,929	36,800	36,661

11 DIRECTORS' REMUNERATION

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Managing and Executive Directors:				
- Fees	377	275	227	175
- Salaries, allowances and bonuses	3,263	2,001	3,263	2,001
- Contributions to defined contribution plan	435	266	435	266
- Benefits-in-kind	46	21	46	21
	4,121	2,563	3,971	2,463
Non-Independent Non-Executive Directors:				
- Fees	300	300	300	300
- Allowances	107	50	107	50
	407	350	407	350
Independent Non-Executive Directors:				
- Fees	450	458	450	450
- Allowances	419	437	383	350
- Benefits-in-kind	31	21	31	21
	900	916	864	821
	5,428	3,829	5,242	3,634

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

11 DIRECTORS' REMUNERATION (CONTINUED)

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors	
	2018	2017
Managing and Executive Directors:		
RM900,001 - RM1,000,000	-	1
RM1,000,001 - RM1,500,000	2	-
RM1,500,001 - RM2,000,000	1	1
Non-Executive Directors:		
RM1 - RM100,000	2	3
RM100,001 - RM200,000	-	1
RM200,001 - RM300,000	1	-
Independent Non-Executive Directors:		
RM1 - RM100,000	6	-
RM100,001 - RM200,000	2	3
RM200,001 - RM300,000	-	4
RM300,001 - RM400,000	1	-
	15*	13

* Including 3 (2017: 2) Directors that have resigned during the financial year.

12 ZAKAT

Zakat expense is zakat provided and paid during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

13 TAX

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysian income tax:				
- In respect of current financial year	112,295	69,120	-	-
- In respect of prior financial years	(2,281)	(2,941)	20	1,155
Foreign income tax:				
- In respect of current financial year	1,012	261	-	-
	111,026	66,440	20	1,155
Deferred tax (Note 25)	(39,154)	(11,984)	-	-
Income tax expense recognised in the profit or loss	71,872	54,456	20	1,155
Income tax attributable to profit/(loss) from:				
- continuing operations	72,651	56,120	20	1,155
- discontinued operation (Note 14)	(779)	(1,664)	-	-
Income tax expense recognised in the profit or loss	71,872	54,456	20	1,155
Deferred tax related to other comprehensive income (Note 25)	3,824	3,224	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

13 TAX (CONTINUED)

A reconciliation of tax applicable to profit/(loss) before tax after zakat at the Malaysian statutory income tax rate to tax at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit/(loss) before tax after zakat from:				
- continuing operations	262,581	229,416	94,623	84,028
- discontinued operation	(4,524)	(8,050)	-	-
	258,057	221,366	94,623	84,028
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	61,934	53,128	22,710	20,167
Tax effects of:				
- Different tax rates	304	227	-	-
- Income not subject to tax	(1,716)	(3,476)	(30,058)	(26,481)
- Expenses non-deductible for tax purposes	22,753	21,960	6,880	5,323
- Share of results of associates	(786)	(688)	-	-
- (Over)/Under provision of prior years income tax	(2,281)	(2,941)	20	1,155
- Temporary differences and tax losses not recognised	4,108	5,843	468	991
- Incentives claimed during the year	(1,406)	-	-	-
- Recognition of tax assets previously not recognised	(11,038)	(19,597)	-	-
Income tax expense	71,872	54,456	20	1,155

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

14 DISCONTINUED OPERATION

Following the approval by the Directors to dispose of Jeta Gardens (Qld) Pty Ltd and its subsidiaries, management has commenced discussion with potential buyers in connection with this disposal. The disposal is subject to the approval by the relevant authorities. Consequently, the associated assets and liabilities have been presented as a disposal group which is classified as held for sale since the previous year (Note 29).

A corporate advisor has been appointed to manage the divestment process of Jeta Gardens (Qld) Pty Ltd and its subsidiaries. As of 31 December 2018, the divestment process is yet to be completed and management has confirmed that the planned disposal is still on track and is expected to be completed in 2019. As of reporting date, investment in Jeta Gardens (Qld) Pty Ltd and its subsidiaries continues to be classified as non-current asset held for sale as MFRS 5 conditions can be met. The delay is caused by events or circumstances beyond the management's control and management remains committed to sell the assets.

a. **Statement of comprehensive income of the discontinued operation is as follows:**

	Jeta Gardens (Qld) Pty Ltd	
	2018 RM'000	2017 RM'000
Revenue	57,491	54,816
Cost of sales	(39,936)	(43,231)
Gross profit	17,555	11,585
Administrative expenses	(23,518)	(22,621)
Other income	1,459	4,985
Operating loss	(4,504)	(6,051)
Finance income (Note 8)	1,496	311
Finance costs (Note 8)	(1,516)	(2,310)
Finance costs - net	(20)	(1,999)
Loss before tax	(4,524)	(8,050)
Tax (Note 13)	779	1,664
Net loss for the financial year	(3,745)	(6,386)
Loss for the financial year attributable to:		
Owners of the company	(2,135)	(3,640)
Non-controlling interests	(1,610)	(2,746)
	(3,745)	(6,386)
Total comprehensive loss for the financial year attributable to:		
Owners of the company	(2,135)	(3,640)
Non-controlling interests	(1,610)	(2,746)
	(3,745)	(6,386)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

14 DISCONTINUED OPERATION (CONTINUED)

b. Statement of cash flows of the discontinued operation is as follow:

	Jeta Gardens (Qld) Pty Ltd	
	2018 RM'000	2017 RM'000
Net cash used in operating activities	(2,070)	(5,034)
Net cash generated from investing activities	2,085	9,851
Net cash generated from financing activities	(4,071)	(6,305)
Net changes in cash and cash equivalents	(4,056)	(1,488)
Cash and cash equivalents at the beginning of the year	25,841	27,329
Cash and cash equivalents at the end of the year	21,785	25,841

c. Included in the profit or loss are the following expenses/(income):

	Jeta Gardens (Qld) Pty Ltd	
	2018 RM'000	2017 RM'000
Auditors' remuneration:		
- Statutory audits	380	384
- Other services	392	360
Directors' remuneration	169	325
Professional fees	446	2,062
Repair and maintenance	1,176	813
Property, plant and equipment:		
- Depreciation	2,342	2,610
- Loss on disposal	7	34
Rental of building	11,674	11,220
Employee benefits costs	37,594	40,620
Gain on disposal of shares in available-for-sale financial assets (net)	-	(1,524)
Finance income	(1,496)	(311)
Finance cost	1,516	2,310

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

15 DIVIDENDS

	Group and Company	
	2018 RM'000	2017 RM'000
Declared in 2018 in respect of:		
<u>Financial year ended 31 December 2018</u>		
First interim single tier dividend of 0.50 sen per ordinary share paid on 20 April 2018	21,068	-
Second interim single tier dividend of 0.50 sen per ordinary share paid on 20 July 2018	21,072	-
Third interim single tier dividend of 0.50 sen per ordinary share paid on 5 October 2018	21,004	-
Fourth interim single tier dividend of 0.50 sen per ordinary share paid on 15 February 2019	21,537	-
	84,681	-
Declared in 2017 in respect of:		
<u>Financial year ended 31 December 2017</u>		
First interim single tier dividend of 0.55 sen per ordinary share paid on 28 April 2017	-	23,073
Second interim single tier dividend of 0.45 sen per ordinary share paid on 21 July 2017	-	18,912
Third interim single tier dividend of 0.38 sen per ordinary share paid on 12 October 2017	-	15,818
Fourth interim single tier dividend of 0.40 sen per ordinary share paid on 22 December 2017	-	16,873
	-	74,676

The Directors did not recommend the payment of a final dividend in respect of the financial year ended 31 December 2018 (2017: NIL).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

16 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the profit/(loss) attributable to ordinary equity holders of the Company for the financial year by the average number of ordinary shares in issue during the financial year.

	Group	
	2018	2017
<u>Continuing operations</u>		
Profit attributable to Owners of the Company (RM'000)	181,579	165,554
Weighted average number of ordinary shares in issue ('000)	4,355,011	4,378,914
Basic earnings per share (sen)	4.17	3.78
<u>Discontinued operation</u>		
Loss attributable to Owners of the Company (RM'000)	(2,135)	(3,640)
Weighted average number of ordinary shares in issue ('000)	4,355,011	4,378,914
Basic earnings per share (sen)	(0.05)	(0.08)

(b) Diluted earnings per share

For the diluted earnings per share calculation, the average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares for the Group are the warrants and ESOS.

For the warrants issued and ESOS granted to employees issued, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average share price of the Company's shares) based on the monetary value of the subscriptions rights attached to outstanding warrants and ESOS. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants and ESOS. The difference is added to the denominator as an issue of ordinary shares for no consideration. This calculation serves to determine the "bonus" element in the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to the profit for the financial year for the warrants and ESOS calculation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

16 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share (continued)

	Group	
	2018	2017
<u>Continuing operations</u>		
Profit attributable to Owners of the Company (RM'000)	181,579	165,554
Weighted average number of ordinary shares in issue ('000)	4,355,011	4,378,914
Assumed shares issued from the exercise of warrants ('000)	267,032	345,635
Assumed shares issued from the exercise of ESOS ('000)	212,955	260,007
Weighted average number of ordinary shares in issue ('000)	4,834,998	4,984,556
Diluted earnings per share (sen)	3.76	3.32
<u>Discontinued operation</u>		
Loss attributable to Owners of the Company (RM'000)	(2,135)	(3,640)
Weighted average number of ordinary shares in issue ('000)	4,355,011	4,378,914
Assumed shares issued from the exercise of warrants ('000)	267,032	345,635
Assumed shares issued from the exercise of ESOS ('000)	212,955	260,007
Weighted average number of ordinary shares in issue ('000)	4,834,998	4,984,556
Diluted loss per share (sen)	(0.04)	(0.07)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

17 PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Long leasehold land RM'000	Buildings RM'000	Renovation RM'000	Medical and other equipment RM'000	Furniture, fittings, motor vehicles and computers RM'000	Capital work-in- progress RM'000	Total RM'000
<u>Group</u>								
<u>2018</u>								
At 1 January								
- Cost	-	-	-	279,737	779,210	382,771	530,529	1,972,247
- Valuation	190,506	154,224	697,952	-	-	-	-	1,042,682
	190,506	154,224	697,952	279,737	779,210	382,771	530,529	3,014,929
Exchange differences	-	(4,038)	(1,665)	(310)	(1,240)	(401)	-	(7,654)
Additions	-	4,088	4,466	37,418	64,346	35,341	242,816	388,475
Disposals	-	-	-	-	(1,087)	(3,590)	-	(4,677)
Written-off	-	-	-	(12,524)	(17,479)	(1,580)	-	(31,583)
Reclassification - cost	-	-	99,310	12,195	-	-	(111,505)	-
Transfer from/ (to) investment properties (Note 18)	2,650	-	(21,719)	-	-	-	(7,255)	(26,324)
Transfer from intangible assets (Note 19)	-	-	-	-	-	2,337	-	2,337
Transfer to assets held for sale (Note 29)	-	-	(12,720)	-	-	-	-	(12,720)
Revaluation surplus	-	21,407	10,340	-	-	-	-	31,747
Elimination of accumulated depreciation on revaluations	-	-	(789)	-	-	-	-	(789)
	193,156	175,681	775,175	316,516	823,750	414,878	654,585	3,353,741

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Long leasehold land RM'000	Buildings RM'000	Renovation RM'000	Medical and other equipment RM'000	Furniture, fittings, motor vehicles and computers RM'000	Capital work-in- progress RM'000	Total RM'000
<u>Group</u>								
<u>2018</u>								
At 31 December								
- Cost	-	-	-	316,516	823,750	414,878	654,585	2,209,729
- Valuation	193,156	175,681	775,175	-	-	-	-	1,144,012
	193,156	175,681	775,175	316,516	823,750	414,878	654,585	3,353,741
<u>Accumulated depreciation</u>								
At 1 January	-	(3,789)	(10,301)	(106,718)	(447,986)	(240,122)	-	(808,916)
Exchange differences	-	-	-	149	851	240	-	1,240
Charge for the financial year (Note 9)	-	(3,603)	(14,196)	(30,025)	(63,335)	(40,530)	-	(151,689)
Disposals	-	-	-	-	1,008	3,509	-	4,517
Written-off	-	-	-	12,285	16,608	1,788	-	30,681
Elimination of accumulated depreciation on revaluations	-	-	789	-	-	-	-	789
At 31 December	-	(7,392)	(23,708)	(124,309)	(492,854)	(275,115)	-	(923,378)
<u>Net carrying amounts</u>								
- Cost	-	-	-	192,207	330,896	139,763	654,585	1,317,451
- Valuation	193,156	168,289	751,467	-	-	-	-	1,112,912
At 31 December	193,156	168,289	751,467	192,207	330,896	139,763	654,585	2,430,363

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Long leasehold land RM'000	Buildings RM'000	Renovation RM'000	Medical and other equipment RM'000	Furniture, fittings, motor vehicles and computers RM'000	Capital work-in- progress RM'000	Total RM'000
<u>Group</u>								
<u>2017</u>								
At 1 January								
- Cost	5,900	-	-	248,609	752,760	359,011	276,717	1,642,997
- Valuation	228,981	140,249	678,538	-	-	-	-	1,047,768
	234,881	140,249	678,538	248,609	752,760	359,011	276,717	2,690,765
Exchange differences	(1,008)	(4,703)	(5,081)	(799)	(2,734)	(1,071)	(16)	(15,412)
Additions	-	18,678	52,781	36,784	54,716	23,002	280,680	466,641
Disposals	-	-	(443)	(342)	(13,313)	(5,084)	-	(19,182)
Written-off	-	-	-	(331)	(9,679)	(4,282)	-	(14,292)
Reclassification - cost	-	-	22,959	-	-	-	(22,959)	-
Transfer to investment properties (Note 18)	(3,900)	-	(193)	-	-	-	-	(4,093)
Transfer from intangible assets (Note 19)	-	-	-	-	-	12,328	-	12,328
Transfer to assets held for sale (Note 29)	(39,467)	-	(54,120)	(4,184)	(2,540)	(1,133)	(1,162)	(102,606)
Revaluation surplus	-	-	13,432	-	-	-	-	13,432
Elimination of accumulated depreciation on revaluation	-	-	(9,921)	-	-	-	-	(9,921)
	190,506	154,224	697,952	279,737	779,210	382,771	533,260	3,017,660

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Long leasehold land RM'000	Buildings RM'000	Renovation RM'000	Medical and other equipment RM'000	Furniture, fittings, motor vehicles and computers RM'000	Capital work-in- progress RM'000	Total RM'000
<u>Group</u>								
<u>2017</u>								
At 31 December								
- Cost	-	-	-	279,737	779,210	382,771	533,260	1,974,978
- Valuation	190,506	154,224	697,952	-	-	-	-	1,042,682
	190,506	154,224	697,952	279,737	779,210	382,771	533,260	3,017,660
Less: Government grant received	-	-	-	-	-	-	(2,731)	(2,731)
	190,506	154,224	697,952	279,737	779,210	382,771	530,529	3,014,929
<u>Accumulated depreciation</u>								
At 1 January	-	(726)	(8,484)	(86,749)	(417,289)	(210,982)	-	(724,230)
Exchange differences	-	7	112	20	1,779	563	-	2,481
Charge for the financial year (Note 9)	-	(3,070)	(12,063)	(20,238)	(54,364)	(38,140)	-	(127,875)
Disposals	-	-	213	108	12,060	4,126	-	16,507
Written-off	-	-	-	141	9,828	4,311	-	14,280
Elimination of accumulated depreciation on revaluation	-	-	9,921	-	-	-	-	9,921
At 31 December	-	(3,789)	(10,301)	(106,718)	(447,986)	(240,122)	-	(808,916)
<u>Net carrying amounts</u>								
- Cost	-	-	-	173,019	331,224	142,649	530,529	1,177,421
- Valuation	190,506	150,435	687,651	-	-	-	-	1,028,592
At 31 December	190,506	150,435	687,651	173,019	331,224	142,649	530,529	2,206,013

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Computers	
	2018 RM'000	2017 RM'000
<u>Company</u>		
<u>Cost</u>		
At 1 January	-	-
Additions	258	-
	258	-
<u>Accumulated depreciation</u>		
At 1 January	-	-
Charge for the financial year (Note 9)	(17)	-
Net carrying amount at 31 December	241	-

Revaluation of land and buildings

The Group's land and buildings, except for those under constructions, were fully revalued as at 31 December 2015. As at year end, the Group assess whether there is an indication that the carrying values of these assets have defer materially from its fair value. Where an indication exist, revaluations were carried out and the carrying value of these assets were updated to reflect its fair value based on independent valuation. Certain land and buildings that were completed and commenced operations during the year were also revalued as at year end.

Land and buildings comprise mainly those that are used by the Group as purpose-built private specialist hospitals. The lands were valued by reference to transactions of similar lands in the surrounding with adjustments made for difference in accessibility, terrain, size and shape of the land, tenure, title restrictions if any and other relevant characteristics. The buildings were valued by reference to their depreciated replacement costs, i.e. the replacement cost new less an appropriate adjustments for depreciation or obsolescence to reflect the existing condition of the buildings at the date of valuation. The book values of the land and buildings were adjusted to reflect the revaluation and the resultant surpluses were credited to revaluation reserve. These were all Level 3 in the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Revaluation of land and buildings (continued)

The revaluations were made with reference to valuations carried out by independent firms of professional valuers, Messrs CH Williams Talhar & Wong Sdn Bhd, Messrs Raine & Horne International Zaki + Partners Sdn Bhd, Messrs IM Global Property Consultants Sdn Bhd and Messrs Knight Frank Ptd Ltd ("the Valuers").

If the total amounts of the land and buildings had been determined in accordance with the historical cost convention, they would have been included at:

	Group	
	2018	2017
	RM'000	RM'000
<u>Cost</u>		
Freehold land	94,619	92,319
Leasehold land	104,849	107,037
Buildings	559,378	529,772
	758,846	729,128
<u>Accumulated depreciation</u>		
Leasehold land	(5,010)	(3,990)
Buildings	(42,357)	(36,128)
Net carrying amounts	711,479	689,010

The net book value of assets under finance leases as at 31 December 2018 is RM23,948,000 (2017: RM48,543,000).

The net book value of property, plant and equipment pledged for borrowing facilities as at 31 December 2018 is RM203,136,000 (2017: RM233,946,000) as disclosed in Note 32.

During the previous financial year, a subsidiary received a government grant in relation to the construction of a hospital building amounting to RM2,731,000. The amount has been set-off against the cost of building included in capital work-in-progress.

Capitalisation of borrowing costs

The capital work-in-progress includes borrowing costs arising from general and specific borrowings. During the financial year, borrowing costs capitalised as part of capital work-in-progress amounted to RM18,670,000 (2017: RM15,115,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

18 INVESTMENT PROPERTIES

	Group	
	2018 RM'000	2017 RM'000
At fair value:		
At 1 January	274,205	280,436
Exchange differences	-	(123)
Gain on fair value recognised during the year (Note 9)	10,931	2,313
Transfer from/(to) property, plant and equipment (Note 17) - net	26,324	4,093
Transfer to assets held for sale (Note 29)	-	(12,514)
At 31 December	311,460	274,205

The valuations were carried out by third party valuers, Messrs Raine & Horne International Zaki + Partners Sdn Bhd.

The fair value of investment property pledged for borrowing facilities as at 31 December 2018 is RM238,000,000 (2017: RM209,828,000).

The fair value of the properties was estimated at RM311,460,000 (2017: RM274,205,000) based on valuations performed by independent professionally qualified valuers, using either the comparison or investment method as described below.

Fair value hierarchy disclosures for investment properties are in Note 5.

Description of valuation techniques used and key inputs to valuation on investment properties.

	Valuation technique	Significant unobservable inputs	Range (weighted average)	
			2018	2017
Land and buildings	Comparison method	Location, visibility, size and tenure Estimated value per sq ft	RM410 - RM790	RM455 - RM693
(Carrying value as at 31 December 2018 of RM73,460,000 (2017 : RM64,377,000))				
Office properties	Investment method	Estimated rental value per sq ft per month Outgoings per sq ft per month Void rate Term yield	RM3.00 - RM7.50 RM1.89 10% 6%	RM3.80 - RM7.50 RM1.50 - RM1.54 7.5% 6.0% - 6.25%

(Carrying value as at 31 December 2018 of RM238,000,000 (2017 : RM209,828,000))

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

18 INVESTMENT PROPERTIES (CONTINUED)

Inter-relationship between significant unobservable inputs and fair value measurement

(a) Comparison method

Generally a location and visibility that is relatively more prominent will result in a higher fair value. A longer tenure will have the same effect.

(b) Investment method

Increases/decreases in estimated rental value per sqft in isolation would result in a higher/lower fair value of the properties. Increases/decreases in the long-term vacancy rate (void rate) and discount rate (term yield) in isolation would result in a lower/higher fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rental value per sqft and an opposite change in the void rate and term yield.

A sensitivity analysis has been performed on the significant assumptions that impact the fair value of the office properties. Arising thereof, the impact of a 10 basis points increase/decrease in the term yield will result in a lower/higher fair value change by RM22 million and RM27 million, while a void rate of 12.5% will result in a lower fair value change by RM5 million.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

19 INTANGIBLE ASSETS

	Goodwill RM'000	Software expenditure RM'000	Software expenditure under development RM'000	Total RM'000
<u>Group</u>				
<u>2018</u>				
<u>Cost</u>				
At 1 January 2018	195,891	40,336	28,096	264,323
Additions	-	-	7,322	7,322
Disposals	(369)	-	(3,035)	(3,404)
Written-off	-	-	(750)	(750)
Transfer to property, plant and equipment (Note 17)	-	-	(2,337)	(2,337)
At 31 December 2018	195,522	40,336	29,296	265,154
<u>Accumulated amortisation</u>				
At 1 January 2018	-	(8,530)	-	(8,530)
Amortisation charge for the year (Note 9)	-	(3,798)	-	(3,798)
At 31 December 2018	-	(12,328)	-	(12,328)
<u>Accumulated impairment</u>				
At 1 January/31 December 2018	(16,356)	-	-	(16,356)
<u>Net carrying amount</u>				
At 31 December 2018	179,166	28,008	29,296	236,470

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

19 INTANGIBLE ASSETS (CONTINUED)

	Goodwill RM'000	Software expenditure RM'000	Software expenditure under development RM'000	Total RM'000
<u>2017</u>				
<u>Cost</u>				
At 1 January 2017	195,891	28,386	43,086	267,363
Additions	-	1,600	7,688	9,288
Transfer to property, plant and equipment (Note 17)	-	-	(12,328)	(12,328)
Reclassification	-	10,350	(10,350)	-
At 31 December 2017	195,891	40,336	28,096	264,323
<u>Accumulated amortisation</u>				
At 1 January 2017	-	(5,440)	-	(5,440)
Amortisation charge for the year (Note 9)	-	(3,090)	-	(3,090)
At 31 December 2017	-	(8,530)	-	(8,530)
<u>Accumulated impairment</u>				
At 1 January/31 December 2017	(16,356)	-	-	(16,356)
<u>Net carrying amount</u>				
At 31 December 2017	179,535	31,806	28,096	239,437

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

20 IMPAIRMENT OF INTANGIBLE ASSETSImpairment tests for goodwill and software expenditure under development

	Group	
	2018 RM'000	2017 RM'000
Malaysia:		
- goodwill	177,544	177,913
- software expenditure under development	24,143	28,096
Others	1,622	1,622
	203,309	207,631

Recoverable amount based on fair value less costs to sellMalaysia

The recoverable amount of the CGU is determined based on fair value less cost to sell calculation (level 3 fair value hierarchy). These calculations use cash flow projections based on financial budgets approved by the Directors covering a five-year period.

The key assumptions used are as follows:

	Malaysia	
	2018 %	2017 %
Revenue ¹	6 - 12	6 - 12
EBITDA margin ²	13.3 - 15.7	13.3 - 15.7
Discount rate ³	12	12
Terminal growth rate ⁴	5	5

Assumptions:

- ¹ Based on revenue range
- ² EBITDA margin over the budget period
- ³ Post-tax discount rate applied to the cash flow projections
- ⁴ Terminal growth rate used to extrapolate cash flows beyond the budget period

The Directors have determined the revenue and EBITDA margin based on expectations of market development. The post-tax discount rates used are based on comparable healthcare companies and adjusted for projection risk. The terminal growth rate does not exceed the long-term average growth rate for the relevant group of CGUs.

Management believes that any reasonable change to the above key assumptions would not cause the carrying value of the CGU to materially exceed its reasonable amount.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

21 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are made up as follows:

	Company	
	2018 RM'000	2017 RM'000
Cost	964,424	964,424
Preference shares	300	300
Capital contribution reserve relating to share based payments	71,482	61,724
Unquoted shares	1,036,206	1,026,448

The following are subsidiaries of the Company:

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2018 %	2017 %	
Kumpulan Perubatan (Johor) Sdn Bhd	Malaysia	100	100	Managing and investment holding company for medical sector
Point Zone (M) Sdn Bhd	Malaysia	100	100	Providing treasury management services to the companies within the group
Tawakal Holdings Sdn Bhd*	Malaysia	100	100	Investment holding company
Johor Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Ipoh Specialist Hospital Sdn Bhd	Malaysia	98	98	Operating as a specialist hospital
Puteri Specialist Hospital (Johor) Sdn Bhd#	Malaysia	100	100	Dormant

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company: (continued)

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2018 %	2017 %	
<u>Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd</u>				
Ampang Puteri Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Bandar Baru Klang Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Kajang Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Maharani Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Pasir Gudang Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Penang Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Pusat Pakar Kluang Utama Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Rawang Specialist Hospital Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Sentosa Medical Centre Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
Sibu Medical Centre Corporation Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
SMC Healthcare Sdn Bhd	Malaysia	100	100	Operating as a specialist hospital
PT Khidmat Perawatan Jasa Medika*	Indonesia	80	80	Operating as a specialist hospital
PT Khasanah Putera Jakarta Medica*	Indonesia	75	75	Operating as a specialist hospital
Kuching Specialist Hospital Sdn Bhd	Malaysia	70	70	Operating as a specialist hospital

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company: (continued)

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2018 %	2017 %	
<u>Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)</u>				
Pahang Specialist Hospital Sdn Bhd	Malaysia	70	70	Operating as a specialist hospital
Perdana Specialist Hospital Sdn Bhd	Malaysia	61	61	Operating as a specialist hospital
Perlis Specialist Hospital Sdn Bhd	Malaysia	60	60	Operating as a specialist hospital
Selangor Specialist Hospital Sdn Bhd*	Malaysia	60	60	Operating as a specialist hospital
Advanced Health Care Solutions Sdn Bhd*	Malaysia	100	100	Providing healthcare information system services
Crossborder Aim (M) Sdn Bhd*	Malaysia	100	100	Investment holding company
Crossborder Hall (M) Sdn Bhd*	Malaysia	100	100	Investment holding company
Kota Kinabalu Wellness Sdn Bhd (formerly known as Kota Kinabalu Specialist Hospital Sdn Bhd)	Malaysia	100	97	Operating as an aged-care centre
KPJ Dhaka (Pte) Ltd*	Bangladesh	100	100	Providing management services to a specialist hospital
KPJ Eyecare Specialist Sdn Bhd*	Malaysia	100	100	Providing medical and consultancy services in eye care
KPJ Healthcare University College Sdn Bhd	Malaysia	100	100	Operating as a private university college of nursing and allied health
KPJ HealthShoppe Sdn Bhd*	Malaysia	100	100	Operating as pharmacy retail outlet

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company: (continued)

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2018 %	2017 %	
<u>Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)</u>				
KPJ MedikTV Sdn Bhd*	Malaysia	100	100	Operating as medical service provider
Kuantan Wellness Center Sdn Bhd (formerly known as Kuantan Specialist Hospital Sdn Bhd)	Malaysia	100	100	Operating as a dialysis and aged-care centre
Lablink (M) Sdn Bhd	Malaysia	51	100	Providing pathology and laboratory services
PharmaCARE Sdn Bhd*	Malaysia	100	100	Providing human resource, training services and rental of human resource information system
Pharmaserv Alliances Sdn Bhd	Malaysia	100	100	Marketing and distributing medical and pharmaceutical products
PT Al-Aqar Bumi Serpong Damai**	Indonesia	100	100	Operating as building management company
PT Al-Aqar Permata Hijau*	Indonesia	100	100	Operating as building management company
Sibu Geriatric Health & Nursing Centre Sdn Bhd	Malaysia	100	100	Operating and managing an aged care facilities
Sterile Services Sdn Bhd*	Malaysia	100	100	Providing sterile services
Fabricare Laundry Sdn Bhd*	Malaysia	95	95	Providing laundry services
Diaper Technology Industries Sdn Bhd	Malaysia	94	94	Providing information technology related services and rental of software

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company: (continued)

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2018 %	2017 %	
<u>Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)</u>				
Pride Outlet Sdn Bhd*	Malaysia	90	90	Providing maintenance services for medical equipment
Healthcare IT Solutions Sdn Bhd*	Malaysia	70	70	Providing healthcare information technology services
Skop Yakin (M) Sdn Bhd*	Malaysia	70	70	Marketing and distributing general merchandise
Total Meal Solution Sdn Bhd*	Malaysia	70	70	Providing central kitchen services
Teraju Farma Sdn Bhd	Malaysia	65	65	Marketing and distributing medical and pharmaceutical products
Jeta Gardens (Qld) Pty Ltd*	Australia	57	57	Providing retirement village and aged care facilities
BDC Specialist Hospital Sdn Bhd*	Malaysia	100	100	To be operating as a specialist hospital
Massive Hybrid Sdn Bhd*	Malaysia	100	100	To be operating as a specialist hospital
UTM KPJ Specialist Hospital Sdn Bhd*	Malaysia	100	100	To be operating as a specialist hospital
Miri Specialist Hospital Sdn Bhd*	Malaysia	70	70	To be operating as a specialist hospital

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company: (continued)

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2018 %	2017 %	
<u>Subsidiaries of Kumpulan Perubatan (Johor) Sdn Bhd (continued)</u>				
Damansara Specialist Hospital Sdn Bhd	Malaysia	100	100	Dormant
Seremban Specialist Hospital Sdn Bhd	Malaysia	100	100	Dormant
Taiping Medical Centre Sdn Bhd	Malaysia	100	100	Dormant
Energy Excellent Sdn Bhd*	Malaysia	100	100	Dormant
KPJ Education Services Sdn Bhd*	Malaysia	100	100	Dormant
Pharmacare Surgical Technologies (M) Sdn Bhd*	Malaysia	100	100	Dormant
Freewell Sdn Bhd*	Malaysia	80	80	Dormant
Bayan Baru Specialist Hospital Sdn Bhd*	Malaysia	55	55	Dormant
<u>Subsidiary of Tawakal Holdings Sdn Bhd</u>				
Pusat Pakar Tawakal Sdn Bhd ⁺	Malaysia	100	100	Operating as a specialist hospital
<u>Subsidiary of Johor Specialist Hospital Sdn Bhd</u>				
Bandar Dato Onn Specialist Hospital Sdn Bhd	Malaysia	100	100	To be operating as a specialist hospital
<u>Subsidiary of Ipoh Specialist Hospital Sdn Bhd</u>				
Sri Manjung Specialist Centre Sdn Bhd ⁺	Malaysia	100	100	Operating as a specialist hospital

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company: (continued)

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2018 %	2017 %	
<u>Subsidiary of Selangor Specialist Hospital Sdn Bhd</u>				
Pusrawi SMC Sdn Bhd* (formerly known as Hospital Pusrawi SMC Sdn Bhd)	Malaysia	51	51	Operating as a polyclinic
<u>Subsidiary of SMC Healthcare Sdn Bhd</u>				
Amity Development Sdn Bhd	Malaysia	100	100	Dormant
<u>Subsidiary of PharmaCARE Sdn Bhd</u>				
Open Access Sdn Bhd*	Malaysia	0	100	Dormant
<u>Subsidiaries of Pharmaserv Alliances Sdn Bhd</u>				
Medical Supplies (Sarawak) Sdn Bhd	Malaysia	75	75	Marketing and distributing medical pharmaceutical products
Malaysian Institute of Healthcare Management Sdn Bhd*	Malaysia	75	75	Dormant
FP Marketing (S) Pte Ltd*	Singapore	100	100	Dormant
<u>Subsidiary of KPJ Healthcare University College Sdn Bhd</u>				
KPJ Education (M) Sdn Bhd	Malaysia	100	100	Operating as a college and training centre
<u>Subsidiaries of Jeta Gardens (Qld) Pty Ltd</u>				
Jeta Gardens Aged Care (Qld) Pty Ltd*	Australia	100	100	Operating and managing an aged care facility
Jeta Gardens Management (Qld) Pty Ltd*	Australia	100	100	Dormant

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following are subsidiaries of the Company: (continued)

- # Direct equity holding by the Company is 84% (2017: 84%)
- + Direct equity holding by the Company is 14% (2017: 14%)
- * Audited by firms other than PricewaterhouseCoopers PLT, Malaysia

Acquisition of additional interest in a subsidiary

On 4 September 2018, Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") acquired 3% equity interest in Kota Kinabalu Wellness Sdn Bhd (formerly known as Kota Kinabalu Specialist Hospital Sdn Bhd) for a total cash consideration of RM609,588. With this acquisition, the Group now hold 100% shareholding of Kota Kinabalu Wellness Sdn Bhd. The impact of the acquisition to the Group was immaterial.

Disposal of interest in subsidiaries

- (a) On 23 January 2018, the Board of Directors of the Group announced that Kumpulan Perubatan (Johor) Sdn Bhd ("KPJSB") and Lablink (M) Sdn Bhd ("Lablink"), entered into a Subscription and Share Purchase Agreement ("SSPA") with KL Kappa Sdn Bhd ("KL Kappa") for the subscription of new shares in Lablink by KL Kappa and for the purchase of certain existing shares in Lablink by KL Kappa from KPJSB.

The SSPA involved the issuance of new shares in Lablink to KL Kappa and the selling of existing Lablink shares by KPJSB to KL Kappa that will collectively result in KL Kappa having a 49% stake in Lablink's enlarged share capital, with the remaining 51% (2017: 100%) held by KPJSB, for a total cash consideration of RM119,920,226. The disposal was completed on 22 March 2018.

The Group recognised additional non-controlling interest of RM66,120,156 and an increase in equity attributable to owners of the parent of RM53,800,070. The effect of changes in the ownership interest of Lablink on the equity attributable to Owners of the Company during the financial year is summarised as follows:

	Group RM'000
Net assets attributable to non-controlling interest	(66,120)
Consideration received from non-controlling interest	119,920
Increase in equity attributable to Owners of the Company	53,800

The Board has assessed and concluded that the Group continues to have control over this subsidiary, thus continue to be consolidated.

- (b) During the year, PharmaCARE Sdn Bhd, a subsidiary in the Group had entered into a Share Sale Agreement with Yayasan Islam Terengganu to dispose the Group's entire 100% equity interest in Open Access Sdn Bhd for a total cash consideration of RM10,000, net of transaction costs. The disposal was completed on 8 July 2018. A loss on disposal of RM233,412 and RM367,000 was recorded by the Group and PharmaCARE Sdn Bhd, respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarised financial information of Perdana Specialist Hospital Sdn Bhd, Selangor Specialist Hospital Sdn Bhd and Lablink (M) Sdn Bhd which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination. The non-controlling interests in respect of other subsidiaries are not material to the Group.

(i) Summarised statements of financial position

	Perdana Specialist Hospital Sdn Bhd		Selangor Specialist Hospital Sdn Bhd		Lablink (M) Sdn Bhd		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
NCI percentage of ownership interest and voting interest	39%	39%	40%	40%	49%	-		
Non-current assets	59,988	51,975	142,018	147,838	27,567	28,569	229,573	228,382
Current assets	16,288	20,480	44,266	48,298	136,194	14,145	196,748	82,923
Current liabilities	(15,986)	(20,233)	(47,350)	(44,707)	(19,160)	(13,736)	(82,496)	(78,676)
Non-current liabilities	(13,557)	(6,235)	(15,346)	(21,200)	-	(458)	(28,903)	(27,893)
Net assets	46,733	45,987	123,588	130,229	144,601	28,520	314,922	204,736
Net equity attributable	46,733	45,987	123,588	130,229	144,601	28,520	314,922	204,736
Equity attributable to Owners of the Company	28,507	28,052	74,153	78,137	73,746	28,520	176,406	134,709
Non-controlling interests	18,226	17,935	49,435	52,092	70,855	-	138,516	70,027

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(ii) Summarised statements of comprehensive income

	Perdana Specialist Hospital Sdn Bhd		Selangor Specialist Hospital Sdn Bhd		Lablink (M) Sdn Bhd		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	92,007	88,547	170,720	163,760	87,706	81,007	350,433	333,314
Profit for the year	3,949	3,791	15,348	19,468	10,951	10,934	30,248	34,193
Profit attributable to the Owners of the Company	2,409	2,313	9,209	11,681	5,585	10,934	17,203	24,928
Profit attributable to the non-controlling interests	1,540	1,478	6,139	7,787	5,366	-	13,045	9,265
Total net profit	3,949	3,791	15,348	19,468	10,951	10,934	30,248	34,193
Total comprehensive income attributable to Owners of the Company	1,546	1,306	6,689	8,741	5,585	10,934	13,820	20,981
Total comprehensive income attributable to the non-controlling interests	989	835	4,459	5,827	5,366	-	10,814	6,662
Total comprehensive income	2,535	2,141	11,148	14,568	10,951	10,934	24,634	27,643
Dividends paid to non-controlling interests	830	830	7,200	4,560	-	-	8,030	5,390

(iii) Summarised statements of cash flows

	Perdana Specialist Hospital Sdn Bhd		Selangor Specialist Hospital Sdn Bhd		Lablink (M) Sdn Bhd		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net cash generated from operating activities	9,916	7,212	34,987	33,591	4,466	39,957	49,369	80,760
Net cash (used in)/ generated from investing activities	(12,542)	(5,366)	(1,786)	(8,468)	101,851	(29,378)	87,523	(43,212)
Net cash generated/ (used in) from financing activities	5,029	(4,200)	(25,944)	(27,123)	(842)	(12,720)	(21,757)	(44,043)
Net changes in cash and cash equivalents	2,403	(2,354)	7,257	(2,000)	105,475	(2,141)	115,135	(6,495)
Cash and cash equivalents at the beginning of the year	818	3,172	8,395	10,395	610	2,751	9,823	16,318
Cash and cash equivalents at the end of the year	3,221	818	15,652	8,395	106,085	610	124,958	9,823

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

22 INVESTMENTS IN ASSOCIATES

	Group	
	2018 RM'000	2017 RM'000
Quoted ordinary shares in Al-'Aqar Healthcare REIT, at cost	210,079	234,982
Disposals	-	(7,215)
Transfer to assets held for sale (Note 29)	-	(17,688)
Addition	9,000	-
	219,079	210,079
Unquoted ordinary shares, at cost	65,229	65,229
Group's share of post-acquisition reserves	138,153	130,676
	422,461	405,984
Market value of quoted ordinary shares in Al-'Aqar Healthcare REIT	361,721	368,267

The associates of the Group are as follows:

	Country of incorporation	Effective equity interest		Principal activities
		2018 %	2017 %	
<u>Associates of Company</u>				
Damansara REIT Managers Sdn Bhd [#]	Malaysia	-	-	Manager of Al-'Aqar Healthcare REIT
Al-'Aqar Healthcare REIT ^{* ^}	Malaysia	37	37	Real estate investment trust
<u>Associates of KPJSB</u>				
Kedah Medical Centre Sdn Bhd	Malaysia	46	46	Operating as a specialist hospital
Healthcare Technical Services Sdn Bhd [*]	Malaysia	30	30	Providing management and engineering maintenance services for specialist hospital
Vejthani Public Company Limited [*]	Thailand	23	23	Operating as an international specialist hospital

[^] Listed on the Main Market of Bursa Malaysia Securities Berhad.

^{*} Audited by a firm other than PricewaterhouseCoopers PLT, Malaysia.

[#] Entity over which the Company exercises significant influence by virtue of its' board representation in Damansara REIT Managers Sdn Bhd., which controls Al-'Aqar Healthcare REIT.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

22 INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information represents the amounts in the statutory financial statements of the associate and not the Group's share of those amounts.

(i) Summarised statement of financial position

	Al-'Aqar Healthcare REIT	
	2018 RM'000	2017 RM'000
Non-current assets	1,388,792	1,459,703
Current assets	152,042	96,722
Total assets	1,540,834	1,556,425
Current liabilities	567,695	622,459
Non-current liabilities	29,900	10,676
Total liabilities	597,595	633,135
Net assets	943,239	923,290

(ii) Summarised statement of comprehensive income

	Al-'Aqar Healthcare REIT	
	2018 RM'000	2017 RM'000
Revenue	102,535	99,648
Profit before tax	83,112	86,154
Net profit for the financial year	83,112	84,644
Other comprehensive loss	-	(2,442)
Dividends received from associates during the year	26,046	20,482

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in material associate

	Al-'Aqar Healthcare REIT	
	2018 RM'000	2017 RM'000
Net assets at 1 January	923,290	896,068
Profit for the financial year	83,112	84,644
Other comprehensive (loss)/income	-	(2,442)
Dividend paid during the year	(63,163)	(54,980)
Net assets at 31 December	943,239	923,290
Interest in associates	37%	37%
Carrying value of Group's interest	348,998	341,617

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

22 INVESTMENTS IN ASSOCIATES (CONTINUED)

(iv) Aggregate information of associates that are not individually material

	2018 RM'000	2017 RM'000
The Group's share of profit before tax	13,970	10,387
The Group's share of profit after tax	10,696	8,011
The Group's share of total comprehensive income	10,696	8,011

(v) Commitments and contingent liabilities

There are neither commitment nor contingent liabilities relating to the Group's interest in the associates.

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	-	2,146	-	1,864
Purchased during the year	-	2,532	-	2,532
At 31 December	-	4,678	-	4,396
Analysed as follows:				
- Listed equity securities in Malaysia	-	1,864	-	1,864
- Unlisted equity securities in Malaysia	-	2,814	-	2,532
	-	4,678	-	4,396

The fair values of these available-for-sale financial assets do not materially differ from their carrying values. Refer to Note 5 for fair value hierarchy disclosures.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

24 EQUITY INSTRUMENTS CLASSIFIED AS FVOCI

Equity investments at FVOCI comprise of the following individual investments:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Quoted shares:				
Al-Salam Real Estate Investment Trust	1,864	-	1,864	-
Unquoted shares:				
Intrapreneur Value Creation Sdn Bhd	2,532	-	2,532	-
Advanced Healthcare Solutions AG	282	-	-	-
	4,678	-	4,396	-

These investments were classified as AFS in 2017, see Note 23.

The Group and the Company have irrevocably elected non-trading equity securities above at initial recognition to present its fair value changes in OCI. The Group and the Company consider this equity instruments classification to be more relevant as these instruments are strategic investments of the Group and not held for trading purpose.

Refer to Note 2.12(a) for explanations of changes in accounting policy and reclassification of investment in non-trading equities from AFS to FVOCI.

Refer to Note 5 for disclosure of fair value information on the quoted and unquoted shares.

25 DEFERRED TAX

Deferred tax assets and liabilities were offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting are shown on the statements of financial position.

	Group	
	2018 RM'000	2017 RM'000
Deferred tax assets	68,463	24,682
Deferred tax liabilities	(68,657)	(60,206)
At 31 December	(194)	(35,524)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

25 DEFERRED TAX (CONTINUED)

The movement in the deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the financial year is as follow:

	Group	
	2018 RM'000	2017 RM'000
At 1 January	(35,524)	(44,284)
(Charged)/credit to profit or loss (Note 13)		
- Property, plant and equipment	(991)	443
- Investment properties	(4,038)	(358)
- Trade and other receivables	7,410	(1,028)
- Unutilised tax losses	11,496	8,467
- Contract liabilities	3,346	-
- Deferred revenue	-	2,975
- Trade and other payables	21,931	1,485
	39,154	11,984
Charged to other comprehensive income		
- Deferred tax on revaluation surplus during the year	(2,904)	(3,224)
- Change in Real Property Gain Tax ("RPGT") rate	(920)	-
	(3,824)	(3,224)
At 31 December	(194)	(35,524)
Subject to income tax:		
Deferred tax assets (before offsetting):		
- Unutilised tax losses	31,898	20,402
- Contract liabilities	24,354	-
- Deferred revenue	-	21,008
- Trade and other payables	28,899	6,968
	85,151	48,378
Offsetting	(16,688)	(23,696)
Deferred tax assets (after offsetting)	68,463	24,682
Deferred tax liabilities (before offsetting):		
- Property, plant and equipment	(53,226)	(48,411)
- Investment properties	(20,277)	(16,239)
- Trade and other receivables	(11,842)	(19,252)
	(85,345)	(83,902)
Offsetting	16,688	23,696
Deferred tax liabilities (after offsetting)	(68,657)	(60,206)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

25 DEFERRED TAX (CONTINUED)

The amount of unabsorbed capital allowance and unutilised tax losses for which no deferred tax asset are recognised on the statements of financial position are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unabsorbed capital allowances	14,405	15,430	105	-
Unutilised tax losses	47,311	75,161	8,535	6,689

No deferred tax assets are recognised from the above due to uncertainties of their recoverability. The unutilised tax losses will expire in year 2025, while the unabsorbed capital allowances do not expire under the current tax legislation. The availability of unutilised tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

26 INVENTORIES

	Group	
	2018 RM'000	2017 RM'000
At cost:		
Pharmaceutical products	33,289	32,756
Medical supplies	13,628	14,638
Laboratory chemicals	1,395	2,032
Consumables and disposable items	279	945
Other supplies	1,579	713
	50,170	51,084

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

27 TRADE AND OTHER RECEIVABLES AND AMOUNT DUE FROM SUBSIDIARIES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade receivables	405,453	457,561	-	-
Less: Impairment of trade receivables	(40,859)	(44,873)	-	-
Trade receivables - net	364,594	412,688	-	-
Amount due from ultimate holding corporation	3,029	2,790	8	6
Amounts due from related companies	5,817	5,325	5	5
Amounts due from associates	2,879	1,744	-	42
Other receivables	70,804	134,781	574	643
Deposits	48,924	47,592	16	45
Prepayments	19,696	19,976	46	-
	515,743	624,896	649	741
Amounts due from subsidiaries	-	-	379,555	474,817
Total	515,743	624,896	380,204	475,558

Credit terms of trade receivables range from 30 to 60 days (2017: 30 to 60 days).

Amounts due from ultimate holding corporation and related companies are interest free and repayable on demand.

Amount due from subsidiaries are unsecured, bearing interest rate of 3.7% (2017: 3.7%) per annum and with no repayment terms.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivable is as follows:

	Group	
	2018 RM'000	2017 RM'000
Neither past due nor impaired	-	149,986
1 to 30 days past due not impaired	-	109,026
31 to 60 days past due not impaired	-	53,613
61 to 91 days past due not impaired	-	23,398
91 to 120 days past due not impaired	-	20,859
More than 121 days past due not impaired	-	55,806
	-	262,702
Impaired	-	44,873
	-	457,561

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

27 TRADE AND OTHER RECEIVABLES AND AMOUNT DUE FROM SUBSIDIARIES (CONTINUED)

As at 31 December 2018, trade receivables of RM40,859,000 (2017: RM44,873,000) were impaired and provided for. Movement in allowance accounts:

	Group	
	2018 RM'000	2017 RM'000
At 1 January	44,873	34,621
Charge for the financial year (Note 9)	10,076	15,484
Written-off	(5,317)	(3,550)
Reversal of impairment loss (Note 9)	(8,773)	(1,682)
At 31 December	40,859	44,873

The other classes do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

The currency exposure profile of the receivables and deposits (excluding prepayments) are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	479,864	592,734	380,158	475,558
Indonesian Rupiah	15,519	11,845	-	-
Bangladesh Taka	646	323	-	-
Singapore Dollar	18	18	-	-
	496,047	604,920	380,158	475,558

28 DEPOSITS, BANK AND CASH BALANCES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits with licensed banks	125,719	73,762	-	-
Cash and bank balances	414,485	126,780	80,237	3,903
Total cash and bank balances	540,204	200,542	80,237	3,903
Less: Bank overdrafts (Note 32)	(9,251)	(2,094)	-	-
Deposits with licensed banks with maturity of more than 3 months	(118,452)	(8,496)	-	-
Designated account (FSRA & DSRA)	(8,287)	(5,105)	-	-
Cash and cash equivalents	404,214	184,847	80,237	3,903

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

28 DEPOSITS, BANK AND CASH BALANCES (CONTINUED)

Included in the deposits with licensed banks of the Group is an amount of RM8,287,000 (2017: RM5,105,339) being minimum balance required in the Financial Service Reserve Account ("FSRA") and Deposit Service Reserve Account ("DSRA") for loans purposes (Note 32).

The weighted average interest rate of deposits with licensed banks of the Group during the financial year is 2.90% (2017: 2.90%) per annum. Bank balances are deposits held at call with banks and earn no interest.

Deposits of the Group and of the Company have maturity period that ranges from 1 to 365 days (2017: 1 to 180 days).

Deposits, cash and bank balances as at end of the reporting period are denominated in the following currencies:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	524,894	183,320	80,237	3,903
Indonesia Rupiah	14,255	16,540	-	-
Bangladesh Taka	524	371	-	-
Singapore Dollar	531	311	-	-
	540,204	200,542	80,237	3,903

29 ASSETS HELD FOR SALE

The disposal groups classified under assets held for sale and liabilities associated with assets held for sale as at 31 December 2017 were in respect of Jeta Gardens (Qld) Pty Ltd and its subsidiaries as stated in Note 14 to the financial statements. As of 31 December 2018, the divestment process yet to be completed and management has confirmed that the planned disposal is still on track and is expected to be completed in 2019.

As at 31 December 2018, the disposal groups include Medical Supplies (Sarawak) Sdn Bhd, a subsidiary of the Group, to a third party which has been identified as at year end. The parties involved are currently finalising the terms in the share sale agreements.

Property, plant and equipment include disposal of a warehouse belonged to FP Marketing (S) Pte Ltd, a subsidiary of the Group, to a third party which has been identified as at year end.

The Directors are of the view that the above transactions are expected to be completed within the next 12 months.

The assets and liabilities classified as assets held for sale are as follows:

	Group	
	2018 RM'000	2017 RM'000
Assets held for sale:		
- Disposal groups	163,808	173,827
- Property, plant and equipment (Note 17)	12,720	-
	176,528	173,827
Liabilities associated with assets held for sale:		
- Disposal groups	179,995	190,564

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

29 ASSETS HELD FOR SALE (CONTINUED)

Assets and liabilities of disposal groups classified as assets held for sale are as follows:

	Group	
	2018 RM'000	2017 RM'000
Assets held for sale:		
- Property, plant and equipment	94,285	102,606
- Investment properties	12,104	12,514
- Available-for-sale financial assets	-	17,688
- Equity instruments classified as FVOCI	14,214	-
- Other receivables	18,810	12,458
- Deposits, cash and bank balances	22,178	27,780
- Deferred tax assets	1,583	781
- Inventories	624	-
- Tax recoverable	10	-
	163,808	173,827
Liabilities associated with assets held for sale:		
- Trade and other payables	156,964	156,360
- Borrowings	23,031	34,204
	179,995	190,564

Borrowings consist of the followings:

	Group	
	2018 RM'000	2017 RM'000
<u>Current</u>		
Conventional financing:		
- Term loans	17,604	28,283
- Finance lease liabilities	14	50
- Revolving credits	5,413	5,871
	23,031	34,204

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

29 ASSETS HELD FOR SALE (CONTINUED)

The borrowings are denominated in Australian Dollar.

The finance rate and effective finance rate is as follows:

	Finance rate	Effective finance rate at reporting date (% p.a)	
		2018	2017
Term loans	Fixed / Floating	4.86	4.74
Finance lease liabilities	Fixed	5.78	5.85
Revolving credits	Fixed / Floating	4.86	4.60

The fair value of the borrowing is approximately at its carrying value.

The borrowing is secured by:

- (a) a Letter of Undertaking cum Awareness
- (b) a charge on the specific FSRA & DSRA

Jeta Gardens (Qld) Pty Ltd and its subsidiaries have to comply with the following covenants:

- (i) Debt service current ratio to be maintained at a minimum of 1.5 times;
- (ii) Gearing ratio to be maintained not more than 3.5 times.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

30 TRADE AND OTHER PAYABLES AND AMOUNT DUE TO SUBSIDIARIES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current:				
Amounts due to subsidiaries	-	-	300,074	200,359
Other payables	21,436	30,299	-	-
	21,436	30,299	300,074	200,359
Current:				
Trade payables	162,793	184,837	-	-
Other payables	83,262	33,392	1,500	468
Accruals	263,720	226,295	18,428	16,945
Amount due to ultimate holding corporation	1,033	1,183	518	584
Amounts due to related companies	3,118	3,378	50	357
Amounts due to associates	3,151	3,762	-	-
	517,077	452,847	20,496	18,354
Amounts due to subsidiaries	-	-	48,031	157,136
Total	538,513	483,146	368,601	375,849

Non-current other payables comprises of retention sum that is not repayable in the next 12 months.

Included in amounts due to subsidiaries are advances from subsidiaries which are unsecured and bear an effective weighted average interest rate of 5.85% (2017: 5.85%) per annum and are not repayable in the next 12 months.

Amounts due to ultimate holding corporation, subsidiaries and other related companies are unsecured, interest free and repayable on demand.

Credit terms of trade payables ranges from 30 to 60 days (2017: 30 to 60 days). Payables are denominated in the following currencies:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	523,939	472,805	368,601	375,849
Indonesian Rupiah	12,363	8,666	-	-
Bangladesh Taka	2,036	1,626	-	-
Singapore Dollar	175	49	-	-
	538,513	483,146	368,601	375,849

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

31 CONTRACT LIABILITIES

	Group	
	2018 RM'000	2017 RM'000
Contract liabilities		
Balance at beginning of the year	-	-
Effect of adoption of MFRS 15	68,464	-
Revenue recognised that was included in contract liability balance at the beginning of the year	(56,563)	-
Increases due to cash received, excluding amounts recognised as revenue during the year	58,373	-
At 31 December	70,274	-

Contract liabilities which consist of the amount of deposit received from patients, the wellness subscription fees and tuition fees at the inception of the contract which services have not been rendered. Revenue is recognised as and when the performance obligations are satisfied.

The balance was previously recognised as deferred revenue.

32 BORROWINGS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Current</u>				
Islamic financing				
- Term loans (secured)	61,684	22,853	-	-
- Revolving credits (unsecured)	187,000	309,500	187,000	257,000
- Finance lease liabilities (secured)	5,170	13,794	-	-
- Bank overdrafts (unsecured)	9,251	2,094	-	-
	263,105	348,241	187,000	257,000
Conventional financing				
- Term loans (secured)	390	1,237	-	-
- Finance lease liabilities (secured)	769	891	-	-
	1,159	2,128	-	-
	264,264	350,369	187,000	257,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

32 BORROWINGS (CONTINUED)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Non-current</u>				
Islamic financing				
- Islamic Medium Term Notes (unsecured)	1,100,000	900,000	-	-
- Term loans (secured)	367,243	323,166	-	-
- Finance lease liabilities (secured)	13,752	15,803	-	-
	1,480,995	1,238,969	-	-
Conventional financing				
- Term loans (secured)	-	1,188	-	-
- Finance lease liabilities (secured)	695	2,183	-	-
	695	3,371	-	-
	1,481,690	1,242,340	-	-
	1,745,954	1,592,709	187,000	257,000
<u>Total borrowing</u>				
Islamic financing				
- Islamic Medium Term Notes (unsecured)	1,100,000	900,000	-	-
- Term loans (secured)	428,927	346,019	-	-
- Revolving credits (unsecured)	187,000	309,500	187,000	257,000
- Finance lease liabilities (secured)	18,922	29,597	-	-
- Bank overdrafts (unsecured)	9,251	2,094	-	-
Conventional financing				
- Term loans (secured)	390	2,425	-	-
- Finance lease liabilities (secured)	1,464	3,074	-	-
	1,745,954	1,592,709	187,000	257,000
The maturity profile of borrowings is as follows:				
Less than 1 year	264,264	350,369	187,000	257,000
Between 1 and 5 years	1,023,163	977,362	-	-
More than 5 years	458,527	264,978	-	-
	1,481,690	1,242,340	-	-
	1,745,954	1,592,709	187,000	257,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

32 BORROWINGS (CONTINUED)

Finance lease obligations

	Group	
	2018 RM'000	2017 RM'000
Gross finance lease liabilities - minimum lease payments:		
- due not later than 1 year	6,105	15,284
- due later than 1 year and not later than 5 years	14,850	18,657
	20,955	33,941
Future finance charges	(555)	(1,220)
	20,400	32,721
Transfer to liabilities associated with assets held for sale (Note 29)	(14)	(50)
Present value of finance lease liabilities	20,386	32,671

The present value of finance lease liabilities is analysed as follows:

	Group	
	2018 RM'000	2017 RM'000
<u>Current</u>		
Due not later than 1 year	5,954	14,722
<u>Non-current</u>		
Due later than 1 year and not later than 5 years	14,446	17,999
	20,400	32,721
Transfer to liabilities associated with assets held for sale (Note 29)	(14)	(50)
Present value of finance lease liabilities	20,386	32,671

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

32 BORROWINGS (CONTINUED)

The borrowings are denominated as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	1,713,240	1,554,606	187,000	257,000
US Dollar	32,714	38,103	-	-
	1,745,954	1,592,709	187,000	257,000

	Finance rate	Effective finance rate at reporting date (% p.a)	
		2018	2017
		Term loans	Fixed / Floating
Finance lease liabilities	Fixed	2.79	3.74
Islamic Medium Term Notes	Fixed	5.76	5.83
Bank overdrafts	Floating	6.52	6.85
Revolving credits	Fixed / Floating	4.54	4.76

Stated below are the fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	Group			
	Carrying value		Fair value	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Term loans	367,243	324,354	208,583	281,146
Finance lease liabilities	14,447	17,986	13,423	17,334
Islamic Medium Term Notes	1,100,000	900,000	869,453	718,116
	1,481,690	1,242,340	1,091,459	1,016,596

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

32 BORROWINGS (CONTINUED)

The borrowings are secured by:

- (a) The property, plant and equipment and investment property pledged for borrowing facilities as at 31 December 2018 is RM441,136,000 (2017: RM443,774,000);
- (b) a Letter of Undertaking cum Awareness;
- (c) negative pledge;
- (d) an assignment of the proceeds to be received from the disposal of the building and lease/rentals;
- (e) fixed and floating charge over certain present and future assets;
- (f) third party's loan agreement cum assignment over certain leasehold land;
- (g) jointly and severally guaranteed by certain directors of a subsidiary;
- (h) Corporate Guarantee;
- (i) assignment of all Rights & Benefits or its equivalent over the relevant Takaful cover;
- (j) a charge on the specific FSRA & DSRA and all monies standing to the credit of certain subsidiaries;
- (k) specific debenture charge over assets;
- (l) legal charge and assignment over the FRA and all proceeds therein.

In connection with certain borrowings, the Group and its subsidiaries have to comply with the following significant covenants:

At Group level:

- (i) Gearing ratio being not more than 1.5 times for Islamic Medium Term Notes;
- (ii) Gearing ratio to exceed 1.25 times for revolving credit facility;
- (iii) Debt service coverage ratio not more than 2.0 times;
- (iv) EBIT/Interest ratio to fall below 3.0 times.

At subsidiaries level:

- (i) Gearing ratio of not more than 1.5 times;
- (ii) Dividend declared or paid not more than fifty percent (50%) of profit after tax;
- (iii) Debt service current ratio not more than 4.0 times;
- (iv) Gearing ratio to exceed 1.50 times;
- (v) Gearing ratio to exceed 2.50 times.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

33 PROVISION FOR RETIREMENT BENEFITS

The Group operates an unfunded lump-sum benefit plan for eligible employees at a subsidiary company.

The movements during the financial year in the amount recognised in the statement of financial position are as follows:

	Group	
	2018 RM'000	2017 RM'000
At 1 January	2,616	2,548
Charged to profit or loss (Note 10)	310	270
Retirement benefits paid	(248)	(202)
	2,678	2,616

The amount recognised in profit or loss is as follows:

	2018	2017
Current service cost	157	133
Interest cost on benefit obligation	153	137
	310	270

The principal assumptions used in respect of the defined benefit plan of the Group are as follows:

	Group	
	2018 %	2017 %
Discount rate ¹	5.0	5.4
Expected rate of salary increase		
- Non-management staff ²	6.0	5.0
- Management staff ²	6.0	5.0
Turnover ³	Age related scale of 25% per annum prior age 25, gradually reducing to 0% per annum by age 50.	Age related scale of 25% per annum prior age 25, gradually reducing to 0% per annum by age 50.

¹ Discount rate is reflective of 10-15 year yield for AAA rated bond

² Expected rate of salary increase is as per industry average

³ Turnover rate is relatively influenced by average employee age

The above assumptions derived from the latest actuarial valuation of the plan.
The valuation was carried out by third party actuaries, Towers Watson (Malaysia) Sdn Bhd.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

33 PROVISION FOR RETIREMENT BENEFITS (CONTINUED)

			2018 RM'000	2017 RM'000
1.	A	1% increase in salary increment rate		
	a	Increase on defined benefit obligation	2,980	2,869
	b	Increase in net defined liability	303	254
2.	A	1% decrease in salary increment rate		
	a	Decrease on defined benefit obligation	2,987	2,869
	b	Decrease in net defined liability	309	254

34 DEPOSITS

Deposits represent amounts received from consultants, which are repayable on death, retirement (at age 65) or disability of the consultants. Deposits are forfeited on termination of a consultant's practice either by the Group due to events of breach or on early termination by the consultant unless approval to refund is obtained from the board of directors.

35 SHARE CAPITAL

			Group/Company	
			2018 RM'000	2017 RM'000
Issued and fully paid ordinary shares:				
At 1 January			736,069	531,784
Issued during the financial year:				
	-	Exercise of warrants (2014/2019)	86,659	730
	-	ESOS	37,567	24,075
			124,226	24,805
Transfer pursuant to Section 618 of Companies Act 2016 (Note (a))			-	179,480
At 31 December			860,295	736,069

(a) Transition to no-par value regime on 31 January 2017 under the Companies Act 2016

The Companies Act 2016 which came into effect on 31 January 2017 has repealed the Companies Act 1965. The Companies Act 2016 has abolished the concept of par or nominal value of shares and hence, the share premium and authorised capital are abolished. In accordance with Section 618 of the new Companies Act 2016, any amount standing to the credit of the Company's share premium account become part of the Company's share capital upon commencement of the Act. Notwithstanding this provision, the Company may within 24 months from the date of the Act came into effect, use the amount standing to the credit of its share premium accounts of RM179,480,000 for purposes as set out in Section 618 of the Act.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

35 SHARE CAPITAL (CONTINUED)**(b) Warrants (2014/2019)**

On 29 January 2014, Warrants 2014/2019 were issued for free to the subscribers of the renounceable rights issue of 43,637,326 new ordinary shares of RM0.50 each in the Company's Rights Shares on the basis of one (1) Rights Share for every fifteen (15) existing shares held by the entitled shareholders of the Company, together with 87,274,652 free detachable new warrants ("Warrants 2014/2019") on the basis of two (2) Warrants 2014/2019 for every one (1) Rights Share subscribed at an issue price of RM4.01 per Rights Share ("Rights Issue").

Each new Warrant (2014/2019) is entitled at any time during the exercise period, to subscribe for one (1) new ordinary share at the exercise price of RM4.01. During the previous year, each warrant has been adjusted to RM1.01 each pursuant to the Share Split exercise on 26 September 2017.

Set out below are details of the Warrants (2014/2019) issued by the Company during the financial year:

Issuance date	Expiry date	Exercise price RM/share	Number of Warrants 2014/2019		
			1.1.2018 '000	(Exercised) '000	31.12.2018 '000
29 January 2014	23 January 2019	1.01	345,635	(78,603)	267,032

Details relating to warrants exercised during the financial year are as follows:

	Group/Company	
	2018 RM'000	2017 RM'000
Ordinary share capital	86,659	730
Share premium	-	1
Warrants (2014/2019)	(7,270)	(61)
Proceeds from exercise of warrants	79,389	670
Fair value at exercise date of shares issued	82,488	711

The fair value of shares issued on the exercise of warrants is the mean market price at which the Company's shares were traded on Bursa Malaysia on the day prior to the exercise of the warrants.

The warrants expired on 23 January 2019 and a total of 244,147,766 units now lapsed and no longer valid to be exercised.

(c) Treasury shares

On 23 April 2018, at the Annual General Meeting, the shareholders of the Company renewed their approval for the Company to buy-back its own shares of up to ten percent (10%) of the issued and paid-up share capital of the Company.

During the financial year, the Company repurchased 52,150,500 ordinary shares of its issued share capital from the open market at an average price of RM1.07 per share. The repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares and accounted for in accordance with the requirement of Section 127 of the Companies Act 2016.

As at 31 December 2018, the Company held a total of 115,197,500 of its 4,399,148,119 issued ordinary shares as treasury shares. Such treasury shares are held at a carrying amount of RM11,318,576.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

36 SHARE-BASED PAYMENTS

An Employees Share Option Scheme ("ESOS") was implemented on 27 February 2015 for the benefit of senior executives and certain employees of the Company. The ESOS shall be in-force for a period of 5 years. The fair value of each share option on the grant date is RM0.25. The options are to be settled only by the issuance and allocation of new ordinary shares of the Company. There are no cash settlement alternatives.

The exercise price of the share options granted under the ESOS is RM0.91 each. The options granted are divided into 5 equal tranches which vest on 14 April 2015, 27 February 2016, 27 February 2017, 27 February 2018 and 27 February 2019. The vesting condition is that the offeree must be an employee or director, as the case may be, of the Company or its subsidiaries on the respective vesting and exercise dates. The options expire on 27 February 2020.

During the year, the Company offered additional ESOS to eligible employees. The fair value of additional ESOS issued during the financial year is RM0.25 and the exercise price is RM0.91 (2017: RM0.91).

Movement of share options during the financial year

	2018 Unit'000	2017 Unit'000
Number of share options at exercise price of RM0.91 each:		
Outstanding as at 1 January	260,007	299,704
- Granted	1,792	2,136
- Exercised	(39,132)	(26,470)
- Lapsed	(9,712)	(15,363)
Outstanding as at 31 December 2018	212,955	260,007
Exercisable at end of financial year	146,983	114,534

The fair value of the ESOS granted in which MFRS 2 applies, were determined using the Black-Scholes valuation model. The significant inputs in the model are as follows:

Description of ESOS

Fair value per option	RM0.25
Exercise price	RM0.91
Option life	5 years
Weighted average share price at grant date	RM1.01
Expected dividend yield	1.90%
Risk free interest rates	3.35% to 3.62%
Expected volatility	20%

The amounts recognised in the financial statements is as disclosed in Notes 10 to the financial statements arising from the ESOS granted to Directors and employees of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

37 OTHER RESERVES

	Warrant reserve (Note a) RM'000	Merger reserve (Note b) RM'000	Exchange reserves (Note c) RM'000	Revaluation reserve (Note d) RM'000	Share option reserve (Note e) RM'000	Total RM'000
<u>Group</u>						
At 1 January 2018	31,631	(3,367)	(5,134)	98,070	61,189	182,389
Other comprehensive income						
Translation of foreign subsidiaries	-	-	8,674	-	-	8,674
Revaluation surplus	-	-	-	27,923	-	27,923
Total other comprehensive income	-	-	8,674	27,923	-	36,597
	31,631	(3,367)	3,540	125,993	61,189	218,986
Transactions with Owners:						
Issue of share capital:						
- Warrants	(7,270)	-	-	-	-	(7,270)
- ESOS	-	-	-	-	(1,957)	(1,957)
	(7,270)	-	-	-	(1,957)	(9,227)
ESOS expenses during the financial year	-	-	-	-	12,854	12,854
Lapsed ESOS	-	-	-	-	(526)	(526)
Total transactions with Owners	(7,270)	-	-	-	10,371	3,101
At 31 December 2018	24,361	(3,367)	3,540	125,993	71,560	222,087

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

37 OTHER RESERVES (CONTINUED)

	Warrant reserve (Note a) RM'000	Merger reserve (Note b) RM'000	Exchange reserves (Note c) RM'000	Revaluation reserve (Note d) RM'000	Share option reserve (Note e) RM'000	Total RM'000
<u>Group</u>						
At 1 January 2017	31,692	(3,367)	(2,099)	87,862	50,111	164,199
Other comprehensive income						
Translation of foreign subsidiaries	-	-	(3,035)	-	-	(3,035)
Revaluation surplus	-	-	-	10,208	-	10,208
Total other comprehensive (loss)/income	-	-	(3,035)	10,208	-	7,173
	31,692	(3,367)	(5,134)	98,070	50,111	171,372
Transactions with Owners:						
Issue of share capital:						
- Warrants	(61)	-	-	-	-	(61)
- ESOS	-	-	-	-	(1,324)	(1,324)
	(61)	-	-	-	(1,324)	(1,385)
ESOS expenses during the financial year	-	-	-	-	13,171	13,171
Lapsed ESOS	-	-	-	-	(769)	(769)
Total transactions with Owners	(61)	-	-	-	11,078	11,017
At 31 December 2017	31,631	(3,367)	(5,134)	98,070	61,189	182,389

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

37 OTHER RESERVES (CONTINUED)

- (a) Warrant reserve is a reserve arising from the fair value of the right issue discount. When the warrants are exercised, the related amounts are transferred to share capital. When the warrants are not exercised and lapsed, the related warrant reserve is transferred to retained earnings.
- (b) The difference between the issue price and the nominal value of shares issued that arose from a merger was classified as merger reserve.
- (c) Exchange reserve is used to record exchange differences arising from the translation of financial statements of subsidiaries/ associate whose functional currency differs from the Group's presentation currency.
- (d) Revaluation reserve (non-distributable).

	Group	
	2018 RM'000	2017 RM'000
At 1 January	98,070	87,862
Revaluation surplus, net of tax	27,923	10,208
At 31 December	125,993	98,070

The revaluation reserve represents surplus from the revaluation of the Group's land and buildings.

- (e) Share option reserve is a reserve created arising from the fair value of the employee services provided. When the ESOS options are exercised, the related amounts are transferred to share capital. When options are not exercised and lapsed, the related share option reserve is transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

38 SIGNIFICANT RELATED PARTY DISCLOSURES

The Group is a subsidiary of Johor Corporation, a body corporate established under the Johor Corporation Enactment No. 4, 1968 (as amended by the Enactment No. 5, 1995). During the ordinary course of business, the Group transacts with various state related government agencies and departments, mainly relating to land premiums, utilities payments and administrative services. These are based on normal commercial terms and are individually immaterial to warrant separate disclosure.

In addition to the related party disclosures elsewhere in the financial statements, set out below are other significant related party transactions and balances. The related party transactions described below were carried out on negotiated terms.

(a) Significant related party transactions

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Group and Company</u>				
Project management fee to associate	2,866	-	-	-
Proceeds receivable from disposal of carparks to an associate*	-	13,000	-	-
Rental expense to an associate*	89,062	93,063	-	-
Management fee from subsidiaries	-	-	(50,314)	(48,014)
Dividend received (net) from subsidiaries	-	-	(121,598)	(108,388)
Interest income from subsidiaries	-	-	(5,895)	(2,602)
Interest expense to subsidiaries	-	-	12,521	10,347
Dividends received from associates	29,295	23,390	-	-
* Al-'Aqar Healthcare REIT				
<u>Johor Corporation group of companies</u>				
Secretarial fee	505	427	56	56
Insurance premiums	4,883	2,910	146	-
Dividend paid	-	-	30,738	27,226
Contribution to Klinik Waqaf An-Nur	2,010	3,174	-	-
Purchase of land	-	12,060	-	-

Management fees charged to subsidiaries are in respect of operational and administrative function of the subsidiaries which are performed by employees of the Company.

Information regarding outstanding balances arising from related party transactions as at the financial year end are disclosed in Note 27 and 30.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(b) Key management personnel compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company whether directly or indirectly. The key management personnel of the Company comprise Directors and the Executive Committee of the Company. Details on the compensation for these key management personnel are disclosed as below:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors' remuneration (Note 11)	5,428	3,829	5,242	3,634
Salaries, allowances and bonuses	2,858	3,986	2,858	3,986
Contributions to defined contribution plan	653	975	653	975
Share-based payments	82	172	82	172
	9,021	8,962	8,835	8,767

39 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

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

	Group	
	2018 RM'000	2017 RM'000
Represented by:		
Not later than 1 year	108,017	102,608
Later than 1 year and not later than 2 years	209,991	205,719
Later than 2 years and not later than 5 years	329,153	305,430
Later than 5 years and not later than 10 years	559,343	522,000
Later than 10 years and not later than 20 years	885,317	938,875
Later than 20 years and not later than 30 years	835,871	896,465
	2,927,692	2,971,097

The Group has entered into contractual agreements with Amanah Raya Berhad (as Trustee for Al-'Aqar Healthcare REIT) and Damansara REIT Managers Sdn Bhd to lease certain hospital land and buildings including certain equipment for a period of fifteen years, with an option to renew for another fifteen years subject to terms and conditions as stipulated in the agreement.

The future lease payments have incorporated the extension period of fifteen years.

The minimum lease payments above are also subject to an incremental rental payable every 3 years based on the adjusted risk free government security rate but subject to a minimum yield of the market value of the property.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

40 CONTINGENT LIABILITIES

The Group is subject to litigations in the ordinary course of business, mainly arising from its subsidiaries hospital operations. The Directors are of the opinion that, based on legal advice and malpractice insurance taken by the Group, no significant exposure will arise that requires recognition.

41 CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements is as follows:

	Group	
	2018 RM'000	2017 RM'000
Approved by the Directors and contracted	259,246	187,065
Approved by the Directors but not contracted	163,438	273,337
	422,684	460,402
Analysed as follows:		
- Buildings	300,024	314,490
- Medical equipments	103,529	111,993
- Other property, plant and equipment	19,131	33,919
	422,684	460,402

42 SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal management reporting provided to the chief operating decision maker ("CODM"), which is the Board of Directors ("BOD"). The BOD considers the business by geographical location. The reportable segments for the financial year have been identified as follows:

Continuing operations

- (i) Malaysia - All healthcare activities including the private hospitals, pathology and laboratory services and distribution of pharmaceutical, medical and consumer healthcare products.
- (ii) Others - Operating segments involved in provision of hospital services in Indonesia, Thailand and Bangladesh, private university college of nursing and allied health and sale of hospital merchandise and other similar activities, none of which are individually significant to warrant separate disclosure per quantitative thresholds required by MFRS 8.

Discontinued operation

- (i) Australia - Providing retirement village and aged care facilities

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

The BOD assesses the performance of the operating segments based on EBITDA and profit before zakat and tax.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

42 SEGMENTAL REPORTING (CONTINUED)

	Continuing operations			Discontinued operation	Total RM'000
	Malaysia RM'000	Others RM'000	Sub-total RM'000	Australia RM'000	
<u>Year ended 31 December 2018</u>					
<u>Revenue</u>					
Revenue from external customers	3,205,783	102,334	3,308,117	57,491	3,365,608
<u>Year ended 31 December 2018</u>					
<u>Results</u>					
EBITDA*	503,355	(295)	503,060	(2,162)	500,898
Profit/(loss) before zakat and tax	278,202	(11,691)	266,511	(4,524)	261,987
Total assets	4,328,015	303,850	4,631,865	161,004	4,792,869
Total liabilities	2,407,571	69,880	2,477,451	178,715	2,656,166
Additions to property, plant and equipment	380,610	7,865	388,475	706	389,181

	Continuing operations			Discontinued operation	Total RM'000
	Malaysia RM'000	Others RM'000	Sub-total RM'000	Australia RM'000	
<u>Year ended 31 December 2017</u>					
<u>Revenue</u>					
Revenue from external customers	3,071,357	108,641	3,179,998	54,816	3,234,814
<u>Year ended 31 December 2017</u>					
<u>Results</u>					
EBITDA *	434,495	(6,500)	427,995	(3,441)	424,554
Profit/(loss) before zakat and tax	249,206	(15,880)	233,326	(8,050)	225,276
Total assets	3,746,875	313,206	4,060,081	173,827	4,233,908
Total liabilities	2,147,442	80,691	2,228,133	190,564	2,418,697
Additions to property, plant and equipment	461,099	5,524	466,623	18	466,641

* Earnings before interest, tax, depreciation and amortisation ("EBITDA")

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018 (Continued)

42 SEGMENTAL REPORTING (CONTINUED)

The reconciliation of EBITDA to profit for the financial year is as follows:

	2018 RM'000	2017 RM'000
Continuing operations:		
EBITDA	503,060	427,995
Depreciation and amortisation	(155,487)	(128,356)
Finance cost - net	(81,062)	(66,313)
Profit before zakat and tax	266,511	233,326
Zakat and tax	(76,581)	(60,030)
Profit for the financial year	189,930	173,296
Discontinued operation:		
Loss for the financial year	(3,745)	(6,386)

SHAREHOLDINGS STATISTICS

as at 28 February 2019

Issued Shares	: 4,429,365,663 less 115,197,500 Treasury Shares = 4,314,168,163
Class of Shares	: Ordinary Share
Voting Rights	: Every member of the Company present in person or by proxy shall have one vote on a show of hand and in the case of a poll shall have one vote for every share of which he/she is the holder.

BREAK DOWN OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	191	2.60	7,855	-
100 - 1000	919	12.51	519,292	0.01
1,001 - 10,000	2,826	38.46	14,996,242	0.35
10,001 - 100,000	2,624	35.71	83,761,259	1.94
100,001 to less than 5% of Issued Capital	782	10.64	2,019,123,803	46.80
5% and above of Issued Capital	6	0.08	2,195,759,712	50.90
TOTAL	7,348	100.00	4,314,168,163	100.00

SHAREHOLDINGS STATISTICS

as at 28 February 2019

TOP THIRTY SECURITIES ACCOUNT HOLDERS (WITHOUT AGGREGATING THE SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE SAME DEPOSITOR)

No. Name	No. of Shares	%
1. Johor Corporation	455,962,269	10.57
2. Maybank Noms (T) Sdn Bhd - A/C Johor Corporation	425,560,000	9.86
3. Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board	380,133,780	8.81
4. Johor Corporation	377,499,780	8.75
5. Waqaf An-Nur Corporation Berhad	304,575,636	7.06
6. RHB Noms (T) Sdn Bhd - A/C Johor Corporation	252,028,247	5.84
7. AmanahRaya Trustees Berhad - A/C Amanah Saham Bumiputera	214,973,400	4.98
8. Kumpulan Wang Persaraan (Diperbadankan)	158,384,500	3.67
9. Lembaga Tabung Haji	113,225,348	2.62
10. Citigroup Noms (T) Sdn Bhd - A/C Exempt An for AIA Bhd.	89,978,300	2.09
11. RHB Noms (T) Sdn Bhd - A/C JCorp Capital Solutions Sdn. Bhd.	88,000,000	2.04
12. AmanahRaya Trustees Berhad - A/C Public Ittikal Sequel Fund	56,221,064	1.30
13. AmanahRaya Trustees Berhad - A/C Public Islamic Dividend Fund	52,810,940	1.22
14. AmanahRaya Trustees Berhad - A/C Public Islamic Select Treasures Fund	51,835,572	1.20
15. Maybank Noms (T) Sdn Bhd - A/C Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)	50,000,000	1.16
16. Cartaban Noms (A) Sdn Bhd - A/C Exempt An for State Street Bank & Trust Company (WEST CLT OD67)	36,295,500	0.84
17. Cartaban Noms (T) Sdn Bhd - A/C PAMB for Prulink Equity Fund	35,620,100	0.83
18. Johor Corporation	34,565,248	0.80
19. AmanahRaya Trustees Berhad - A/C Amanah Saham Malaysia 3	32,358,900	0.75
20. AmanahRaya Trustees Berhad - A/C Amanah Saham Malaysia	31,797,400	0.74
21. AmanahRaya Trustees Berhad - A/C Amanah Saham Bumiputera 2	28,795,000	0.67
22. AmanahRaya Trustees Berhad - A/C Public Islamic Equity Fund	27,686,544	0.64
23. HSBC Noms (T) SDN BHD - A/C HSBC (M) Trustee Bhd For Affin Hwang Select Opportunity Fund(3969)	26,958,500	0.62
24. HSBC Noms (A) Sdn Bhd - A/C JPMBL SA For Aviva Investors	21,856,000	0.51
25. Citigroup Noms (A) Sdn Bhd - A/C Exempt An for Citibank New York (NORGES Bank 14)	21,082,400	0.49
26. Citigroup Noms (A) Sdn Bhd - A/C CBNY for DFA Emerging Markets Small Cap Series	20,160,200	0.47
27. AmanahRaya Trustees Berhad - A/C Public Islamic Opportunities Fund	18,964,100	0.44
28. Kulim (Malaysia) Berhad	18,938,600	0.44
29. AmanahRaya Trustees Berhad - A/C Amanah Saham Bumiputera 3 - Didik	18,780,100	0.44
30. Maybank Noms (T) Sdn Bhd - A/C MTrustee Berhad For CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)(419455)	16,549,400	0.38

SHAREHOLDINGS STATISTICS

as at 28 February 2019

SUBSTANTIAL SHAREHOLDERS

No. Name	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
1. Johor Corporation - 6 a/cs	1,545,915,544	35.83	413,979,376	9.60
2. Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board - 6 a/cs	406,080,380	9.41	-	-
3. Waqaf An-Nur Corporation Berhad	304,575,636	7.06	-	-

ANALYSIS OF SHAREHOLDERS

	No. of Shareholders	%	No. of Shares	%
Malaysian				
- Bumiputra	2,101	28.59	3,132,498,853	72.61
- Others	5,035	68.52	888,963,419	20.61
Foreigners	212	2.89	292,705,891	6.78
TOTAL	7,348	100.00	4,314,168,163	100.00

DIRECTORS' SHAREHOLDING AS AT 28 FEBRUARY 2019

No. Name of Directors'	No. of Shares	%
1. Dato' Kamaruzzaman bin Abu Kassim Maybank Noms (T) Sdn Bhd - A/C For Kamaruzzaman bin Abu Kassim	254,500	0.01
2. Dato' Amiruddin bin Abdul Satar	25,064	-
3. Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir - 2 a/cs - Indirect (Amy Nadzlina binti Mohamed)	4,800,000 -	0.11 -
4. Jasimah binti Hassan	1,190,000	0.03
5. Mohd Sahir bin Rahmat AMSec Noms (T) Sdn Bhd - A/C AMBank (M) Berhad for Mohd Sahir bin Rahmat (KPJ)	904,800	0.02
6. Dato' Dr. Bajit Kor A/P Teja Singh	751,960	0.02
7. Dato' Dr. Zaki Morad bin Mohamad Zaher	80,000	-
8. Aminudin bin Dawam	44,788	-
9. Dato' Muthanna bin Abdullah	-	-
10. Christina Foo	-	-
11. Zulkifli bin Ibrahim	-	-
12. Prof Dato' Dr. Azizi bin Haji Omar	-	-

CLASSIFICATION OF SHAREHOLDERS

as at 28 February 2019

ROD	Total		Bumiputra		Non-Bumiputra		Foreign	
	Holder	Shares	Holder	Shares	Holder	Shares	Holder	Shares
Government Bodies	18	1,963,084,920	18	1,963,084,920	-	-	-	-
Finance	71	878,960,360	67	865,786,696	4	13,173,664	-	-
Investment Trust	5	1,234,312	5	1,234,312	-	-	-	-
Nominees	1,864	1,216,500,500	1,078	225,854,186	647	704,158,599	139	286,487,715
Companies	82	24,951,348	42	18,682,604	36	4,765,544	4	1,503,200
Clubs/Association	1	1,770,000	1	1,770,000	-	-	-	-
Co - Operatives	3	230,000	3	230,000	-	-	-	-
Others	1	40	-	-	1	40	-	-
Individuals	5,303	227,436,683	887	55,856,135	4,347	166,865,572	69	4,714,976
TOTAL	7,348	4,314,168,163	2,101	3,132,498,853	5,035	888,963,419	212	292,705,891
%	100.00	100.00	28.59	72.61	68.52	20.61	2.89	6.78

LIST OF TOP 10 PROPERTIES

No.	Company	Location	Description	Latest date of valuation	Market value 2018 RM million	NBV as at 31.12.2018 RM million	Tenure & expiry date	Area (in sq metre)	Age of building
1.	Kumpulan Perubatan (Johor) Sdn Bhd	Menara KPJ, 238 Jalan Tun Razak, 50400 Kuala Lumpur	Land and office building	31/12/2018	238.0	238.0	Freehold land	97,35	20 years
2.	SMC Healthcare Sdn Bhd	TL 017553221, Jalan Bersatu, Off Jalan Damai, Luyang, Kota Kinabalu, Sabah	Hospital building	31/12/2016	198.1	190.1	NA	42,211	5 years
3.	Pahang Specialist Hospital Sdn Bhd	Lot 105703 (HSM 65652) Jalan Tanjung Lumpur, 26060 Kuantan, Pahang Darul Makmur	Land and hospital building	31/12/2016	83.6	81.8	Leasehold land (99 years expiring on 17 April 2106)	12,940	3 years
4.	Rawang Specialist Hospital Sdn Bhd	PT 4156, Section 16, Jalan Rawang, Bandar Baru Rawang, 48000 Rawang, Selangor	Land and hospital building	31/12/2016	80.0	77.0	Leasehold land (99 years expiring on 7 September 2103)	33,771	6 years
5.	Pasir Gudang Specialist Hospital Sdn Bhd	Lot PTD 204781, Mukim Plentong, Johor Bahru, Johor	Land and hospital building	31/12/2016	69.9	68.7	Leasehold land (99 years expiring on 28 December 2108)	13,144	6 years
6.	PT Al-Aqar Bumi Serpong Damai	Jalan Letkol Sutopo III-IA/07, Serpong District, Tangerang, Banten Province, Indonesia	Land and hospital building	31/12/2018	68.5	68.5	Leasehold land (20 years expiring on 15 July 2027)	34,172	14 years
7.	Maharani Specialist Hospital Sdn Bhd	Lot 2024, Bandar Maharani, Muar, Johor	Land and hospital building	31/12/2015	65.0	65.0	Freehold land	30,224	5 years
8.	Selangor Specialist Hospital Sdn Bhd	PT No. 2, Section 20, Town of Shah Alam, District Petaling, Selangor Darul Ehsan	Land and hospital building	31/12/2018	61.4	61.4	Leasehold land (99 years expiring on 1 July 2096)	37,515	2 years
9.	Amity Development Sdn Bhd	TL 017553221, Jalan Damai, District of Kota Kinabalu, Sabah	Land	31/12/2018	57.0	57.0	Leasehold land (999 years expiring on 5 February 2910)	16,850	NA
10.	Bandar Dato Onn Specialist Hospital Sdn Bhd	HSD 501209 PTD 163189, Bandar Dato' Onn, Mukim Tebrau, Daerah Johor Bahru	Land	31/12/2015	47.0	47.0	Freehold land	54,034	NA

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